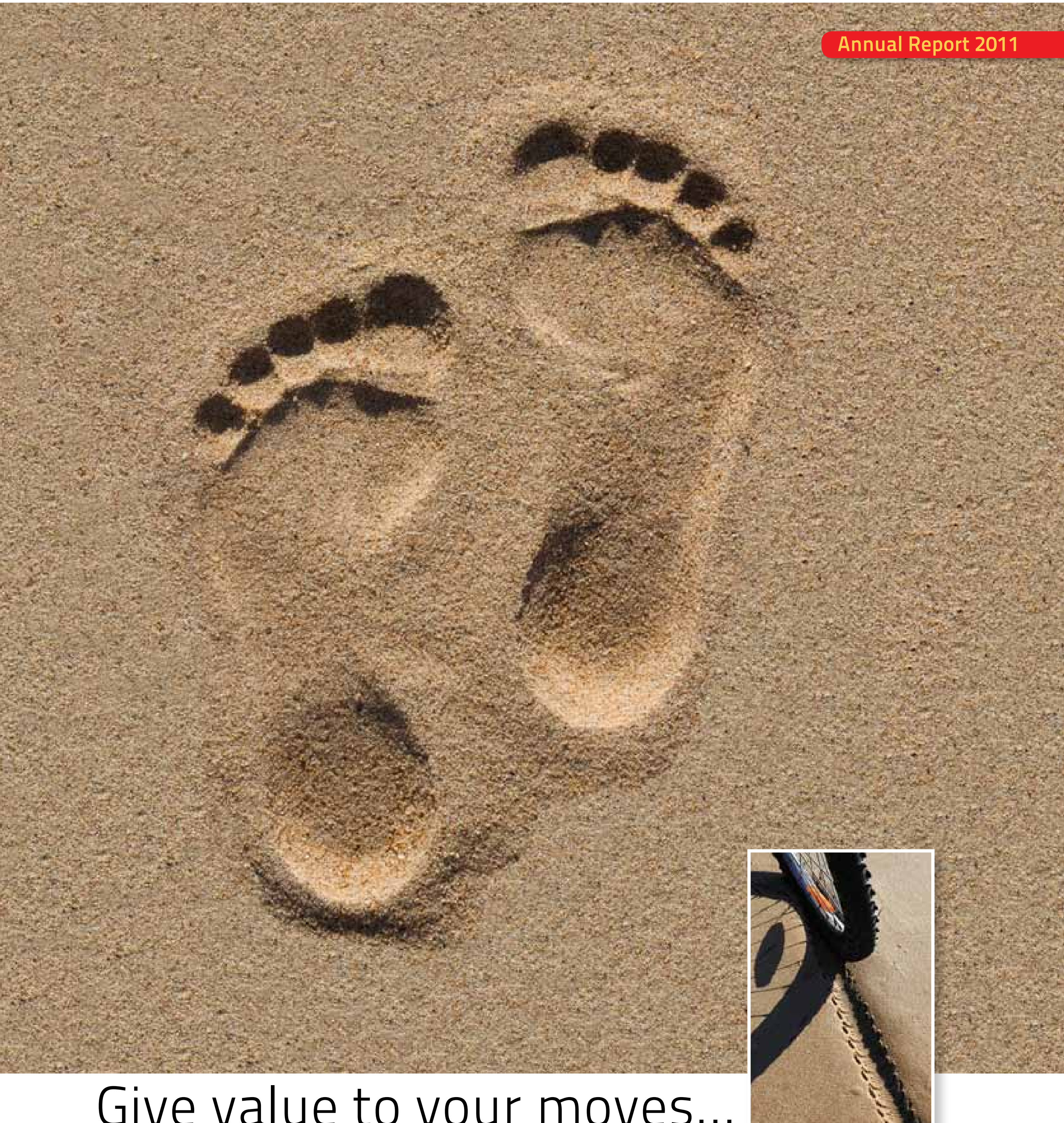
Annual Report 2011



Give value to your moves...

Servis

SERVICE INDUSTRIES LIMITED

About Cover Concept

"Spending time selecting the right footwear and making sure that they are comfortable is time well spent."

A shoe is an item of footwear intended to protect and comfort the human foot while doing various activities. A good pair of shoes or boot should last you a long time. The design of the shoe has changed from time to time and from culture to culture. Instead of choosing the shoes in which you are comfortable choose comfortable shoes which can protect your feet. As is the case with the tyre which is an essential part of a car, cycle or motorcycle. Without the tyre a mechanical body cannot move. The word tyre is derived from the word "attire" while other suggests that it means "to tie". As the shoe protects the foot just like that a tyre protects the wheel rim.

Contents

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.

Our Vision

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

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

Chaudhry Ahmad Saeed

Chief Financial Officer

Mr. Muhammad Usman Amjad

Company Secretary

Mr. Sultan Anwar

Audit Committee

Mr. Manzoor Ahmed
Chairman

Mr. Hassan Javed
Member

Mr. Riaz Ahmed
Member

Auditors

M/s S.M. Masood & Co.
Chartered Accountants

Legal Advisor

M/s Bokhari Aziz & Karim
2-A, Block-G, Gulberg-II, Lahore.

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

Registered Office

Servis House
2-Main Gulberg, Lahore-54662.
Tel: 042-35751990-96
Fax: 042-35710593, 35712109
Email: sil@servis.com

Factories

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

Web Presence

www.servis.com

Bankers

Habib Bank Limited
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Faysal Bank Limited
HSBC Bank Middle East Limited
SAMBA Bank Limited
Barclays Bank PLC, Pakistan
Standard Chartered Bank (Pakistan) Limited

Management Team Footwear Division

Mr. Jawwad Faisal
Chief Commercial Officer

Mr. Muhammad Usman Amjad
Chief Financial Officer

Mr. Ghulam Mohammad
General Manager-Gujrat Plant

Mr. Adnan Wasal
General Manager-Muridke Plant

Mr. Muhammad Sohail Akhtar Chaudhry
General Manager-Domestic Sale

Mr. Hassan Ehsan
Head of Exports

Mr. Hyder Usman Chaudry
Head of Human Resource

Management Team Tyre and Tube Division

Mr. Jawwad Faisal
Chief Commercial Officer

Mr. Muhammad Usman Amjad
Chief Financial Officer

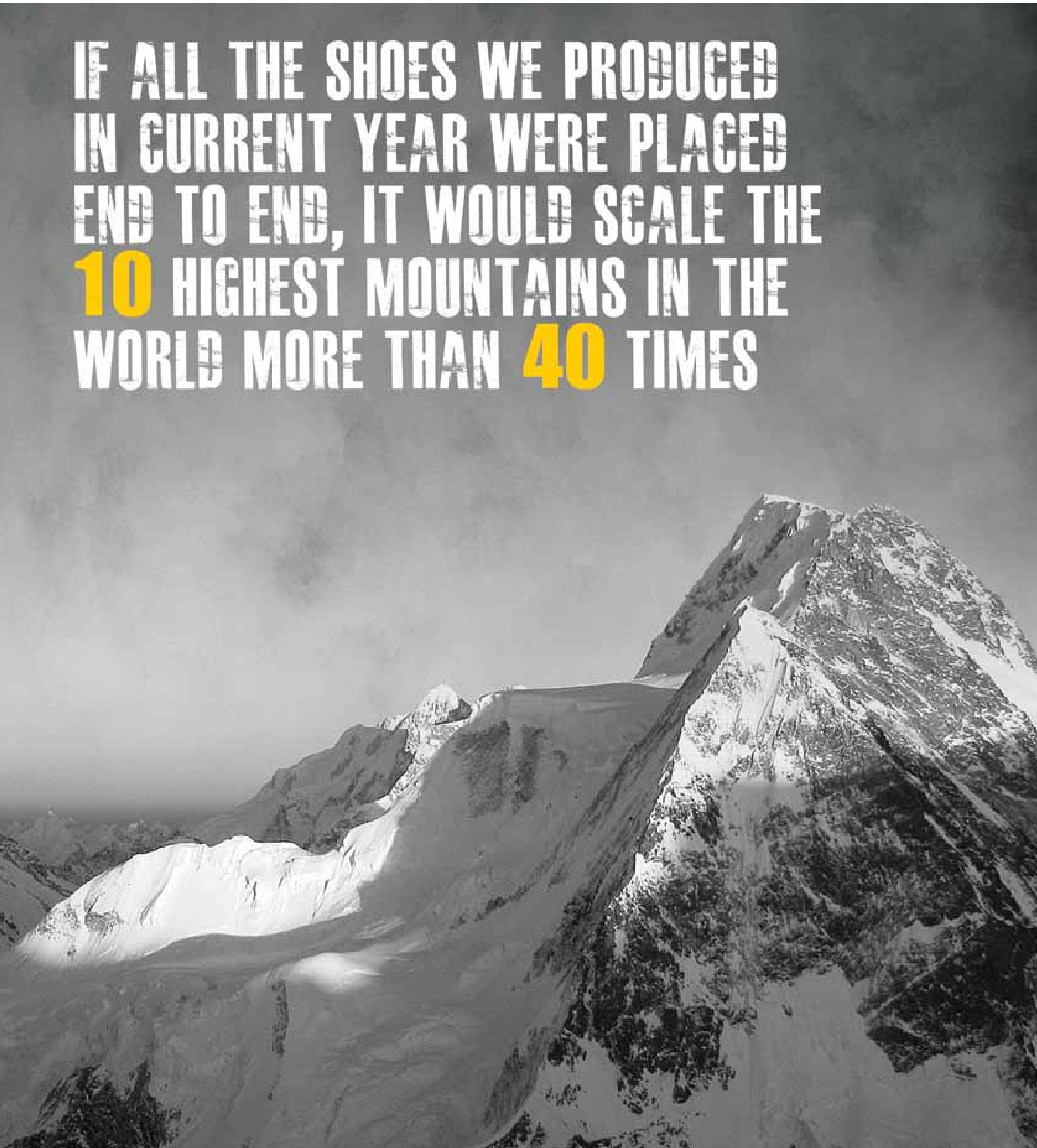
Mr. Muhammad Ejaz
Country Manager Sales & Marketing

Mr. Ghulam Ahmad Cheema
General Manager

Mr. Ghazanfar Ali
Chief Technical Manager

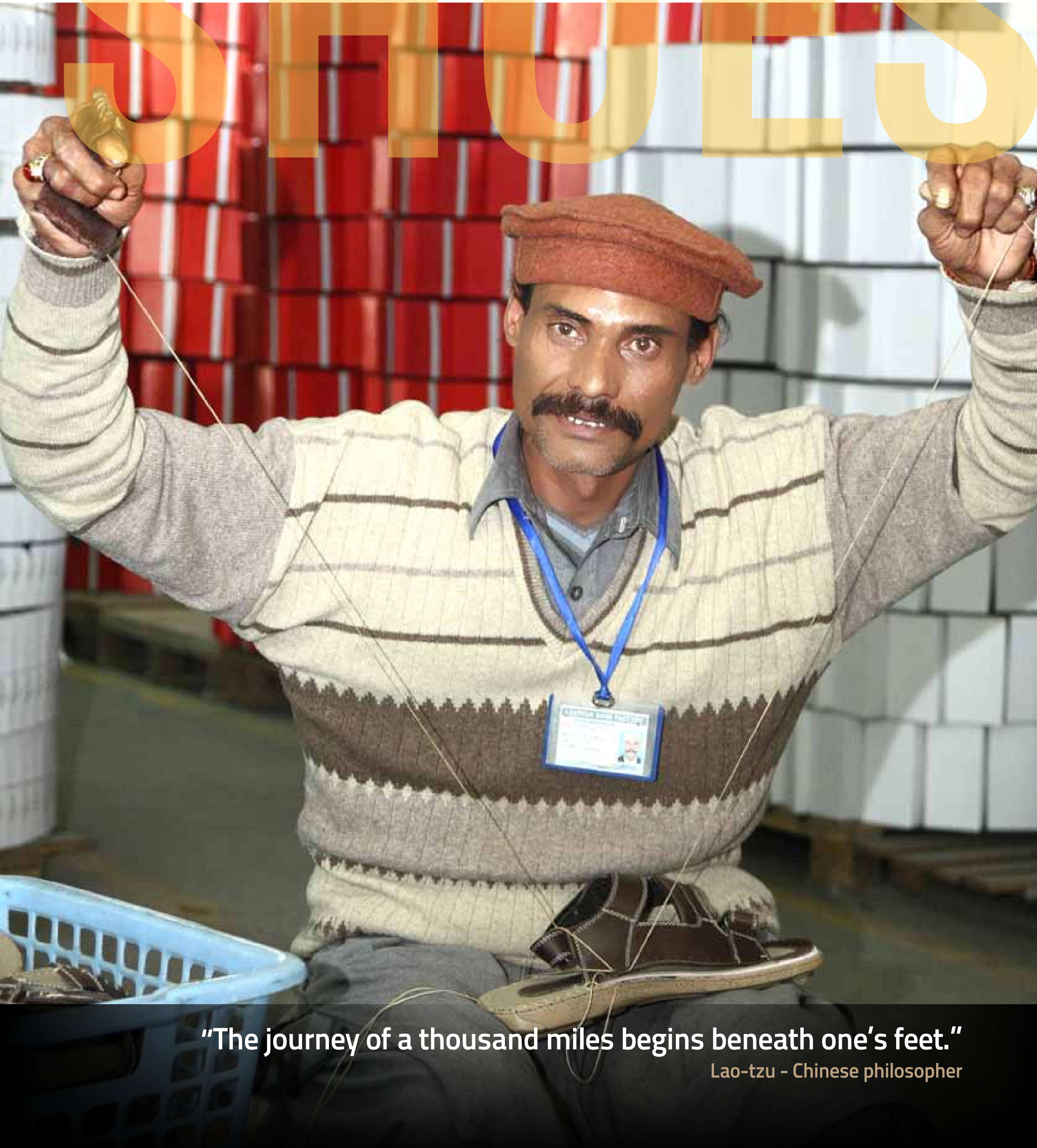
Mr. Hyder Usman Chaudry
Head of Human Resource

New Heights


IF ALL THE SHOES WE PRODUCED IN CURRENT YEAR WERE PLACED END TO END, IT WOULD SCALE THE 10 HIGHEST MOUNTAINS IN THE WORLD MORE THAN 40 TIMES

Our Brands

SHOES



"The journey of a thousand miles begins beneath one's feet."
Lao-tzu - Chinese philosopher

Servis

Men let themselves down on their shoes," says Lynne Marks, president of the London Image Institute, "They either don't think that shoes are important, or they seem to think that shoes can't be seen. Either way, it's a big mistake."

