

Annual Report
2020

*Transforming
vision into reality..*



Servis

Service Industries Limited

Cover Story

Transforming vision into reality requires that it be shared with others. The power of vision grows in proportion to the number of people sharing the vision. Only those people sharing the vision have the ability to transform it into reality. Their cooperation through consensus guides us along the paths of change.



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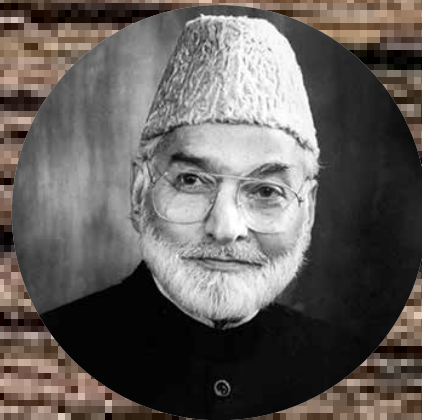
Our History

The story of 'Servis' begins in late 1930s when a group of three young graduates from college, started exploring the possibility of doing business together instead of aspiring for secured jobs. These determined young men, Chaudhry Nazar Muhammad, Chaudhry Mohammad Husain, both hailing from villages in Gujrat and Chaudhry Muhammad Saeed from the neighboring district of Gujranwala, had scarce capital as they came from families with modest means. They pooled their personal savings, and started small businesses of making Mosquito nets, minor steel products, leather chappals and eventually travel bags, hand bags and holdalls, made of canvas and leather largely for supply to the army. Their promising business, operating out of an apartment with four small rooms in Gawalmandi, Lahore, received a serious setback at the end of World War II when the army stopped purchases and again in 1947 when subcontinent was partitioned into Pakistan and India. Most of their market was lost as it was based in Indian Cities of Delhi, Bombay, Calcutta, Madras and Cawnpur. The money thus lost was never recovered. They were using a neutral name of Service Limited for their products, not revealing any particular religious identity under intense competition from people of other faiths.

After independence, they started their business afresh and this time with production of slippers, commonly called chappals in Pakistan. The limitation of financial resources did not deter them. They had experience of handling leather and canvas as well as handmade chappals. They established Service industries in 1953, converted to a Public Limited Company in 1959 and ultimately listed on the stock exchange in 1970.



Ch. Muhammad Hussain



Ch. Nazar Muhammad



Ch. Muhammad Saeed

In 1954, they installed a shoe manufacturing plant at industrial area in Gulberg, Lahore, and started production in the same year. The industry started manufacturing various types of shoes. A few years earlier retail outlet had been started at the Mall Road under banner of Hilal Store, later converted into a Servis store.

At Gujrat, they acquired large piece of land and established one of the biggest industrial complexes in Punjab, manufacturing leather and canvas footwear, canvas fabric, textile spinning and eventually also bicycle tires and tubes.

Humility, fairness and diligence were the core values held by our founders and these led to the phenomenal success of the group over the years. They were hugely focused on the impact of their enterprise on society as a whole. They remained extremely particular about payment of taxes to the national exchequer, and in looking after the interests of shareholder and workforce alike. The importance to society of creating employment opportunities, improve employees' qualifications, develop backward areas and establish an export market stemmed from their vision and directed their growth.

In the public sphere, they were the pioneers and founders of the Lahore Chamber of Commerce and Industry, the Federation of Chambers of Commerce and Industry and the Lahore Stock Exchange.

Ch Nazar Muhammad and Ch Muhammad Saeed were both Presidents of the Lahore Chamber, and Ch Nazar Muhammad also served as the President of the Federation of Chambers of Commerce and Industry as well as Chairman

of the newly established Lahore Stock Exchange. He founded the Businessmen Hospital Trust and through it became the founding Chairman of the Shalamar Hospital.

Ch Mohammad Husain was a great promoter of cricket and became President for the Board of Control for Cricket in Pakistan.

Today, the production side of the company has developed into the Service Industries Limited (SIL) which has world class shoes, tyres and tubes and specialized rubber production facilities in Gujrat, Muridke and in Negombo, Sri Lanka. SIL is the leading exporter of footwear from Pakistan as well as tyres and tubes. Our manufacturing facilities are spread over three locations, with two new locations, in Manga Otar, Tehsil Raiwind and in Nooriabad, Sindh have recently been acquired for new projects, for footwear and truck and bus radial tyres respectively.