There are three main characteristics of our shoes that differentiate us from our competition. These are perfect fit, top quality of the materials and durability.

Service Industries Limited (SIL) uses a variety of materials, both natural and man-made in production of shoes. We select the finest Leathers, synthetics, rubber and textile materials to provide you with a pair of shoe that is not only elegant but is also comfortable and durable. Every pair we produce is an icon of comfort and luxury and bears the stamp of standard quality.

CHEETAH® NO PARALLEL

Leading brand of sports footwear in Pakistan - CHEETAH is first choice for the professional and amateur sportsman. CHEETAH shoes have a flexible yet durable sole and great shock absorption. CHEETAH truly rules the sport field, be it cricket, tennis or squash.

We make our uppers with lightweight mesh and heavy-duty leathers. These materials provide stability, comfort and a snug fit. The midsole made of shock-absorbent material to cushion the impact of your rigorous activity. Our soles are made up of materials which provide flexibility and cushion.

Leading sports heroes of our country like Shahid Afridi, Javed Miandad and Jansher Khan have endorsed CHEETAH. A testament to the fact that when it comes to sports footwear, Cheetah definitely has NO PARALLEL.

DON CARLOS® EXPERIENCE

Whether you are in a boardroom, on a rugged terrain or just hanging out with your friends, you can always rely on the Don Carlos to provide you the style and comfort that you deserve. Each Don Carlos shoe is meticulously crafted to send the rest of the world a powerful signal about the wearer.

To complete the attire of the working man, we have introduced a wide range of formal shoes that meet the latest fashion trends prevailing in the market. Premium quality construction, comfort, blend of old and new designs are all hallmarks of our formal wear collection. Don Carlos formal shoes are available in large variety of designs, patterns and colours to meet the requisites of our customers.

Upgrade your relaxed look with our casual range. Our casual shoes are available in latest designs & styles and are made using the best available materials.

For the lover of the outdoors and adventure, Don Carlos offers a unique blend of styling, comfort and durability. These shoes are versatile, great for indoors and outdoors.

LARK & FINCH

Lark & Finch is an international footwear brand with its base in Pakistan. Lark & Finch is catering the needs of individuals who are style and comfort conscious. Product quality is the biggest strength behind the brand. It is technologically the most advanced product available in Pakistan, providing ultimate experience to customers.

L&F has a certain product features that set it apart from other brands, product attributes are:

Light
Light soles with blend of selected PU material. Latest techniques create micro particles inside the sole to make it lighter.

Flexibile
Design that guarantees modular flexibility.

Comfort
Removable in-socks with leather lining, soft high quality uppers and soft inner protective padding to give the user an ultimate experience of comfort.

Leather
Shoes are manufactured with breathable and flexible leathers that make these friendlier. Special finish and top line tannery process makes it a high quality natural material.

Men's Foot Ensemble
Authentically crafted men's formal shoes create a sophisticated, tailored silhouette. Every shoe is a perfect combination of both, classic and contemporary styling.

L&F causal shoes offer relaxed loafer styling and super lightweight designs, created in assorted colours of leather and other premium materials.

L&F adventure shoes offer all weather protection and with a choice in a mix of smooth leathers, synthetics and textiles. The robustness is enhanced by better grip and waterproofing features. Double density sole with soft midsole gives an ultimate comfort.

Women's Foot Ensemble
An elegant and everyday look, L&F women's shoes are inspired by vintage glamour. They have been designed with premium materials, young shades for the modern women and highly comfortable soles.

New Achievement

IF ALL THE TYRES AND TUBES WE PRODUCED IN CURRENT YEAR WERE PLACED END TO END, IT WOULD STRETCH THE DISTANCE BETWEEN KARACHI AND PESHAWAR MORE THAN 5 TIMES

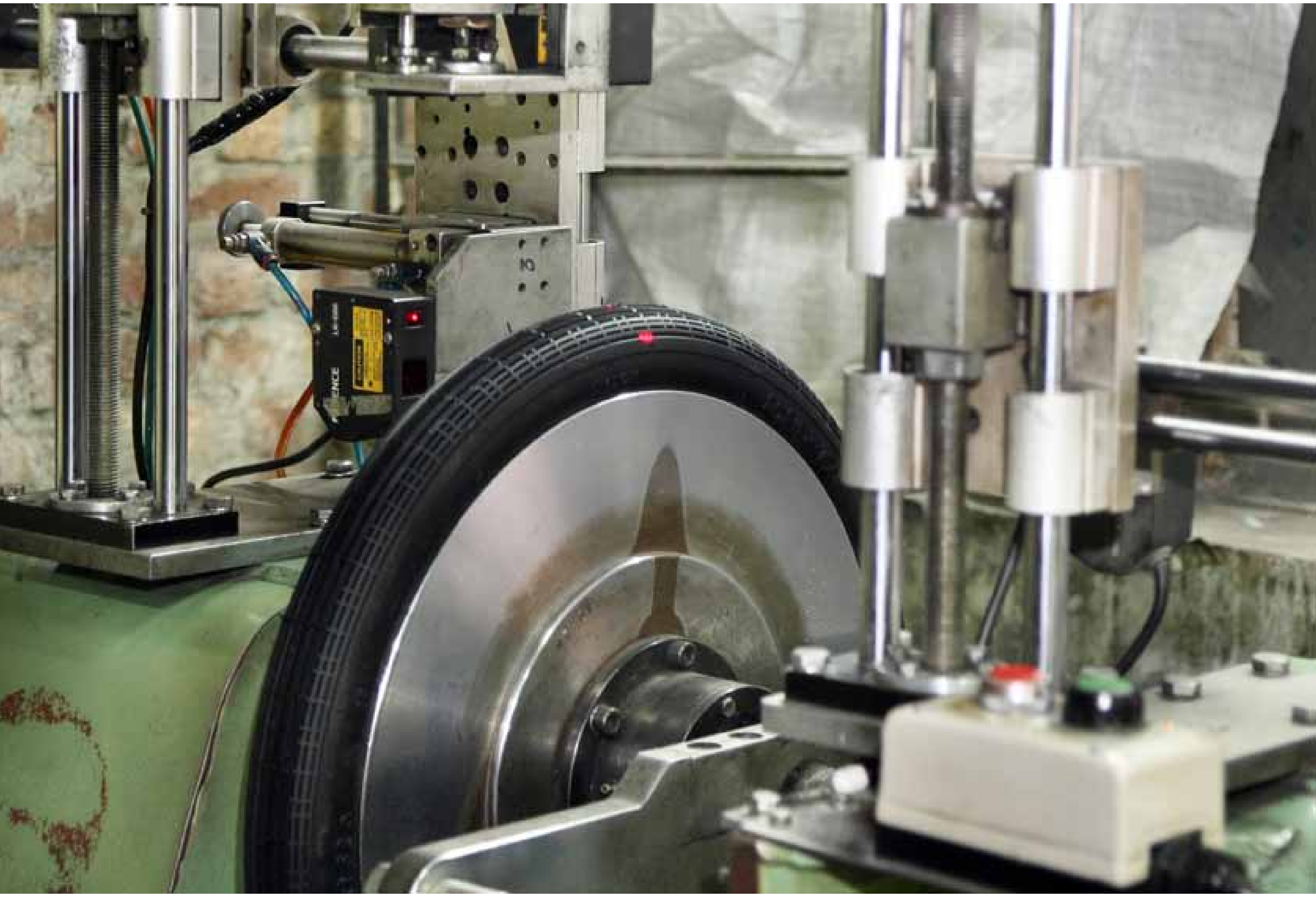
Our Brands

TYRE & TUBE

"Do not follow where the path may lead. Go instead where there is no path and leave a trail"

Ralph Waldo Emerson

Servis Tyres and Tubes



Each vehicle has its own specialized tyre needs, and we understand them perfectly, developing high-performance tyres and tubes for 2 and 3 wheelers.

The tyre is the only touch point between a vehicle and the road. It not only propels you forward it also provides safety and cushion. Therefore, the experience of the ride is greatly influenced by the tyre.

Servis has established a name for itself by providing tyres that deliver the grip and balance, which is a hallmark of a high-quality tyre.

City roads or dirt track, wherever your journey takes you, Servis provides you a peace of mind and makes your machine move with you.

We source raw material from around the world to bring to you tyres and tubes that are way ahead of their competition. Only the best natural and synthetic rubbers and materials go into the manufacturing of our tyres and tubes.

Over the years, we have acquired the experience of many millions of kilometres on varied kind of road conditions and we are forever finding new approaches to provide riders with better grip and safety.

CRUISER

Cruiser is our breakthrough tread – a complete re-design of the traditional pattern – Pakistan's first directional tyre for two wheelers. Computer-aided engineering allowed us to shape every aspect optimally. This pattern reduces straight-line rolling resistance, optimizes grip in corners, and sheds water even more effectively.

Corporate Social Responsibility (CSR)

Your company believes that we owe a great deal to our communities, customers, employees and shareholders. And as such your company strives to be a role model in the area of social responsibility.

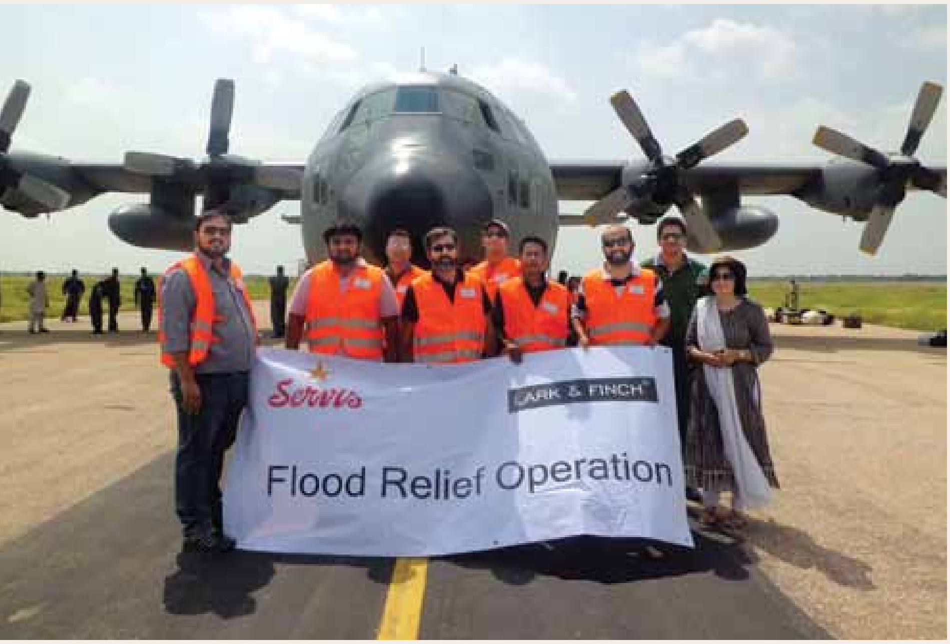
We classify our CSR activities under the following broad categories i.e. Corporate Philanthropy, National Cause Donations, Community Investment and other areas.

Corporate Philanthropy

Even as growth and social changes accelerate the desire to move up the income pyramid, the issues of health and education remain major challenges. Your company has five exclusive projects in the areas of health, education and care for senior citizen. The projects include:

- **Ch. Nazar Mohammad, Mohammad Husain Memorial Society Hospital** – A fully equipped 8 bed free hospital in Gandhra, Gujrat. This hospital has fully functional Operation Theater and X-ray, Laboratory and ultrasound facilities. This hospital provides free surgical care to the Gandhra and its neighboring villages. In 2011 over 37 thousand patients were given free treatment here.

- **Service Free dispensary** – A dispensary that caters to poor and the needy of Gujrat district. Medical facilities such as consultation, ultrasound, X-ray, laboratory and medicines are provided free of cost. Over 55 thousand patients received free medication and consultation through this dispensary.
- **Dar-ul-Kafala** – A multi-residence housing facility intended for homeless senior citizens in Lahore. Facilities provided within the building include meals, gathering, recreation and basic health care.
- **Service High School for Boys, Gujrat** – This school provides quality education to the poor residents of the area free of charge.
- **Bagh-e-Rehmat** – A high school for girls and a primary school for boys in Lahore. This school is providing quality education to over 350 children of the poor population of the locality.



National Cause Donations

Your company believes in not only providing immediate relief to the affected people but also in providing a sustainable solution to bring affected people to normal life. In 2010 and 2011, devastating floods swept through Pakistan. The destruction resulted in loss of lives, homes, and livelihoods. Critical community infrastructure was destroyed, agricultural lands laid waste, basic public and communal services disrupted, and systems collapsed.

Servis is unique in that most of its efforts for rehabilitation are led by employees. Service not only participated in flood relief activities in both the years but also played its role in rehabilitation of the affectees in the following ways:

Flood Relief Activities

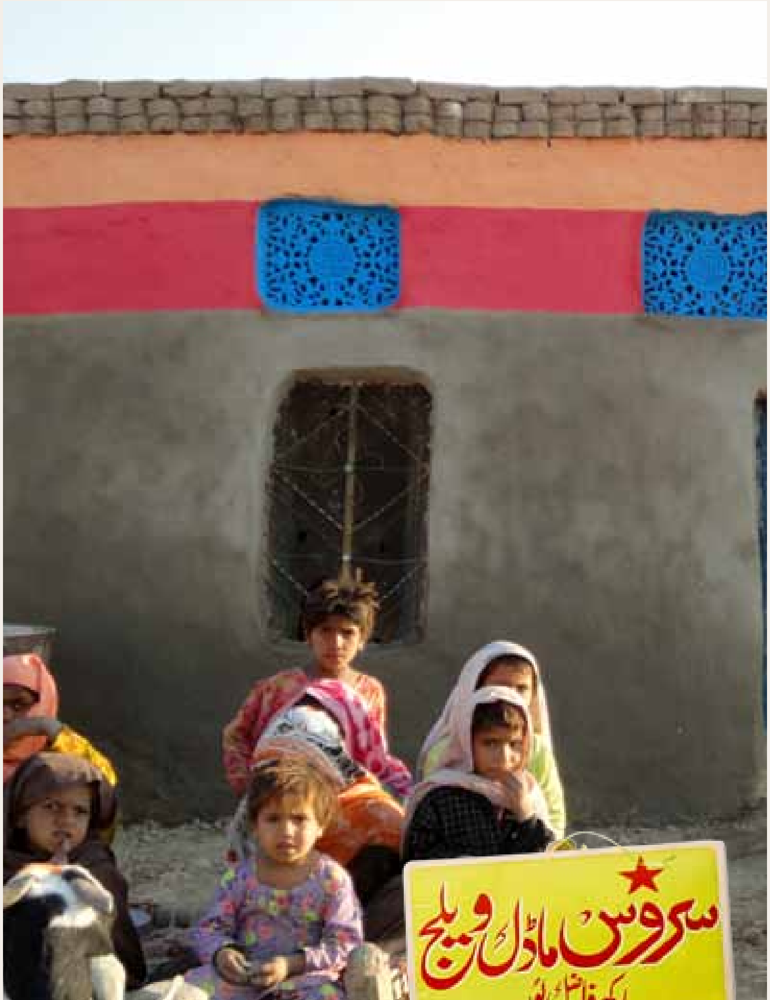
With the help of PAF, your company and its employees acted collectively and participated in flood relief operation in district Mirpur Khas. Special attention was given to worst hit areas of Samaro, Kunri and Farooqabad. The flood Relief team distributed about 60 tonnes of food stuff. In addition to that medical camps were setup in these areas where the needy were given free consultation and medicines.

Rehabilitation of flood affectees

In this area, your company participated in two projects:

a. Reconstruction of three villages of Mohamad pur (South East of Rajanpur) i.e. Tharri Walla, Shah Walli and Bastti Rinda. By the grace of Almighty Allah our highly motivated and energetic team with the help of PAF, was able to reconstruct the three villages with improved facilities, within a short period of just 90 days. The project had the following hallmarks:

- Reconstruction of 100 houses with complete set of house hold (utensils and quilts)
- Provision of one month food supply
- Provision of water pumps in almost every house
- Provision of tractors, seed and fertilizer to kick start agriculture and economy



- Reconstruction of boys and girls school and 4 mosques

b. Partnering with the Provincial Disaster Management Authority (Punjab) for reconstruction of the village of Rakh Fazal Pur in district Rajanpur. A Model village, namely "Servis Model Village", of 100 house was established with most modern facilities. These amenities include the following:

- Availability of clean drinking water
- Covered Sewerage
- Livestock Shed
- Biogas Plants
- Solar Energy Systems
- School
- Mosque
- Parks/ Playing Areas
- Paved Roads

Community Investment

Our CSR activities are also geared towards providing regular donations to the causes of education and healthcare. These include:

Shalamar Hospital - A charity hospital in Lahore. It was founded in 1982 by contributions of founders of your company Ch. Mohammad Husain and Ch. Nazar Mohammad. It is owned and managed by the Businessman Hospital Trust (BHT). The main objective of BHT is to provide health care services to patients from all income groups, especially to lower and middle social classes. Your company makes regular contributions to Shalamar and in 2011 donated Rs. 7m.

Forman's Christian (FC) College Lahore – During the year your company made a donation of Rs. 6m to FC College.

In addition to the above your company makes regular contributions to the NGO's like:

- Lahore Businessmen Association for Rehabilitation of Disabled (LABARD)
- Thalassaemia Society of Pakistan
- Pakistan Society for the Rehabilitation of the Disabled (PSRD)

Other Areas

Energy Conservation & Environmental Protection Measures

Your company recognizes that our actions may have harmful effects on our planet; therefore we have adopted measures to protect the environment. These include :

- Adopting low pollution procedures
- Proper treatment and disposal of wastes
- Usage of LED and energy saver bulbs
- Utilization of natural light wherever possible
- Switching off ACs and other electrical appliances during the lunch hours

Industrial Relations

We take pride in our most valuable asset – our employees. Presently there are over 6700 employees who are directly serving the company and earning livelihood for their families. We have always enjoyed an excellent working relationship between the management and employees, and this year was no exception.

Employment of Females and Special Persons

We encourage the employment of females and special persons in our company. Presently, we have several females working in various roles in our company. Moreover, a separate production line in Gujrat factory is managed by females only. Similarly, the company has over 100 special persons working in various departments.

Occupational Safety and Health

We tailor our processes in a conscious effort of providing a safe, injury and illness-free environment to our employees. To achieve this, the staff is provided with protective gear and clean and pollution free environment.

Business Ethics and Anti Corruption Measures

Servis is renowned for quality and 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. Our employees understand that the image and reputation of the company is determined by the actions and conduct of individuals. At the beginning of each year all the employees and directors of the company sign a Statement of Ethics & Business Practices. The preamble of this statement states:

> "It is the Company's policy to conduct its operations in accordance with the highest business ethical considerations, to comply with all statutory regulations and to conform to the best accepted standards of good corporate citizenship."

By signing the aforementioned Servis family endorses the company's policy to conduct business at the highest level of ethics.

Consumer Protection Measures

We are committed to producing quality products which exceed our customer's requirements. Customer satisfaction is our foremost concern; we address this by providing good product at competitive prices backed by solid warranties.

Contribution to National Exchequer

During the year under review the company has contributed Rs.558 million towards national exchequer on account of taxes, duties and levies.

Notice of Annual General Meeting

Notice is hereby given that the 55th Annual General Meeting of Shareholders of Service Industries Limited will be held on Monday, March 26, 2012 at 10:00 a.m. at Shalimar Tower Hotel, adjacent to Servis House, 2-Main Gulberg, Lahore to transact the following business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on July 30, 2011.
2. To receive, consider and adopt the Audited Accounts of the Company and the Directors' and Auditors' Reports thereon for the year ended December 31, 2011.
3. To approve the final cash dividend of Rs. 10/- per share (100%) in addition to the interim dividend of Rs. 2.50/- per share (25%) already paid making a total cash dividend of Rs. 12.50/- per share (125%) for the year ended December 31, 2011.
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

Lahore

Sultan Anwar
Company Secretary

Notes

1. The Share Transfer Books of the Company will remain closed from March 19, 2012 to March 26, 2012 (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 March 18, 2012 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 form 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. Members who have not yet submitted photocopy of their computerized national identity cards to the Company are requested to send the same at the earliest.
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. Ejaz 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 (NIT Nominee)

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, Mantaq Systems, Premier BPO and Cinepax Ltd. 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 was also on the board of Sui Northern Gas Pipelines Limited. He is the Vice Chairman of Punjab Daanish Schools and Center of Excellence Authority and is also on the boards of Saif Textile Mills Limited, Punjab Social Security and Health Management Company, Punjab Industrial Estates Development and 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 the Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than ten years. He is currently the Chairman, Board of Directors of Gujranwala Electricity Supply Company.

Management Team

Shared Services

Mr. Jawwad Faisal
Chief Commercial Officer

Mr. Muhammad Usman Amjad
Chief Financial Officer

Mr. Hyder Usman Chaudry
Head of Human Resource

Footwear Division

Mr. Ghulam Mohammad
General Manager – Gujrat Plant

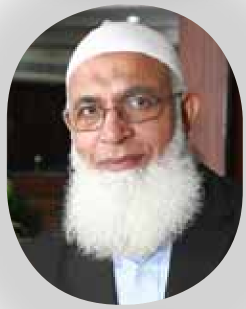
Mr. Adnan Wasal
General Manager – Muridke Plant

Mr. Muhammad Sohail Akhtar Chaudhry
General Manager – Domestic Sale

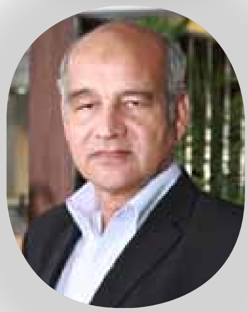
Mr. Hassan Ehsan
Head of Exports

Tyre & Tube Division

Mr. Muhammad Ejaz
Country Manager Sales & Marketing



Mr. Ghulam Ahmed Cheema
General Manager – Tyre tube Div

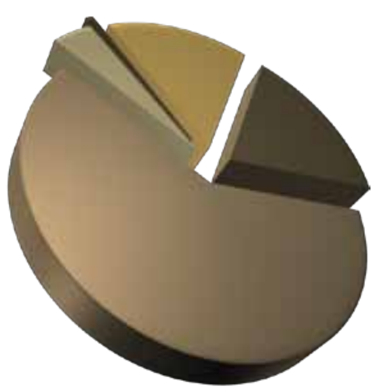


Mr. Ghanzanfar Ali
Chief Technical Manager

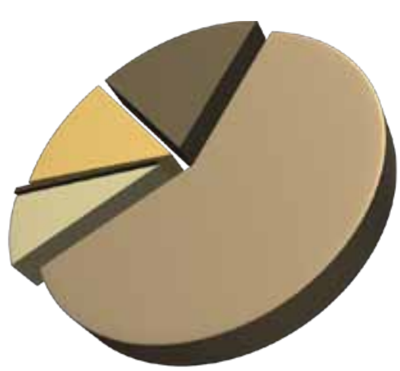
Statement of Value Addition and its Distribution

	2011 Amount	2011 Percentage	2010 Amount	2010 Percentage
Wealth Generated				
Sales	11,549,029		9,421,408	
Less: Purchased Materials and Services	(9,144,364)		(7,398,010)	
Other Income	40,570		19,648	
Wealth Created	2,445,235		2,043,046	
Wealth Distributed				
Employee Remuneration, Benefits, and Facilities	1,480,260	60.54	1,225,274	59.97
To Government				
Taxation	101,251	4.14	159,827	7.82
Workers Welfare Fund	10,911	0.45	9,958	0.49
To Society				
Donations	18,647	0.76	11,911	0.58
To Lenders of Capital				
Dividend	120,288	4.92	90,216	4.42
Finance Cost	237,695	9.72	177,727	8.70
Retained in Business				
Depreciation	158,819	6.50	130,244	6.37
Amortization	4,284	0.18	–	–
Retained Profit	313,080	12.80	237,889	11.64
	446,111	19.47	368,133	18.02
	2,445,235	100	2,043,046	100.00

Distribution of Wealth - 2011



Distribution of Wealth - 2010

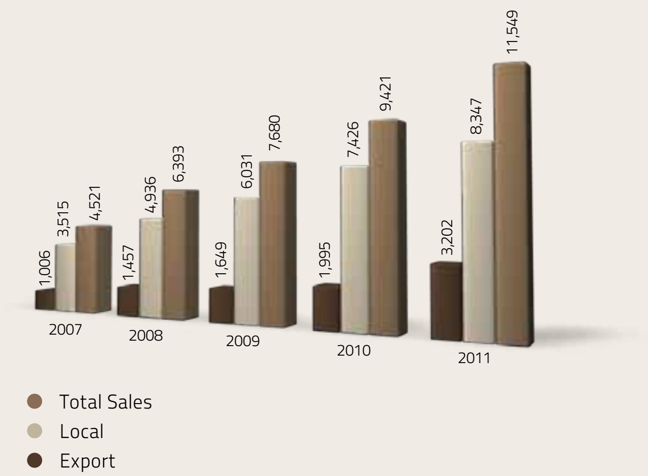


Six Years at a Glance

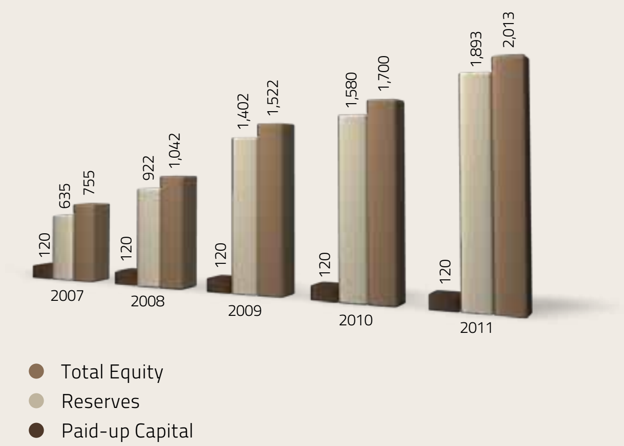
	2011	2010	2009	2008	2007	2006
	(Rupees in million)					
Sales	11,549	9,421	7,680	6,393	4,521	3,837
Gross Profit	1,569	1,293	1,594	1,038	712	580
Profit Before Tax	535	488	936	478	236	144
Profit After Tax	433	328	661	341	161	98
Share Capital	120	120	120	120	120	120
Share Holder's Equity	2,013	1,700	1,522	1,042	755	630
Property, Plant & Equipment	1,612	1,425	1,024	887	830	693
Total Assets	5,639	4,543	3,651	3,342	2,451	2,482
Net current assets	827	727	820	530	352	360
Market Value Per Share (Rupees)	195	240	266	61	161	33
Dividend (%)						
Cash - Interim	25		75			
Cash - Final	100	75	125	75	45	30
Profitability (%)						
Gross Profit	13.59	13.73	20.75	16.24	15.74	15.12
Profit Before Tax	4.63	5.18	12.19	7.48	5.22	3.75
Profit After Tax	3.75	3.48	8.60	5.33	3.57	2.55
Return to Shareholders						
R.O.E - Before Tax (%)	26.56	28.71	61.49	45.91	31.28	22.85
R.O.E - After Tax (%)	21.53	19.30	43.42	32.70	21.38	15.53
E.P.S - After Tax (Rupees)	36.03	27.28	54.94	28.32	13.42	8.13
Price Earning Ratio	5.41	8.80	4.84	2.15	12.01	4.06
Activity (Times)						
Sales To Total Assets	2.05	2.07	2.10	1.91	1.84	1.55
Sales To Fixed Assets	7.16	6.61	7.50	7.20	5.45	5.54
Inventory Turnover Ratio	5.81	6.04	4.89	5.56	4.85	3.97
Interest Coverage Ratio	3.25	3.75	6.83	3.89	2.57	1.92
Liquidity/Leverage						
Current Ratio (Times)	1.26	1.31	1.46	1.28	1.28	1.26
Break-up Value per Share (Rupees)	167.34	141.30	126.54	86.60	62.78	52.35
Total Liabilities To Equity (Times)	1.80	1.67	1.40	2.21	2.25	2.94
Debt Equity Ratio (Times)	14:86	16:84	14:86	30:70	39:61	43:57

Financial Highlights

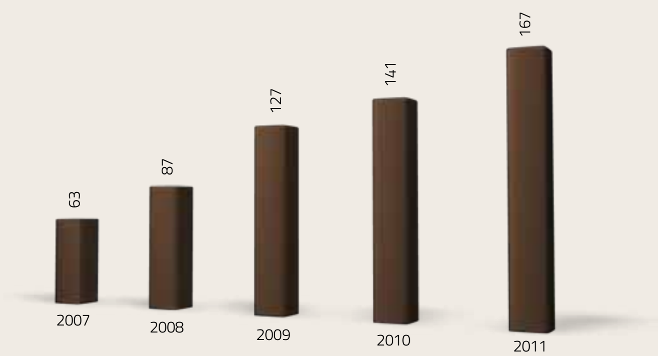
Sales
(Rupees in Million)