A humble venture of three friends has grown into a group that employs almost thirteen thousand people and makes a difference in the lives of millions of people every day.

Our Vision

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

Our Mission

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

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

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



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

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

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

To adopt appropriate safety rules and environment friendly policies.



Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)

Non-Executive Director

Mr. Arif Saeed
(Chief Executive Officer)

Executive Director

Mr. Omar Saeed
Executive Director

Mr. Hassan Javed
Executive Director

Mr. Riaz Ahmed
Non-Executive Director

Mr. Osman Saifullah Khan
Independent Director

Mr. Muhammad Naeem Khan
Independent Director

Mr. Shahid Hussain Jatoi
Independent Director

Mrs. Ayesha Naweed
Independent Director

Chief Financial Officer

Mr. Badar Ul Hassan

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Osman Saifullah Khan
Chairman

Mr. Riaz Ahmed
Member

Mr. Muhammad Naeem Khan
Member

Human Resource and Remuneration Committee

Mrs. Ayesha Naweed
Chairperson

Mr. Arif Saeed
Member

Mr. Riaz Ahmed
Member

Bankers

Allied Bank Limited

Askari Bank limited

Bank Al Habib Limited

Bank Alfalah Limited

Faysal Bank limited

Habib Bank Limited

Habib Metro Bank

ICBC Pakistan

JS Bank Limited

MCB Bank Limited

MCB Islamic Bank

Meezan Bank Limited

National Bank Limited

Samba Bank Limited

Silk Bank Limited

Standard Chartered Bank
(Pakistan) Limited

Soneri Bank limited

The Bank of Punjab

United Bank Limited

“ All good things start with a dream. The dream becomes a vision. The vision becomes a plan. The plan becomes a reality ”.

Auditors

M/s. Riaz Ahmad & Company,
Chartered Accountants

Legal Advisor

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

Registered Office

Servis House,
2-Main Gulberg, Lahore-54662.
Tel: +92-42-35751990-96
Fax: +92-42-35710593,
35712109

Shares Registrar

M/s. Corplink (Pvt.) Limited
Wings Arcade, 1-K
Commercial, Model Town, Lahore
Tel: +92-42-35916714,
35916719,
35839182
Fax: +92-42-35869037