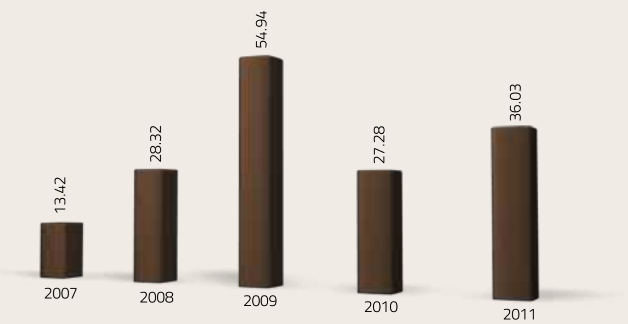
Shareholder's Equity
(Rupees in Million)



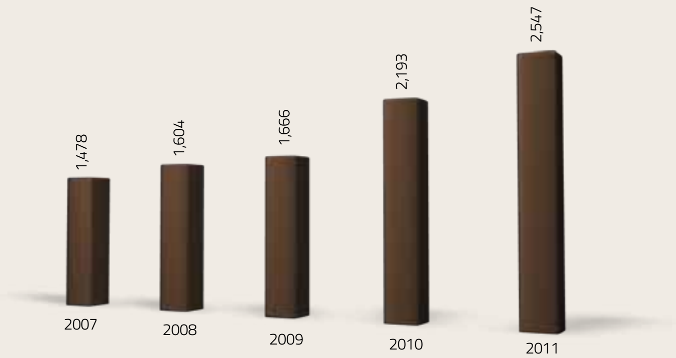
Breakup Value Per share
(Rupees in Million)



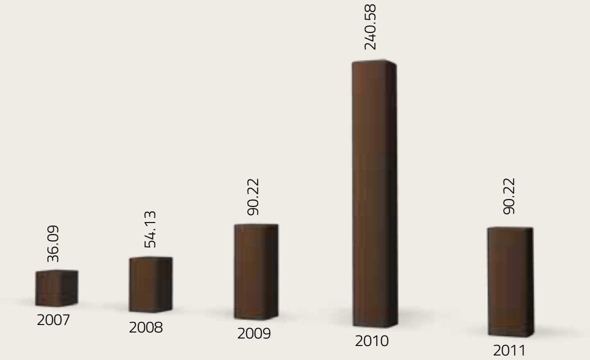
Earning Per Share
(Rupees in Million)



Operating Fixed Assets
(Rupees in Million)



Dividend
(Rupees in Million)



Horizontal & Vertical Analysis

Balance Sheet

	2011	2010	2009	2008	2007	2006
	(Change from preceding year)					
Horizontal Analysis						
Equity and Liabilities						
Share Capital & Reserve	18.42%	11.67%	46.12%	37.95%	19.91%	13.42%
Non-Current Liabilities	-3.41%	40.71%	-17.76%	-11.55%	2.21%	54.26%
Current Liabilities	33.64%	32.19%	-5.23%	53.05%	-11.87%	-5.18%
Total Equity and Liabilities	24.14%	24.42%	9.26%	36.37%	-1.27%	6.65%
Assets						
Non-current Assets	13.71%	39.19%	13.06%	6.46%	19.93%	35.19%
Current Assets	28.97%	18.58%	7.83%	52.52%	-9.88%	-1.76%
Total Assets	24.14%	24.42%	9.26%	36.37%	-1.27%	6.65%
Vertical Analysis						
Equity and Liabilities						
Share Capital and Reserve	35.70%	37.42%	41.69%	31.17%	30.81%	25.37%
Non-Current Liabilities	8.00%	10.28%	9.09%	12.08%	18.62%	17.99%
Current Liabilities	56.30%	52.30%	49.22%	56.75%	50.56%	56.64%
Total Equity and Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Assets						
Non-current Assets	29.02%	31.69%	28.32%	27.37%	35.06%	28.86%
Current Assets	70.98%	68.31%	71.68%	72.63%	64.94%	71.14%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Profit and Loss Account

	2011	2010	2009	2008	2007	2006
	(Change from preceding year)					
Horizontal Analysis						
Sales	22.58%	22.67%	20.13%	41.41%	17.84%	12.68%
Cost of Sales	22.78%	33.54%	13.66%	40.57%	16.97%	10.90%
Gross Profit	21.32%	-18.84%	53.51%	45.91%	22.69%	23.84%
Distribution Cost	19.75%	50.31%	19.63%	32.15%	7.15%	-7.96%
Admin & Other Expenses	36.21%	12.42%	30.89%	17.88%	19.10%	6.94%
Finance Cost	33.74%	10.79%	-2.89%	9.88%	-3.93%	34.82%
Other Income	106.48%	7.73%	52.85%	90.11%	-31.71%	12.77%
Total Expenses	28.44%	22.48%	17.45%	17.80%	9.01%	10.68%
Net Profit Before Taxation	9.57%	-47.87%	95.73%	102.47%	64.15%	93.55%
Provision for Taxation	-36.65%	-41.92%	100.08%	84.10%	62.01%	108.85%
Net Profit After Tax	32.08%	-50.35%	93.97%	110.97%	65.16%	87.09%
Vertical Analysis						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	86.41%	86.27%	79.25%	83.76%	84.26%	84.88%
Gross Profit	13.59%	13.73%	20.75%	16.24%	15.74%	15.12%
Distribution Cost	2.79%	2.86%	2.33%	2.34%	2.51%	2.76%
Admin & Other Expenses	4.46%	4.01%	4.38%	4.02%	4.82%	4.77%
Financial Cost	2.06%	1.89%	2.09%	2.58%	3.33%	4.08%
Other Income	-0.35%	-0.21%	-0.24%	-0.19%	-0.14%	-0.24%
Total Expenses	8.96%	8.55%	8.56%	8.76%	10.51%	11.37%
Net Profit Before Taxation	4.63%	5.18%	12.19%	7.48%	5.22%	3.75%
Provision for Taxation	0.88%	1.70%	3.58%	2.15%	1.65%	1.20%
Net Profit After Tax	3.75%	3.48%	8.60%	5.33%	3.57%	2.55%

Directors' Report to the Shareholders

The Board of Directors take pleasure in presenting annual report of your company along with the audited financial statements for the year ended December 31, 2011.

The Economy

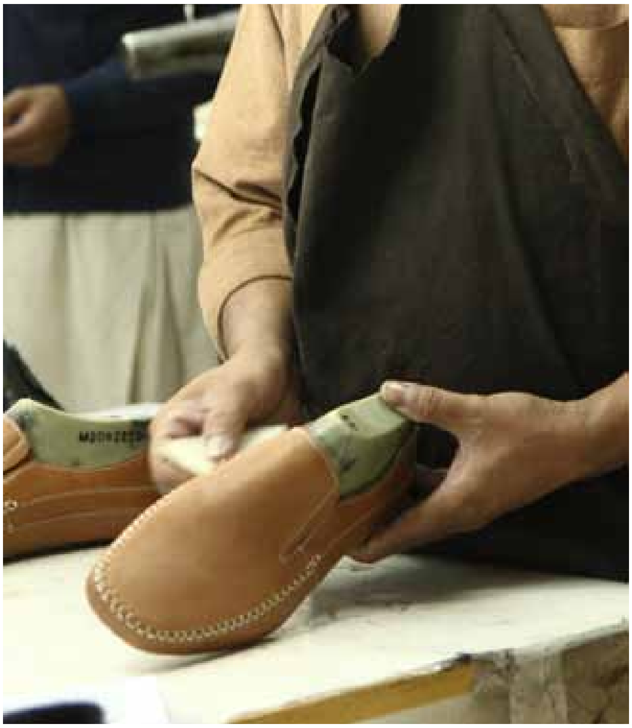
2011 was yet another challenging year for Pakistan; high inflation, deteriorating security environment, unstable political situation and floods for the second year in a row adversely impacted the businesses in general. The worsening energy crisis continues to throw up a new challenges to the industry in general, and to the manufacturing sector in particular. Major structural reform is needed to return to macroeconomic stability. In the face of all these challenges, your company managed to achieve both top line and bottom line growth in 2011.

Business Review

Financial results of the Company are as follows:-

	2011	2010	Variance
	Rs. in million		%
Sales (Net)	11,549	9,421	23%
Profit before taxation	535	488	10%
Profit after taxation	433	328	32%
EPS (Rs)	36.03	27.28	32%

In both our businesses we faced the pressures of unprecedented raw material price increases for a significant portion of the year. Despite sales growth of 23%, on an aggregate level we were not able to increase our gross margins in 2011.



Footwear

Footwear sales during the year increased by 18% from Rs. 6.2 billion to Rs. 7.3 billion. Exports were the main driver of growth with an impressive increase of 66% over last year. All of your company's exports are to the EU, and considering the economic crisis in the EU this number is even more significant. The management has laid a lot of emphasis on diversification of exports and we hope to show results of these efforts in 2012.

Domestic sales, on the other hand, declined by 2%. The declining trend started in late Q3 and continued till year end. While some of the weakness in domestic sales can be attributed to a lackluster second half of the year for many retailers in Pakistan, we feel that the company needs to diversify its domestic customer base also to avoid such situation in the future.

The Government removed zero rating sales tax facility on footwear products from April 1, 2011 and introduced a reduced rate of 4% on footwear products which was increased to 5% starting in January 2012.

The Pakistani footwear market is going through rapid transformation at this time. We are determined to offer products that fit the needs of the customer of today. Successful new product development is essential to the success of our company, and aggressive investments in this area will be made throughout 2012.

Tyres and Tubes

The tyre and tube segment provided healthy growth of 32 % in sales from Rs. 3.2 billtion to Rs. 4.2 billion. This is fuelled by growth in our motorcycle tyre and tube business whereas cycle tyre and tube business shown a decline. Your company has focused its attention on diversifying its export markets and also on increasing its market share in the local market.

We have successfully increased our capacity for tubes as well as for more advanced rickshaw tyres last year. Our OEM sales show steady growth reinforcing our position as the top brand by quality.

As this business is energy intensive, it remains a continuous challenge to produce at a competitive cost. We foresee we will have to invest in energy infrastructure instead of focusing on capacity enhancement.

The weak rupee will also remain a constant challenge, as practically all our raw materials as well as machinery and equipment for the tyre business is imported.

Investment and Source of Financing

The highlights of capital investment are as follows:

	2011	2010
Total Capital Investment (Rs. in million)	416	534
Long term Debt Equity Ratio	14:86	16:84
Current Ratio	1.26:1	1.31:1

Your company has continued to invest in building capacity, modernization and developing its utilities. Out of total investment of Rs. 416m in 2011, 78% was invested to increase the capacity in both businesses.

A new PU injection moulding machine was installed in Gujrat factory to cater for increased demand of direct injection products. Increased focus on diversification demands investment in innovations and sample making facilities. To fulfill this requirement a new model room equipped with state of the art sampling facility is built at our Muridke factory with an investment of Rs. 35m.

Motor cycle tyre and tube capacity has also been increased during the year.

Future Outlook

2012 will be a year full of challenges, and we want to be a company that outperforms the market in challenging times. The world economy as a whole is under pressure. The European Union crisis continues impacting business in euro zone. Pakisan's electricity and gas crises, unstable political conditions and poor law and order situation are likely to continue this year. Further increase in gas and electricity prices will adversely affect profitability margins. Although there was a cut in interest rate by State Bank of Pakistan, devaluation of Pak Rupee against US $ will result in increased prices of imported raw materials which will eventually impact business performance.

Your company's diversification strategy, in its existing business and perhaps even in new businesses, is being pursued with the country's dynamics in mind. Continued focus on exports to identify new markets will turn out positively as the management believes there are still many untapped markets in the world. Our share in the domestic market still leaves room for growth, both in the tyre business and in the footwear business.

Your Company continues to invest in technology. During the year we completed implementation of Oracle Manufacturing Module. The MRP (Material Requirement Planning) module is on a trial run at the time of writing this report.

Safety and Environment

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

Appropriations for the Year 2011

Directors of your Company have recommended payment of cash dividend @ Rs.10.00 per share (100 %), in addition to the interim dividend of Rs. 2.50/- per share (25%).

	Rs. in million
Un-appropriated profit brought forward	332.38
Transfer to general reserve 2010	(235.00)
Final dividend 2010 @ Rs 7.5 per share	(90.21)
Net profit after tax	433.37
Total available for appropriation	440.54
Appropriation	
Interim dividend 2011 @ Rs 2.5 per share	(30.07)
Final dividend 2011 @ Rs 10.0 per share	(120.29
Transferred to general reserve 2011	(200.00)
Un-appropriated profit carried forward	90.18

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.

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, 2011 have been duly complied with. The Directors confirm the Compliance of Corporate Governance and statement to this effect is annexed.

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 except for the changes stated in note 6.8.2 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 value of investments of provident, gratuity and pension funds based on their accounts were as follows:

Provident fund	(Audited)	Rs.	582.76	million
Gratuity fund	(Audited)	Rs.	33.27	million
Pension fund	(Audited)	Rs.	46.64	million

- Extra Ordinary General Meeting of shareholders for election of Directors was held on 30th July, 2011. Following persons were elected as Directors for a period of three year with effect from 31st July, 2011:

1. Mr. Arif Saeed	2. Mr. Omar Saeed
3. Ch. Ahmed Javed	4. Mr. M. Ijaz Butt
5. Mr. Hassan Javed	6. Mr. Hamid Hussain
7. Mr. Riaz Ahmed	8. Mr. Manzoor Ahmed
9. Mr. Ahmad Shahid Hussain	

- During the year under review seven (07) board meetings were held .The attendance of the directors is as follows:

Director's Name	Meetings Attended	
Mr. Omar Saeed	7	
Mr. Ahmed Javed	2	
Mr. M Ijaz Butt	6	
Mr. Arif Saeed	7	
Mr. Hassan Javed	6	
Mr. Ahmad Shahid Hussain	3	
Mr. Hamid Hussain	3	
Mr. Riaz Ahmad	4	
Mr. Manzoor Ahmad	5	
Mr. Shahid Hussain	2	Retired on July 30, 2011
Mr. Muhammad Akram	2	Retired on July 30, 2011

- After the close of year Mr. Ahmed Shahid Hussain and Mr. Hamid Hussain resigned from the Board. Mr. Shaukat Ellahi Shaikh and Mr. Muhammad Amin were appointed in their place.

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

  No transaction of shares has been carried out by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children during the year 2011, except for 932 shares which were transferred to Mr. Hassan Javed director of the company by his mother.

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 2012.

Pattern of Shareholding

The pattern of shareholding as on 31-12-2011 is annexed with this report.

Corporate Social Responsibilities

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: February 21, 2012
Place: Lahore

Omar Saeed
Chief Executive

Statement of Compliance

with the Code of Corporate Governance

For the year ended December 31, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi and Lahore 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 Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on it's Board of Directors. At present the Board includes four independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in 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 Development Financial Institution or a Non-Banking Financial Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies occurred during the year 2011, which were filled within Thirty days of its occurrence.

5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of the remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman 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 meeting were appropriately recorded and circulated.

9. Mr. Manzoor Ahmed has qualified as a certified Director, whereas Mr. Hassan Javed, has been enrolled with Pakistan institute of Corporate Governance for certification. The directors continue to be apprised with the changes in law to discharge their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.

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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

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

19. 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.

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulations of Karachi & Lahore Stock Exchanges. All transactions with the related parties were made on arm's length basis.

21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Date: February 21, 2012
Place: Lahore

Omar Saeed
Chief Executive

Review Report to the Members

on the Statement of Compliance with the Best Practices of the 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, for the year ended December 31, 2011 to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 of the Lahore Stock Exchange (Gurantee) Limited, 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 (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/ N–269 dated January 19, 2009 requires 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 alternative 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 or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

Date: February 21, 2012
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 as at December 31, 2011 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 the 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 change stated in note 6.8.2 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, 2011 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: February 21, 2012
Place: Lahore

S. M. Masood & Co.
Chartered Accountants

Audit Engagement Partner:
S. M. Masood

Financial Statements 2011

Highlights

Sales Revenue	11,549
Profit after Tax	433
Earnings per Share	36.03
Dividend	12.50
Shareholders' Equity	2,013

Balance Sheet
as at December 31, 2011

	Note	2011	2010
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Authorised capital			
20,000,000 (2010: 20,000,000)			
Ordinary shares of Rs. 10/- each:		200,000	200,000
Share capital	8	120,288	120,288
Reserves	9	1,892,618	1,579,538
		2,012,906	1,699,826
NON CURRENT LIABILITIES			
Long term financing - secured	10	218,173	214,263
Liabilities against assets subject to finance lease	11	14,950	26,262
Long term deposits	12	2,620	880
Deferred liabilities	13	215,386	225,641
		451,129	467,046
CURRENT LIABILITIES			
Trade and other payables	14	1,308,458	1,033,217
Interest and mark up accrued	15	58,404	40,362
Short term borrowings - secured	16	1,601,090	1,119,143
Current portion of:			
long term financing - secured	10	80,604	78,762
liabilities against assets subject to finance lease	11	11,283	10,070
Provision for taxation	36	115,461	94,433
		3,175,300	2,375,987
CONTINGENCIES AND COMMITMENTS	17	–	–
		5,639,335	4,542,859

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

Chaudhry Ahmad Javed
Chairman

Place: Lahore
Date: February 21, 2012

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	18	1,612,052	1,425,169
Intangible assets	19	13,301	–
Long term loans	20	376	1,450
Long term deposits	21	11,060	12,875
		1,636,789	1,439,494
CURRENT ASSETS			
Stores, spares and loose tools	22	84,727	50,972
Stock in trade	23	1,941,229	1,358,128
Trade debts	24	938,456	897,675
Loans and advances	25	656,231	317,585
Trade deposits and prepayments	26	7,682	6,105
Other receivables	27	362,156	224,949
Cash and bank balances	28	12,065	247,951
		4,002,546	3,103,365
		5,639,335	4,542,859

Omar Saeed
Chief Executive

Profit and Loss Account

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in '000)	
Sales	29	11,549,029	9,421,408
Cost of sales	30	9,979,793	8,127,972
Gross profit		1,569,236	1,293,436
Distribution cost	31	322,751	269,522
Administrative expenses	32	456,471	329,829
Other operating expenses	33	58,270	48,074
Finance cost	34	237,695	177,727
Other operating income	35	(40,570)	(19,648)
		1,034,617	805,504
Profit before taxation		534,619	487,932
Taxation	36	101,251	159,827
Profit after taxation		433,368	328,105
Earnings per share - basic and diluted (Rupees)	37	36.03	27.28

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

Chaudhry Ahmad Javed
Chairman

Omar Saeed
Chief Executive

Place: Lahore
Date: February 21, 2012

Statement of Comprehensive Income

for the year ended December 31, 2011

	2011	2010
	(Rupees in '000)	
Profit for the year	433,368	328,105
Other comprehensive income	–	–
	433,368	328,105

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

Chaudhry Ahmad Javed
Chairman

Omar Saeed
Chief Executive

Place: Lahore
Date: February 21, 2012

Cash Flow Statement

for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	39	**376,114**	**794,497**
Finance cost paid		(219,653)	(153,068)
Income tax paid		(363,512)	(339,475)
Staff retirement benefits		(9,500)	(5,100)
W.P.P.F and W.W.F paid		(26,205)	(68,659)
Net cash (used in)/ from operating activities		(242,756)	228,195
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(375,821)	(533,972)
Proceeds from sale of property, plant and equipment		22,485	2,536
Security deposits		1,815	(4,650)
Net cash used in investing activities		(351,521)	(536,086)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(10,099)	(8,974)
Short term borrowings - net		481,947	415,969
Long term financing		5,752	90,952
Dividend paid		(119,209)	(150,550)
Net cash from financing activities		358,391	347,397
Net (decrease)/ increase in cash and cash equivalents		(235,886)	39,506
Cash and cash equivalents at the beginning of the year		247,951	208,445
Cash and cash equivalents at the end of the year	28	12,065	247,951

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

Chaudhry Ahmad Javed
Chairman

Omar Saeed
Chief Executive

Place: Lahore
Date: February 21, 2012

Statement of Changes of Equity

for the year ended December 31, 2011

	Share Capital	Capital reserves		Revenue reserves		Total
		Capital gain	Share premium	General reserve	Unappropriated profit	
	(Rupees in '000)					
Balance as at December 31, 2009	120,288	102,730	21,217	698,208	579,641	1,522,084
Final dividend for the year ended December 31, 2009 @ Rs. 12.50 per share	–	–	–	–	(150,363)	(150,363)
Transfer to general reserve	–	–	–	425,000	(425,000)	–
Net profit for the year	–	–	–	–	328,105	328,105
Balance as at December 31, 2010	120,288	102,730	21,217	1,123,208	332,383	1,699,826
Final dividend for the year ended December 31, 2010 @ Rs. 7.50 per share	–	–	–	–	(90,216)	(90,216)
Transfer to general reserve	–	–	–	235,000	(235,000)	–
Interim dividend for the year ended December 31, 2011 @ Rs. 2.50 per share	–	–	–	–	(30,072)	(30,072)
Net profit for the year	–	–	–	–	433,368	433,368
Balance as at December 31, 2011	120,288	102,730	21,217	1,358,208	410,463	2,012,906

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

Chaudhry Ahmad Javed
Chairman

Omar Saeed
Chief Executive

Place: Lahore
Date: February 21, 2012

Notes to the Accounts

for the year ended December 31, 2011

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) and was converted into a public limited company on September 23, 1959. 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 Standard 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 under Companies Ordinance, 1984 shall prevail.

3. Basis of Measurement

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff retirement gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets and unrecognised actuarial losses.

3.2 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.

4. Use of estimates and judgements

The preparation of the financial statements in conformity with the approved accounting standards require the 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 judgments about the carrying values 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.

Judgements made by 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.

5. Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than more detailed disclosures in certain cases:

– Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	(effective 01 July 2011)
– Amendments to IFRS 7 Financial Instruments Disclosures	(effective 01 July 2011 to 01 January 2015)
– Amendments to IFRS 9 Financial Instruments	(effective 01 January 2015)
– IFRS 10 Consolidated Financial Statements	(effective 01 January 2013)
– IFRS 11 Joint Arrangements	(effective 01 January 2013)
– IFRS 12 Disclosure of Interests in Other Entities	(effective 01 January 2013)
– IFRS 13 Fair Value Measurement	(effective 01 January 2013)
– Amendments to IAS 1 Presentation of Financial Statements	(effective 01 January 2012)
– Amendments to IAS 12 Income Taxes	(effective 01 January 2012)
– Amendments to IAS 19 Employee Benefits	(effective 01 January 2013)
– Amendments to IAS 27 Consolidated and Separate Financial Statements	(effective 01 January 2013)
– Amendments to IAS 28 Investment in Associates	(effective 01 January 2013)
– Amendments to IAS 32 Financial Instruments Presentation	(effective 01 January 2014)
– Amendments to IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	(effective 01 January 2013)

6. Significant accounting policies

6.1 Employees' retirement benefits

a) 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.

b) Defined benefit plans

i) 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 and gratuity fund.

Actuarial gains/ losses in excess of corridor limit (10% of the higher of the projected benefit obligation and the fair value of plan assets) are recognised over the average remaining service life of the employees.

Notes to the Accounts
for the year ended December 31, 2011

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, 2011. The calculations of actuary are based on the "Projected Unit Credit Method".

ii) 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.

6.2 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.

6.3 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 realised. 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.

6.4 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.

6.5 Borrowing costs

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

6.6 Property plant and equipment

6.6.1 Owned

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

Property, plant and equipment are depreciated over their estimated useful lives at the rates specified in Note 18.1 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 capitalised while no depreciation is charged for the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income 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.

6.6.2 Intangibles

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

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

Notes to the Accounts

for the year ended December 31, 2011

6.6.3 Capital work in progress

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

6.6.4 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 agreements 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 18.1. 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.

6.7 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.

6.8 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:

6.8.1 Stores, spares and loose tools

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

6.8.2 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

The Company's policy to value its stock in trade is at lower of cost or net realisable value as per IAS-2 "Inventories". During the year, the company has changed its cost measurement basis of "work in process" and "finished goods". As per new measurement basis, cost of "work in process" and "finished goods" includes cost of direct materials, labour and appropriate portion of production overheads. Previously, "work in process" was valued at the estimated raw material costs and "finished goods" was valued by deducting estimated gross profit margin from the selling price. The Company has changed this cost measurement basis for better financial presentation.

This change in cost measurement basis is treated as change in accounting policy and has been applied retrospectively in accordance with IAS-8 "Accounting Policies, Changes in Accounting Estimate and Errors" and prior periods have been revalued at new policy. The difference in valuation basis amounts to Rs 4.0 million (increase in stocks and decrease in cost of sales by the same amount for the years 2010 and prior periods). This is considered immaterial, hence no restatement has been made in the prior period financial statements.

Had there been no change in the accounting policy, the amount of profit would have been lower by Rs. 13.20 million, stock in trade would have been lower by the same amount.

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.

6.9 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.

6.10 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 amortised cost. Known impaired receivables are written off, while receivables considered doubtful are provided for.

6.11 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.

6.12 Government grants

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

6.13 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 Accounts

for the year ended December 31, 2011

6.14 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 realise the assets and to settle the liabilities simultaneously.

6.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, mark-up 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 mark-up rate method.

6.16 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.

6.17 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.

6.18 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 economics 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.

6.19 Dividend and appropriation to reserves

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

6.20 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.

6.21 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.

7. Change in Accounting Estimate - Stock in trade

During this period the management of the Company has changed its basis of estimate of provision for slow moving inventory. Such change in estimate is in compliance with IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in such an estimate the provision for slow moving and obsolete items would have been lower by Rs. 28.18 million, profit for the period and carrying value of stock in trade would have been higher by the same amount.

			2011	2010
			(Rupees in '000)	
8. SHARE CAPITAL				
Issued, subscribed and paid -up:				
2011	**2010**			
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

	(Number of Shares)	
8.1 Ordinary shares of the Company held by associated companies as at year end are as follows:		
Service Sales Corporation (Pvt.) Limited	2,379,280	2,379,280
Shahid Arif Investment (Pvt.) Limited	10,144	10,144

	Note	(Rupees in '000)	
9. RESERVES			
Capital reserves			
Share premium	9.1	21,217	21,217
Capital gains		102,730	102,730
		123,947	123,947
Revenue reserves			
General reserve		1,358,208	1,123,208
Unappropriated profit		410,463	332,383
		1,768,671	1,455,591
		1,892,618	1,579,538

9.1 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 Accounts

for the year ended December 31, 2011

10. LONG TERM FINANCING - SECURED

	2011	2010
	(Rupees in '000)	
Loan from banking companies		
Loan - I	–	10,000
Loan - II	20,000	40,000
Loan - III	20,000	40,000
Loan - IV	41,658	52,073
Loan - V	44,786	55,982
Loan - VI	64,364	71,516
Loan - VII	11,379	11,379
Loan - VIII	6,717	6,717
Loan - IX	5,358	5,358
Loan - X	84,515	–
Less:		
Current portion	(80,604)	(78,762)
	218,173	214,263

i) This loan was repaid in 2011, last installment was due on March 31, 2011. The mark-up rate was 6 months KIBOR plus 1.15% (2010: 1.15%) to be set at start of each quarter. The loan was secured by registered first equitable charge over the land and property and hypothecation charge over all the present and future plant, machinery and equipment for Rs. 30 million (2010: Rs. 340 million).

ii) This represents long term finance obtained from Faysal Bank Limited (formerly The Royal Bank of Scotland 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, 2008 and December 31, 2012. The mark up rate is 6 months KIBOR plus 1.70% (2010: 1.70%) to be set on the first business day of each six-month period. The loan is secured by registered first pari passu hypothecation charge over all the present and future plant, machinery and equipment and first pari passu equitable mortgage charge over land and building for Rs. 134 million (2010: Rs. 134 million).

iii) 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, 2008 and December 31, 2012. The Mark up rate is 6 months KIBOR plus 1.70% (2010: 1.70%) to be set on the last business day of each six-month period. The loan is secured by registered first pari passu hypothecation charge over all the present and future plant, machinery and equipment and first pari passu equitable mortgage charge over land and building for Rs. 134 million (2010: Rs. 134 million)

iv) 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 mark-up rate is 6 month KIBOR plus 1.70% (2010: 1.70%) 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 mark up rate of 10.25% p.a.

v) 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 mark-up rate is 6 month KIBOR plus 1.70% (2010: 1.70%) 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 mark up rate of 10.50% p.a.

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 December 30, 2011 and June 28, 2016 respectively. The mark-up rate is fixed at 10% p.a (2010: 10% p.a.).

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 March 16, 2012 and September 14, 2016 respectively. The mark-up rate is fixed at 10% p.a (2010: 10% p.a.).

viii) 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 mark-up rate is fixed at 10.70% p.a (2010: 10.70% p.a.).

ix) 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 mark-up rate is fixed at 10.70% p.a (2010: 10.70% p.a.).

x) 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 mark-up rate is fixed at 14.70% p.a.

The Company has Rs. 40.50 million (2010: Rs. 30.03 million) undrawn borrowing facility at the balance sheet date against loan VI, VII, VIII, IX and X 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 (2010: Rs. 167 million).

Notes to the Accounts

for the year ended December 31, 2011

	2011	2010
	(Rupees in '000)	
11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Balance as on January 01	36,332	45,306
Add - Assets acquired during the year	–	–
	36,332	45,306
Less - Payments/ adjustments	(10,099)	(8,974)
	26,233	36,332
Less - Shown under current liabilities	(11,283)	(10,070)
Balance as on December 31	14,950	26,262

11.1 The total lease rentals due under the lease agreements aggregate Rs. 30.86 million (2010: Rs. 44.99 million) and are payable in quarterly and half yearly installments under various lease agreements, latest by 2013. 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 14.41% to 15.64% per annum. In case of default of any payment, the additional charges at varying rates are payable on overdue amounts. If any lease is terminated the lessee is required to pay the lease termination charges on the scales specified in the lease agreements. The cost of repairs and insurance are borne by the lessee. The liability is partly secured by a deposit of Rs. 2.53 million (2010: Rs. 2.53 million), included in long term deposits. The estimated residual value of assets acquired on finance lease is Rs. 2.53 million (2010: Rs. 2.53 million). Purchase option is available to the Company on payment of the residual value of the asset.

The number of maximum/ minimum lease rentals payable are 7 and 4 (2010: 11 and 6) respectively.

11.2 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:

	2011			2010		
	(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	14,500	11,283	3,217	14,500	10,070	4,430
Due after one year but not later than five years	16,361	14,950	1,411	30,495	26,262	4,233
	30,861	26,233	4,628	44,995	36,332	8,663

	Note	2011	2010
		(Rupees in '000)	
12. LONG TERM DEPOSITS			
Others	12.1	2,620	880
		2,620	880

12.1 These deposits are of Lark & Finch Franchise and light trucks tubes dealers, who have permitted the utilization of such money by the Company in pursuance of Section 226 of the Companies' Ordinance, 1984.

	Note	2011	2010
		(Rupees in '000)	
13. DEFERRED LIABILITIES			
Deferred taxation	13.1	192,487	206,698
Gratuity fund payable	13.2	22,899	18,943
		215,386	225,641

13.1 Deferred tax liability is made up as follows:

	2011	2010
Accelerated depreciation	221,045	205,981
Liabilities against assets subject to finance lease	2,230	717
Tax credit U/s 113	(30,788)	–
	192,487	206,698

13.2 Gratuity fund payable

The details of actuarial valuations of defined gratuity scheme carried as at December 31, 2011 are as follows:

13.2.1 The amounts recognized in the balance sheet are as follows:

	2011	2010
Present value of defined benefit obligations	82,210	72,274
Fair value of plan assets	(51,591)	(39,457)
	30,619	32,817
Unrecognized actuarial losses	(7,720)	(13,874)
Net liability	22,899	18,943

13.2.2 Movement in the net liability recognised in the balance sheet is as follows:

	2011	2010
Opening balance	18,943	11,462
Charge for the year	13,456	12,581
Payments during the year	(9,500)	(5,100)
Closing balance	22,899	18,943

13.2.3 Amounts recognized in the profit and loss account are as follows:

	2011	2010
Current service cost	8,525	8,707
Interest cost	9,396	7,366
Expected return on plan assets	(5,130)	(4,293)
Actuarial loss charge	665	801
	13,456	12,581

Notes to the Accounts

for the year ended December 31, 2011

	2011	2010
	(Rupees in '000)	
13.2.4 Changes in the present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	72,274	61,382
Current service cost	13,644	8,707
Interest cost	9,396	7,366
Actuarial losses	3,808	1,600
Benefits paid	(16,912)	(6,781)
Closing defined benefit obligation	82,210	72,274
13.2.5 Changes in the fair value of the plan assets are as follows:		
Opening fair value of plan assets	39,457	35,774
Expected return	5,130	4,293
Actuarial gains	9,297	1,071
Contribution by employer	14,619	5,100
Benefits paid	(16,912)	(6,781)
Closing fair value of plan assets	51,591	39,457

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

	2011		2010	
	(Rupees in '000)	%	(Rupees in '000)	%
Unit Trust	32,636	63.26%	16,410	41.59%
Term Deposit	10,053	19.49%	22,371	56.70%
Other Asset	8,902	17.25%	676	1.71%
	51,591	100.00%	39,457	100.00%

	2011	2010
	(Rupees in '000)	
13.2.7 Actual return on plan assets		
Expected return on plan assets	5,130	4,293
Actuarial gain on assets	9,297	1,071
	14,427	5,364

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

	2011	2010
13.2.8 Principal actuarial assumptions		
The principal assumptions in the actuarial valuation are as follows:		
Discount rate	13%	13%
Expected rate of salary increase	11%	12%
Expected rate of return on investments	13%	12%
Average expected remaining working life of employees	10 years	10 years

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

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Defined Benefit Plan					
Defined benefit obligation	82,210	72,274	61,382	52,923	44,158
Plan assets	(51,591)	(39,457)	(35,774)	(31,281)	(40,349)
Deficit	30,619	32,817	25,608	21,642	3,809
Experience adjustments on plan liabilities	3,808	1,600	(1,488)	4,385	4,181
Experience adjustments on plan assets	9,297	1,071	709	(10,388)	2,347

14. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in '000)	
Trade creditors		714,876	683,597
Accrued liabilities		265,453	222,764
Bills payable	14.1	217,940	22,608
Advances from customers		22,440	31,415
Provident fund payable		12,818	12,291
Pension fund payable		1	5
Workers' Profit Participation Fund	14.2	28,807	26,300
Workers' Welfare Fund	14.3	35,552	24,641
Unclaimed dividend		7,003	5,925
Others		2,274	2,352
Due to government agencies on account of:			
Staff income tax		1,259	1,111
Suppliers' income tax		35	208
		1,308,458	1,033,217

Notes to the Accounts
for the year ended December 31, 2011

	2011	2010
	(Rupees in '000)	
14.1 This represents letters of credit for purchase of raw material.		
14.2 Workers' Profit Participation Fund		
Balance as at January 01	26,300	49,846
Provision for the year	28,712	26,205
Interest for the year	195	1,681
	55,207	77,732
Less: Payments during the year	26,400	51,432
Balance as December 31	28,807	26,300
14.3 Workers' Welfare Fund		
Balance as at January 01	24,641	33,589
Provision for the year	10,911	9,958
	35,552	43,547
Less: Payment/Adjustment	–	18,906
Balance as December 31	35,552	24,641

15. INTEREST AND MARKUP ACCRUED

	2011	2010
Long term financing - secured	9,871	10,143
Short term borrowings - secured	48,533	30,219
	58,404	40,362

16. SHORT TERM BORROWINGS - SECURED

From banks and other financial institutions

	Sanctioned limit		Availed limit	
	2011	2010	2011	2010
	(Rupees in '000)			
Under mark up arrangements with consortium banks:				
Cash credits	1,392,000	900,000	458,740	82,509
Export refinance	851,000	850,000	850,689	848,674
Foreign Currency Import Loan	292,000	200,000	291,661	187,960
	2,535,000	1,950,000	1,601,090	1,119,143

	Mark-up range per annum (%)	
	2011	2010
Cash credit	12.92 - 15.40	13.13 - 15.39
Export refinance	8.00 - 11.00	7.50 - 10.00
Foreign Currency Import Loan	2.71 - 4.39	2.96 - 3.65

Mark-up is payable on quarterly basis.

The above facilities 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.

17. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

17.1 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.

17.2 The Additional Collectorates of Sales Tax (Lahore and Gujranwala respectively) had initiated cases against the Company for the failure to realise and collect Sales Tax amounting to Rs. 10.92 million against interest income received from associated company during the years 1997 and 1998. Cases are presently pending before Customs, Excise and Sales Tax Appellate Tribunal, Lahore Bench. According to the Company's legal counsel, the Company has a strong case with high probability of its success.

17.3 The Additional Collector (Adjudication) PACCS, Karachi had initiated a 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.

Notes to the Accounts
for the year ended December 31, 2011

17.4 The Deputy Director PESSI, Gujrat has initiated two cases against Service Industries Limited. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period 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 July 1992 to September 1993. Both cases have been decided against the company by the Director General Recovery PESSI, Lahore. Now the company is going to file an appeal before Social Security Court, Lahore. 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

17.5 Guarantees issued in ordinary course of business through banks Rs. 28.64 million (2010: Rs. 85.60 million).

17.6 Irrevocable letters of credit outstanding at the year end Rs. 508.65 million (2010: Rs. 314.93 million).

	Note	2011	2010
		(Rupees in '000)	
18. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	18.1	1,543,297	1,320,304
Capital work in progress	18.2	68,755	104,865
		1,612,052	1,425,169

18.1 Operating fixed assets

2011 (Rupees in '000)

Type of Assets	COST As at January 01	COST Addition/ Transfers	COST Deletion	COST As at December 31	Rate %	DEPRECIATION Accumulated as at January 01	DEPRECIATION Adjustments	DEPRECIATION Charge for the Year	DEPRECIATION Accumulated as at December 31	WDV as at December 31
Freehold land	7,106	-	-	7,106	-	-	-	-	-	7,106
Building on freehold land	300,351	33,654	-	334,005	5-10	138,051	-	16,345	154,396	179,609
Plant and machinery	1,375,479	286,063	23,960	1,637,582	10	535,554	18,970	94,793	611,377	1,026,205
Furniture, fixture and fittings	25,354	5,694	92	30,956	10	16,482	27	1,017	17,472	13,484
Vehicles	75,518	47,218	13,678	109,058	20	24,393	5,657	13,955	32,691	76,367
Service equipment	347,845	25,998	1,552	372,291	10-30	144,276	397	25,605	169,484	202,807
Leasehold improvements	10,512	-	5,241	5,271	33	2,017	2,657	3,213	2,573	2,698
	2,142,165	398,627	44,523	2,496,269		860,773	27,708	154,928	987,993	1,508,276
Leased assets										
Plant and machinery	41,931	-	-	41,931	10	9,100	-	3,283	12,383	29,548
Service equipment	8,630	-	-	8,630	10	2,549	-	608	3,157	5,473
	50,561	-	-	50,561		11,649	-	3,891	15,540	35,021
Total	2,192,726	398,627	44,523	2,546,830		872,422	27,708	158,819	1,003,533	1,543,297

2010 (Rupees in '000)

Type of Assets	COST As at January 01	COST Addition/ Transfers	COST Deletion	COST As at December 31	Rate %	DEPRECIATION Accumulated as at January 01	DEPRECIATION Adjustments	DEPRECIATION Charge for the Year	DEPRECIATION Accumulated as at December 31	WDV as at December 31
Freehold land	7,106	-	-	7,106	-	-	-	-	-	7,106
Building on freehold land	256,961	43,390	-	300,351	5-10	123,477	-	14,574	138,051	162,300
Plant and machinery	1,025,803	349,676	-	1,375,479	10	461,564	-	73,990	535,554	839,925
Furniture, fixture and fittings	24,389	965	-	25,354	10	15,563	-	919	16,482	8,872
Vehicles	62,365	16,738	3,585	75,518	20	14,969	1,592	11,016	24,393	51,125
Service equipment	238,892	110,807	1,854	347,845	10-30	122,433	1,561	23,404	144,276	203,569
Leasehold improvements	-	10,512	-	10,512	33	-	-	2,017	2,017	8,495
	1,615,516	532,088	5,439	2,142,165		738,006	3,153	125,920	860,773	1,281,392
Leased assets										
Plant and machinery	41,931	-	-	41,931	10	5,452	-	3,648	9,100	32,831
Service equipment	8,630	-	-	8,630	10	1,873	-	676	2,549	6,081
	50,561	-	-	50,561		7,325	-	4,324	11,649	38,912
Total	1,666,077	532,088	5,439	2,192,726		745,331	3,153	130,244	872,422	1,320,304

Notes to the Accounts
for the year ended December 31, 2011

	2011	2010
	(Rupees in '000)	
18.1.1 Depreciation has been charged as follows:		
Cost of Sales	138,550	110,201
Administrative Expenses	20,269	20,043
	158,819	130,244

18.1.2 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						
Air compressor/ motors	298	188	110	209	Haji Sadiq & Sons Lahore	Negotiation
Air compressor	290	170	120	62	Ali Compressor House Lahore	Negotiation
Air compressor	210	124	86	164	Haji Sadiq & Sons Lahore	Negotiation
Air compressor	141	67	74	141	Haji Sadiq & Sons Lahore	Negotiation
Farrari machine	561	374	187	158	Madina Engineering Gujrat	Negotiation
Farrari machine	5,318	5,115	203	172	Madina Engineering Gujrat	Negotiation
Mould arges	3,639	2,830	809	1,000	SAB Polymer Industries (Pvt.) Limited	Negotiation
Moulding	1,239	614	625	800	SAB Polymer Industries (Pvt.) Limited	Negotiation
Piston type compressor	248	183	65	124	Haji Sadiq & Sons Lahore	Negotiation
Spring testing machine	157	78	79	100	SAB Polymer Industries (Pvt.) Limited	Negotiation
Vertical injection mould	843	592	251	320	SAB Polymer Industries (Pvt.) Limited	Negotiation
Vertical moulding machine	839	636	203	260	SAB Polymer Industries (Pvt.) Limited	Negotiation
Vertical moulding machine	512	375	137	175	SAB Polymer Industries (Pvt.) Limited	Negotiation
Vertical moulding machine	984	720	264	335	SAB Polymer Industries (Pvt.) Limited	Negotiation
Vertical moulding machine	1,489	270	1,219	1,560	SAB Polymer Industries (Pvt.) Limited	Negotiation
	16,768	12,336	4,432	5,580		
Having book value less than Rs. 50,000	7,192	6,634	558	1,937		
Total	23,960	18,970	4,990	7,517		
Furniture fixture						
Having book value less than Rs. 50,000	92	27	65	43		
Vehicles						
Having book value exceeding Rs. 50,000						
Hyundai Santro Club	141	64	77	77	Mr. Mohammad Rafique	Company policy
Toyota Corolla GLI	1,005	574	431	439	Mr. Adnan Wasal	Company policy
Honda City	467	124	343	343	Mr. Riaz A Khan	Company policy
Honda City	467	118	349	349	Mr. Shamaz Wali	Company policy
Honda Civic	704	178	526	1,403	Mr. Atiq-Ur Rehman	Negotiation
Suzuki Cultus	598	151	447	447	Mr. Usman Liaqat and Mr. Rana Saeed	Company policy
Honda City	476	151	325	324	Mr. G.A Cheema	Company policy
Honda Civic	1,803	684	1,119	1,119	Mr. Tabish Sharif	Company policy
Honda Civic	395	176	219	224	Mr. Naveed Anwar	Company policy
Honda Civic	833	298	535	751	Mr.Hassan Javed	Company policy
Honda Civic	1,521	831	690	1,375	Mr. Jawad Waheed Butt	Negotiation
Honda Civic	264	126	138	698	Mr. Ghulam Sarwar	Negotiation
Honda Civic	850	293	557	1,444	Mr. Muhammed Altaf	Negotiation
Suzuki Alto VXR	618	197	421	637	Mr. M. Adil Ansar	Negotiation
Suzuki Cultus	311	95	216	216	Mr. Sarzeb Jahangir	Company policy
Suzuki Cultus	186	66	120	551	Mr. Irfan Khan	Negotiation
Suzuki Cultus VXR	900	359	541	551	Mr. Hassan Ehsan	Company policy
Suzuki Cultus	306	195	111	521	Mr. Atiq ur Rehman	Negotiation
Suzuki Alto VXR	204	46	158	416	Mr. Asghar Ali Chauburji	Negotiation
Toyota Corolla	479	176	303	992	Mr. Atiq - Ur -Rehman	Negotiation
	12,528	4,902	7,626	12,877		
Having book value less than Rs. 50,000	1,150	755	395	598		
Total	13,678	5,657	8,021	13,475		

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Sold to	Mode of Disposal
Service equipments						
Having book value exceeding Rs. 50,000						
Generator	1,475	340	1,135	1,420	SAB Polymer Industries (Pvt.) Limited	Negotiation
Having book value less than Rs. 50,000	77	57	20	30		
	1,552	397	1,155	1,450		
Leasehold improvments						
Having book value exceeding Rs. 50,000						
Leasehold improvements	5,241	2,657	2,584	–		
Total leasehold improvements	5,241	2,657	2,584	–		
Total - 2011	44,523	27,708	16,815	22,485		
Total - 2010	5,439	3,153	2,286	2,536		

18.1.3 Disposal of property, plant and equipment includes disposals made to SAB Polymer Industries (Pvt.) Limited amounting to Rs. 7,204 (2010: Rs. Nil).

18.2 Capital work in progress

	Building	Plant and machinery	Furniture Fixture and Fittings	Service Equipment	Intangible Assets	Total 2011	Total 2010
	(Rupees in '000)						
Balance as at January 01	27,093	63,283	–	201	14,288	104,865	103,005
Addition during the year	39,869	34,882	451	3,796	4,647	83,645	285,738
Transfers/ adjustments	(12,578)	(87,162)	–	(2,430)	(17,585)	(119,755)	(283,878)
Balance as at December 31	54,384	11,003	451	1,567	1,350	68,755	104,865

19. INTANGIBLE ASSETS

	2011	2010
	(Rupees in '000)	
Net carrying value basis		
Opening net book value	–	–
Addition during the year	17,585	–
Amortisation charge	(4,284)	–
Closing net book value	13,301	–
Gross carrying value basis		
Cost	17,585	–
Accumulated amortisation	(4,284)	–
Net book value	13,301	–
Rate of amortisation	33%	–

19.1 Intangible assets include computer software and related licenses.

Notes to the Accounts
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees in '000)	
20. LONG TERM LOANS			
Considered good			
- due from executives	20.1	-	1,236
- due from other employees		627	973
		627	2,209
Less - current portion of long term loans		(251)	(759)
		376	1,450
20.1 Reconciliation of loans to executives:			
Balance as at January 01		1,236	1,899
Add: Disbursements/ transfer		–	–
Less: Repayments during the year		(1,236)	(663)
Balance as at December 31		–	1,236

20.2 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.

20.3 The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. 1.20 million (2010: Rs. 2.20 million).

	2011	2010
	(Rupees in '000)	
21. LONG TERM DEPOSITS		
Long term deposits with:		
Leasing companies	2,528	2,528
Government agencies	3,939	3,924
Others	4,593	6,423
	11,060	12,875
22. STORES, SPARES AND LOOSE TOOLS		
Machinery spares	33,660	23,717
Stores	53,747	30,956
Loose tools	202	157
Less:		
Provision for slow moving and obsolete items	(2,882)	(3,858)
	84,727	50,972

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

	2011	2010
	(Rupees in '000)	

23. STOCK IN TRADE

	2011	2010
Raw material	968,134	706,141
Packing material	17,825	19,531
Work in process	300,306	182,686
Finished goods: Own production	569,299	359,240
Purchased	10,205	–
Goods in transit	122,473	97,505
Less: Provision for slow moving items, obsolete items and net realisable value	(47,013)	(6,975)
	1,941,229	1,358,128

Finished goods of Rs. 59.39 million (2010: Rs. Nil) are being carried at net realisable value and an amount of Rs. 11.92 million (2010: Rs. Nil) has been charged to cost of sales, being the cost of inventory written down during the year.

24 . TRADE DEBTS

	Note	2011	2010
		(Rupees in '000)	
Secured - against irrevocable letters of credit		209,776	77,061
Unsecured - considered good:			
Due from related parties:	24.1		
- Service Sales Corporation (Pvt.) Limited			
- associated company		468,470	650,033
- SAB Polymer Industries (Pvt.) Limited		4,735	4,067
Other customers		255,475	166,514
Less:			
Provision for doubtful debts		-	-
		938,456	897,675

24.1 These relate to normal business of the Company and are interest free.

25. LOANS AND ADVANCES

	Note	2011	2010
Current portion of long term loans		251	759
Advances - considered good:			
- Staff		345	516
- Suppliers		19,402	17,945
- Others		2,260	2,123
Advance income tax	25.1	487,373	218,294
Letters of credit		146,600	77,948
		656,231	317,585

Notes to the Accounts
for the year ended December 31, 2011

		Note	2011	2010
			(Rupees in '000)	
25.1	Advance income tax:			
	Opening balance		218,294	101,090
	Tax deducted/ deposited for the year		363,512	339,475
	Adjustment for the year		(94,433)	(222,271)
			487,373	218,294

25.2 Chief Executive and Directors have not taken any advance from the Company.

26. TRADE DEPOSITS AND PREPAYMENTS

	2011	2010
Security deposits	5,170	3,285
Prepayments	2,495	2,820
Others	17	–
	7,682	6,105

27. OTHER RECEIVABLES

	2011	2010
Balances with statutory authorities:		
Custom duty rebate	49,908	21,978
Excise duty	12,772	4,327
Sales tax	298,218	198,644
Others	1,258	–
	362,156	224,949

28. CASH AND BANK BALANCES

	Note	2011	2010
Cash in hand		918	819
Balances with banks in current accounts:			
- Local currency		6,065	4,496
- Foreign currency		3,649	2,143
Balances with banks in deposit accounts	28.1	–	240,000
Cash in transit	28.2	1,433	493
		12,065	247,951

28.1 The balance in deposit accounts bear mark-up which ranges from 10% to 13.50% (2010: 10% to 13.50%) per annum.

28.2 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.

	2011	2010
	(Rupees in '000)	
29. SALES		
Export sales	3,237,667	2,041,509
Discounts, commissions, etc.	(36,082)	(46,795)
	3,201,585	1,994,714
Local sales	8,507,590	7,558,065
Sales tax and excise duty	(4,538)	(8,174)
Discounts, commissions, etc.	(155,608)	(123,197)
	8,347,444	7,426,694
	11,549,029	9,421,408
29.1 Sale of footwear (Net)		
Export sales	2,958,565	1,780,569
Local sales	4,306,539	4,401,397
	7,265,104	6,181,966
Sale of tyres and tubes (Net)		
Export sales	243,015	214,145
Local sales	3,976,112	2,978,508
	4,219,127	3,192,653
Sale of technical rubber products (Net)		
Export sales	5	–
Local sales	64,793	46,789
	64,798	46,789
	11,549,029	9,421,408

29.2 Exchange gain/ (loss) due to currency rate fluctuations relating to export sales amounting to Rs. 13.14 million [2010: (19.39 million)] has been included in export sales.

Notes to the Accounts
for the year ended December 31, 2011

		Note	2011	2010
			(Rupees in '000)	
30. COST OF SALES				
Raw material consumed		30.1	7,655,508	5,881,292
Salaries, wages and benefits		30.2	1,113,433	959,106
Stores and spares consumed			167,291	181,775
Packing material consumed			420,055	379,014
Fuel and power			415,090	421,479
Insurance			8,142	7,205
Travelling expenses			5,187	5,329
Repair and maintenance			82,546	80,846
Entertainment			1,057	854
Depreciation		18.1.1	138,550	110,201
Provision for slow moving items, obsolete items and net realisable value			39,060	(16,151)
Other manufacturing charges			257,467	227,370
			10,303,386	8,238,320
Work in process:	As at January 01		182,686	123,136
	As at December 31		(300,306)	(182,686)
			(117,620)	(59,550)
Cost of goods manufactured			10,185,766	8,178,770
Finished goods:	As at January 01		359,240	308,442
	Purchases during the year		14,291	–
	As at December 31		(579,504)	(359,240)
			(205,973)	(50,798)
			9,979,793	8,127,972

30.1 Raw material consumed

	Note	2011	2010
Balance as at January 01		705,584	739,878
Purchases during the year	30.3	7,918,058	5,846,998
Balance as at December 31		(968,134)	(705,584)
		7,655,508	5,881,292

30.2 Salaries, wages and benefits made up as follows:

	2011	2010
Salaries, wages and benefits	1,054,440	913,579
Provident fund contribution	47,452	40,563
Gratuity contribution	11,477	4,911
Pension fund contribution	64	53
	1,113,433	959,106

30.3 Custom duty rebate for the year amounting to Rs. 51.79 million (2010: Rs. 36.15 million) has been adjusted against raw material consumed.

	Note	2011	2010
		(Rupees in '000)	

31. DISTRIBUTION COST

	Note	2011	2010
Freight and insurance	31.1	131,080	111,031
Salaries and benefits	31.2	39,604	27,189
Advertisement and publicity		15,933	15,684
Entertainment		3,768	4,347
Samples		99,128	77,928
Others		33,238	33,343
		322,751	269,522

31.1 This includes export expenses of Rs. 83.59 million (2010: Rs. 73.26 million).

31.2 Salaries, wages and benefits made up as follows:

	2011	2010
- Salaries, wages and benefits	38,083	26,484
- Provident fund contribution	1,510	692
- Pension fund contribution	11	13
	39,604	27,189

32. ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries and benefits	32.1	298,511	212,774
Communication		8,871	7,230
Printing and stationery		3,150	2,601
Travelling and conveyance		27,696	15,962
Entertainment		10,280	8,659
Motor car expenses		18,619	13,029
Insurance		3,245	2,933
Rent, rates and taxes		3,612	3,786
Fuel and power		18,198	15,514
Repairs and maintenance		6,179	8,376
General expenses		6,385	4,332
Auditor's remuneration	32.2	2,893	2,560
Legal and professional charges		8,396	4,614
Subscription		1,272	986
Depreciation	18.1.1	20,269	20,043
Amortization on intangible assets	19	4,284	-
Computer running expenses		11,901	5,601
Advertisement		1,422	657
Bad debts		1,288	172
		456,471	329,829

Notes to the Accounts

for the year ended December 31, 2011

	2011	2010
	(Rupees in '000)	
32.1 Salaries, wages and benefits made up as follows:		
Salaries and benefits	294,928	203,231
Gratuity contribution	1,267	7,502
Provident fund contribution	2,279	2,001
Pension fund contribution	37	40
	298,511	212,774
32.2 Auditor's Remuneration		
Audit fee	1,400	1,400
Half yearly review	385	350
Other advisory services	1,000	735
Out of pocket expenses	108	75
	2,893	2,560

33. OTHER OPERATING EXPENSES

	2011	2010
Donations	18,647	11,911
Workers' Profit Participation Fund	28,712	26,205
Workers' Welfare Fund	10,911	9,958
	58,270	48,074

None of the directors and their spouses had any interest in any of the donees.

34. FINANCE COST

	2011	2010
Interest/ mark-up on:		
- Short term borrowings	176,697	117,290
- Long term financing	33,197	32,690
- Workers' Profit Participation Fund	195	1,681
Bank commission, fees and charges	23,296	20,780
Finance charge on leased assets	4,310	5,286
	237,695	177,727

35. OTHER OPERATING INCOME

	2011	2010
Income from financial assets		
Income on bank deposits	2,884	4,016
Income from non-financial assets		
Profit on disposal of property, plant and equipment	5,670	250
Rental income from Service Sales Corporation (Pvt.) Limited - associated company	6,400	6,000
Scrap sales and others	25,616	9,382
	40,570	19,648

	2011	2010
	(Rupees in '000)	

36. TAXATION

	2011	2010
Current tax	115,461	94,433
Deferred tax	(14,210)	65,394
	101,251	159,827

36.1 Numerical reconciliation of tax charge for the year

	2011	2010
Profit before taxation	534,619	487,932
Applicable tax rate 35% (2010: 35%)	187,117	170,776
Tax effect of amounts that are:		
Inadmissible expenses	3,951	3,562
Admissible expenses	(17,875)	(10,368)
Exempt income	(15,888)	(12,740)
Presumptive tax regime	(24,426)	414
Minimum tax difference / tax credit U/s 113	(31,628)	8,183
	(85,866)	(10,949)
	101,251	159,827

37. EARNINGS PER SHARE - BASIC AND DILUTED

37.1 Basic earnings per share

	2011	2010
Profit after tax	433,368	328,105
Number of Ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earning per share (Rupees)	36.03	27.28

37.2 Diluted earnings per share

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

38. 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 accounts are as follows:

	2011			2010		
Particulars	**Directors**	**Chief Executive**	**Executives**	**Directors**	**Chief Executive**	**Executives**
	(Rupees in '000)					
Managerial remuneration	29,746	7,658	61,622	27,508	6,500	35,269
Utilities and others	12,589	3,192	43,168	5,502	1,300	20,234
Retirement benefits	1,082	574	3,072	1,089	487	2,306
Leave encashment	-	-	-	-	-	3,055
Total	43,417	11,424	107,862	34,099	8,287	60,864
Number of persons	4	1	59	6	1	39

Notes to the Accounts
for the year ended December 31, 2011

Meeting fee of Rs. 430,000 (2010: Rs. 440,000) 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 policy.

39. CASH GENERATED FROM OPERATIONS

	2011	2010
	(Rupees in '000)	
Profit before tax	534,619	487,932
Adjustments for non-cash charges and other items:		
Depreciation	158,819	130,244
Gratuity provision	13,456	12,581
Financial expenses	237,695	177,727
Provision for slow moving and obsolete items	39,062	(16,863)
Provision for Workers' Profit Participation Fund	28,712	26,205
Provision for Workers' Welfare Fund	10,911	9,958
Profit on sale of fixed assets	(5,670)	(250)
	482,985	339,602
Operating profit before working capital changes	1,017,604	827,534
Changes in working capital		
Increase in current assets		
- Stores, spares and loose tools	(32,778)	(23,052)
- Stock in trade	(623,139)	(88,119)
- Trade debts	(40,781)	(104,643)
- Loans and advances	(69,567)	(11,328)
- Trade deposits and prepayments	(1,577)	(1,242)
- Other receivables	(137,207)	(84,261)
	(905,049)	(312,645)
Increase in current liabilities:		
- Trade and other payables	260,745	278,648
Changes in long term loans	1,074	820
Changes in long term deposits	1,740	140
Cash generated from operations	376,114	794,497

40. FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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:

	2011	2010
	(Rupees in '000)	
Rupees per Euro		
Average rate	119.32	117.17
Reporting date rate	115.96	113.93
Rupees per US Dollar		
Average rate	85.61	85.21
Reporting date rate	89.55	85.26

(ii) 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.

(iii) Interest rate risk

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

The Company has no significant long–term interest–bearing assets. The Company's interest rate risk arises from long term financing, short term borrowing and security deposits. 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.

Notes to the Accounts

for the year ended December 31, 2011

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

	2011	2010
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Short term deposits	–	240,000
Financial liabilities		
Long term financing	298,777	293,025
Liabilities against assets subject to finance lease	26,233	36,332
Short term borrowing	1,601,090	1,119,143

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.

b) **Credit risk**

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

	2011	2010
	(Rupees in '000)	
Loans and advances	2,260	2,123
Trade deposits and prepayments	5,170	3,285
Trade debts	938,456	897,675
Other receivables	1,258	–
Bank balances	9,714	246,639
	956,858	1,149,722

(c) **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	Less than 1 year	Between 1 and 5 years	Over 5 years
	(Rupees in '000)			
December 31, 2011				
Long term financing	298,777	80,604	201,270	16,903
Liabilities against assets subject to finance lease	26,233	11,283	14,950	-
Trade and other payables	1,286,018	1,286,018	-	-
Short term borrowing	1,601,090	1,601,090	-	-
	3,212,118	2,978,995	216,220	16,903
December 31, 2010				
Long term financing	293,025	78,762	203,849	10,414
Liabilities against assets subject to finance lease	36,332	10,070	26,262	-
Trade and other payables	1,001,801	1,001,801	-	-
Short term borrowing	1,119,143	1,119,143	-	-
	2,450,301	2,209,776	230,111	10,414

40.2 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.

	2011	2010
	(Rupees in '000)	
40.3 Financial instruments by categories		
Assets as per balance sheet		
Loans and advances	2,260	2,123
Trade deposits and prepayments	5,170	3,285
Trade debts	938,456	897,675
Other receivables	1,258	–
Bank balances	9,714	246,639
	956,858	1,149,722
Liabilities as per balance sheet	Financial liabilities at amortized cost	
Long term financing	298,777	293,025
Liabilities against assets subject to finance lease	26,233	36,332
Long term deposits	2,620	880
Interest and accrued mark–up	58,404	40,362
Short term borrowing	1,601,090	1,119,143
Trade and other payables	1,286,018	1,001,801
	3,273,142	2,491,543

Notes to the Accounts
for the year ended December 31, 2011

40.4 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. Debt represent long–term financing (including current portion) plus short term borrowing obtained by the Company as referred to in note 10 and 16. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2011	2010
		(Rupees in '000)	
The gearing ratio as at year ended December 31 is as follows:			
Debt	10, 11	325,010	329,357
Equity	8, 9	2,012,906	1,699,826
Total capital employed		2,337,916	2,029,183
		(In percentage)	
Gearing ratio		13.90	16.23

41. 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. Balances with the related parties are shown elsewhere in the financial statements. 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 38 are as follows:

Name & Relation	Nature and description of related party transactions	2011	2010
		(Rupees in '000)	
Associated			
Service Sales Corporation (Private) Limited	Sale	3,940,561	3,721,182
	Rent	6,400	6,000
	Others	8,125	4,857
Related			
SAB Polymer Industries (Private) Limited	Sales	4,982	1,566
	Sale of assets	7,204	-
Post employment benefit plan			
Provident Fund	Contribution	57,027	43,256
Gratuity Fund	Contribution	14,619	5,100
Pension Fund	Contribution	111	106
		4,039,029	3,782,067

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

42. PLANT CAPACITY

Footwear and Others

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

	Installed capacity		Actual production	
	2011	2010	2011	2010
Number of tyres	9,674,765	9,674,765	5,074,655	5,156,825
Number of tubes	17,503,361	16,559,954	11,998,839	11,757,625

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

43. SEGMENT REPORTING

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

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

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

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

- Footwear
- Tyre Division
- Technical Rubber Products

Notes to the Accounts

for the year ended December 31, 2011

Segment analysis for the year ended December 31, 2011.

	Footwear		Tyre Division		Technical Rubber Products		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
External sales	7,265,104	6,181,966	4,219,127	3,192,653	64,798	46,789	11,549,029	9,421,408
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	7,265,104	6,181,966	4,219,127	3,192,653	64,798	46,789	11,549,029	9,421,408
Profit/ (loss) before tax and unallocated expenses	834,306	758,957	260,031	109,584	(1,152)	7,917	1,093,185	876,458
Unallocated corporate expenses								
Finance cost							(213,839)	(155,510)
Other operating expenses							(359,458)	(243,742)
Other operating income							14,731	10,726
Taxation							(101,251)	(159,827)
Profit after taxation							433,368	328,105
Segment assets	3,038,773	2,438,053	1,374,085	984,459	120,501	126,215	4,533,359	3,548,727
Unallocated assets							1,105,976	994,132
Consolidated assets							5,639,335	4,542,859
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							3,626,429	2,843,140
Consolidated liabilities							3,626,429	2,843,140
Segment capital expenditure	197,364	242,050	144,336	156,007	-	-	341,700	398,057
Unallocated capital expenditure							56,927	135,056
Consolidated capital expenditure							398,627	533,113
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(44,033)	(9,122)	(2,457)	(2,676)	(3,403)	(4,353)	(49,893)	(16,151)
Depreciation and amortization	73,459	61,846	55,276	41,006	3,125	3,820	131,860	106,672
Unallocated							26,959	23,572
Consolidated depreciation and amortization							158,819	130,244

43.1 Reconciliation of segment profit

	2011	2010
Total profit for reportable segments	1,093,185	876,458
Unallocated expenses	(558,566)	(388,526)
Profit before tax	534,619	487,932

44. AUTHORISATION DATE

These financial statements were authorised for issue by the Board of Directors on February 21st, 2012.

45. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 21st, 2012, has proposed a final cash dividend of Rs.10 per share (2010: Rs. 7.5 per share) for approval of the members at the Annual General Meeting to be held on March 26, 2012. The Board has also recommended to transfer Rs.200 million (2010: Rs. 235 million) to general reserve from unappropriated profit.

46. GENERAL

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

46.2 Figures have been rounded off to the nearest thousands of rupees.

Chaudhry Ahmad Javed
Chairman

Omar Saeed
Chief Executive

Place: Lahore
Date: February 21, 2012

Pattern of Shareholding
as on December 31, 2011

Number of ShareHolders	Shareholdings From	Shareholdings To	Total Number of Share Held	Percentage of Total Capital
624	1	100	21,996	0.18
367	101	500	104,398	0.87
218	501	000	160,094	1.33
133	1001	5000	306,018	2.54
16	5001	10000	113,622	0.94
8	10001	15000	94,243	0.78
4	15001	20000	73,791	0.61
4	20001	25000	85,764	0.71
1	25001	30000	28,329	0.24
2	30001	35000	64,906	0.54
5	35001	40000	185,142	1.54
6	40001	45000	250,748	2.08
3	45001	50000	143,940	1.20
1	50001	55000	52,399	0.44
1	60001	65000	64,262	0.53
1	70001	75000	72,017	0.60
1	100001	105000	102,174	0.85
1	110001	115000	114,713	0.95
1	160001	165000	160,113	1.33
1	175001	180000	177,753	1.48
1	185001	190000	186,083	1.55
1	220001	225000	223,049	1.85
1	225001	230000	229,908	1.91
1	230001	235000	230,004	1.91
1	245001	250000	249,667	2.08
1	260001	265000	264,631	2.20
1	265001	270000	268,087	2.23
1	300001	305000	301,253	2.50
1	355001	360000	359,907	2.99
1	370001	375000	375,000	3.12
1	540001	545000	542,590	4.51
1	610001	615000	610,460	5.07
1	840001	845000	842,126	7.00
1	905001	910000	908,347	7.55
1	1680001	1685000	1,681,975	13.98
1	2375001	2380000	2,379,280	19.78
1,414			12,028,789	100.00

Categories of Shareholders
As on December 31st, 2011

Sr.#	Categories	No. of Shareholders	Shares Held	Percentage of Capital
1	Directors, Chief Executive Officer, their spouses and minor children	12	1,194,326	9.9289
2	Associated Companies, Undertakings and Related Parties	2	2,389,424	19.8642
3	NIT and ICP	2	44,214	0.3676
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	27	1,922,634	15.9836
5	Insurance Companies	3	43,891	0.3649
6	Modarbas and Mutual Funds	5	1,737,853	14.4474
7	General Public (Local)	1,359	4,404,319	36.6148
8	Others	4	292,128	2.4286
	Total	1,414	12,028,789	100.0000

Detailed Categories of Shareholders

as on December 31, 2011

Sr. #	Name	Shares Held	Percentage
Directors, Chief Executive Officer, their spouses and minor children			
1	Mr. Riaz Ahmed	4,000	0.0332
2	Mr. Ahmad Shahid Hussain	28,329	0.2355
3	Mr. Hamid Hussain	35,984	0.2991
4	Mr. Arif Saeed	45,343	0.3770
5	Mr. Hassan Javed	223,049	1.8543
6	Mr. Omar Saeed	43,294	0.3599
7	Chaudhry Ahmed Javed	639,631	5.3175
8	Mrs. Fatima Saeed	32,453	0.2698
9	Mr. M. Ijaz Butt	40,069	0.3331
10	Mrs. Najma Butt	102,174	0.8494
		1,194,326	9.9289
Associated Companies, Undertakings and Related Parties			
1	M/s Shahid Arif Investments (Pvt) Limited	10,144	0.0843
2	Service Sales Corporation (Pvt) Limited	2,379,280	19.7799
		2,389,424	19.8642
NIT and ICP			
1	National Investment Trust Limited	43,314	0.3601
2	M/S Investment Corp of Pakistan	900	0.0075
		44,214	0.3676
Banks, Development Financial Instituations, Non Banking Financial Instituations			
1	The Bank of Punjab, Treasury Division	359,907	2.9920
2	AWJ Securities (SMC-Private) Limited	500	0.0042
3	Pearl Capital Management (Pvt) Limited	98	0.0008
4	Value Stock Securities (Pvt) Limited	10,000	0.0831
5	SME Bank Limited	72	0.0006
6	Time Securities (Pvt) Limited	1,183	0.0098
7	First National Equities Limited	776	0.0065
8	Hum Securities Limited	653	0.0054
9	Msmaniar Financials (Pvt) Limited	26	0.0002
10	Faysal Bank Limited	542,590	4.5108
11	Adeel & Nadeem Securities (Pvt) Limited	13	0.0001
12	Capital Vision Securities (Pvt) Limited	200	0.0017
13	Darson Securities (Pvt) Limited	200	0.0017
14	Y.S. Securities & Services (Pvt) Limited	122	0.0010
15	UHF Consulting (Private) Limited	10	0.0001
16	Prudential Securities Limited	594	0.0049
17	National Bank of Pakistan	842,126	7.0009
18	National Bank of Pakistan	160,113	1.3311
19	M/s Borjan (Pvt) Limited	1,605	0.0133
20	Haral Sons (Pvt) Limited	900	0.0075
21	Excel Securities (Pvt) Limited	10	0.0001
22	ACE Securities (Pvt) Limited	74	0.0006
23	M/s Fateh Industries Limited	145	0.0012
24	M/s West Pakistan Tanks/Terminals Limited	15	0.0001
25	Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt) Limited	500	0.0042
26	NH Securities (Pvt) Limited	72	0.0006
27	Pyramid Investments (Pvt) Limited	130	0.0011
		1,922,634	15.9836

Categories continued on next page...

Detailed Categories of Shareholders

as on December 31, 2011

Sr. #	Name	Shares Held	Percentage
Insurance Companies			
1	Askari General Insurance Company Limited	1,000	0.0083
2	Silver Star Insurance Company Limited	38,537	0.3204
3	EFU Life Assurance Limited	4,354	0.0362
		43,891	0.3649
Modarbas and Mutual Funds			
1	MCBFSL-Trustee URSF-Equity Sub Fund	930	0.0077
2	MCBFSL-Trustee UIRSF-Equity Sub Fund	860	0.0071
3	Dar-es-Salaam Textile Mills Limited / Staff Provident Fund Trust	4,500	0.0374
4	Golden Arrow Selected Stocks Fund Limited	49,588	0.4122
5	National Bank of Pakistan-Trustee Department NI(U)T Fund	1,681,975	13.9829
		1,737,853	14.4474
General Public (Local)		4,404,319	36.6148
Others			
1	Deputy Administrator Abandoned Properties Organization	12,090	0.1005
2	M/s Service Charitable Trust	11,587	0.0963
3	Trustee Service Provident Fund	268,087	2.2287
4	The Trustee, Ghulaman e Abbas Educational & Medical Trust	364	0.0030
		292,128	2.4286
	Total	12,028,789	100.0000

Shareholders holding more than 10% Shares:

1	Service Sales Corporation (Pvt) Limited	2,379,280	19.7799
2	National Bank of Pakistan-Trustee Department NI(U)T Fund	1,681,975	13.9829
		4,061,255	33.7628

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 55th Annual General Meeting of the company to be held on Monday March 26, 2012 at 10 am and at any adjournment thereof.

As a witness my/our hand/deal this ________________ day of ________________ 2012

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.

Annual Report 2011

SERVICE INDUSTRIES LIMITED

Servis House

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