Pakistan Stock Exchange Limited

Stock Exchange Symbol SRVI

Factories

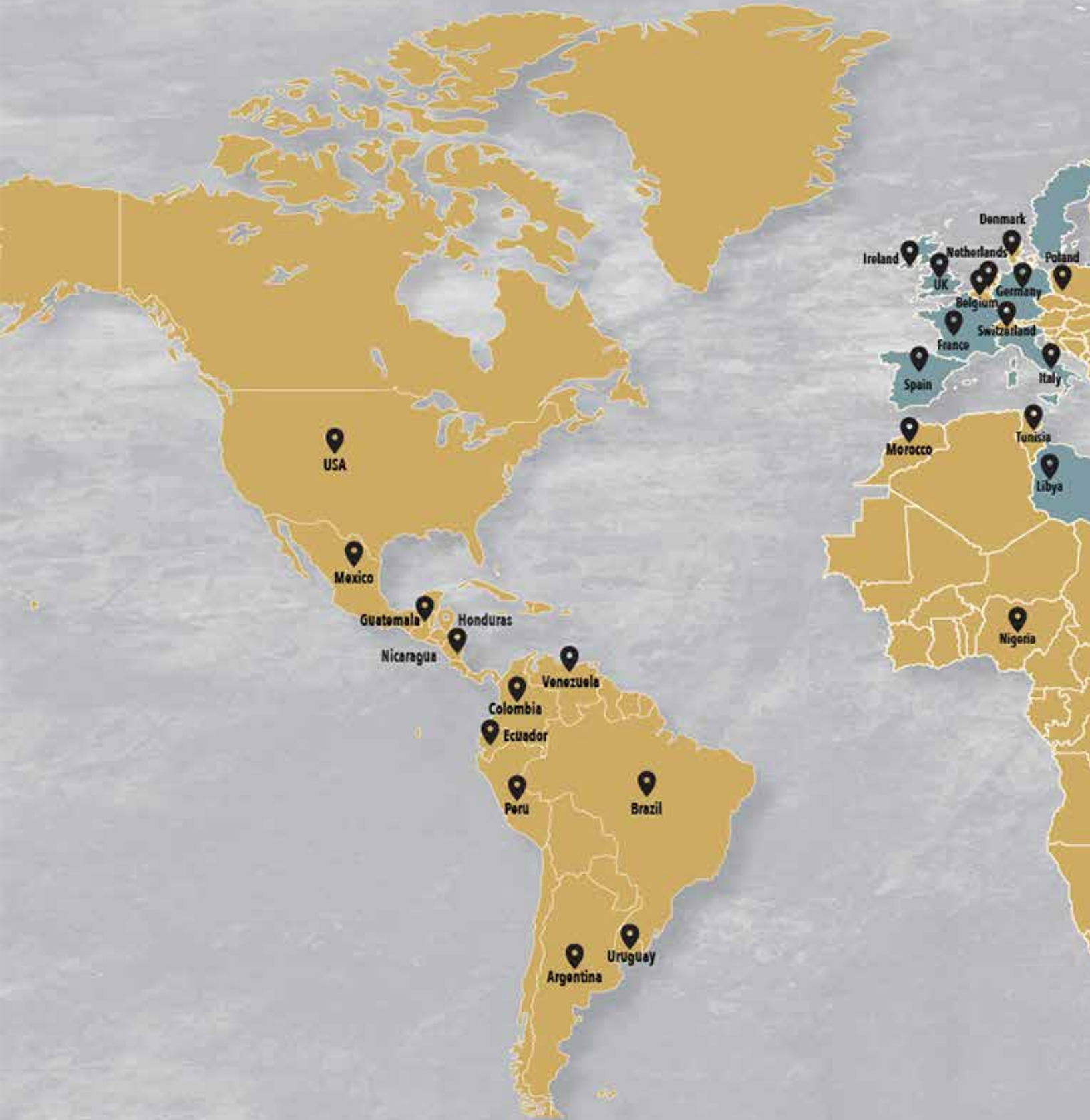
G.T. Road, Gujrat.

Web Presence

www.servisgroup.com

Geographical Presence

Our products are available in more than thirty countries.



"It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow "

-Robert H. Goddard.



Corporate Social Responsibility

About Service Industries Limited (SIL)

SIL is a socially conscious business entity. Its tradition of charitable giving is as old as the company itself. Over the last several decades, SIL has been involved in significant philanthropic undertakings in health and education. SIL's aim is to strive to serve its employees, customers, shareholders, communities and the environment. The intention is simple: to give back, share prosperity and help people build and grow in a sustainable way. In late 2018, SIL decided to consolidate the delivery of this work by establishing an independent corporate foundation by the name of Servis Foundation (SF). During 2020, SF's governance, performance, and initiatives developed further and many learnings were gathered. SF was granted a certification from the Pakistan Center of Philanthropy (PCP) and a tax-exempt status under section 2(36) of the Income Tax Ordinance 2001. SF is now the principal vehicle of all CSR-based institutional contributions of the company. SF, as SIL's philanthropic arm, aims to deliver SIL's CSR goals through a programmatic and targeted mechanism.

SF inherits and upholds SIL's values: giving back, community, trust, excellence, collaboration, partnership, and sustained progress. It seeks to foster SIL's legacy through work of larger scale and impact. SF's vision is to become a meaningful contributor to a Pakistan in which all people have access to excellent education, healthcare and opportunity. SF's mission is to provide and promote lifelong access to best quality education and healthcare to low-income families in our communities and beyond. The Foundation delivers on these goals by partnering with credible partners with the right expertise from the public, private and charity sectors. SIL is the primary donor of SF.

Our portfolio of CSR & ethical business practices comprises internal initiatives, directly-owned projects and institutional contributions through Servis Foundation. This year, much of SIL and SF's original funding plans had to be diverted to the more urgent situation created in the aftermath of both COVID-19 waves that struck Pakistan in 2020. As a result, we focused on the most vulnerable directly, or through nonprofit partners that support underserved communities and those disproportionately impacted by the COVID-19 crisis. We attempted to expand care to families and community beyond our employees.

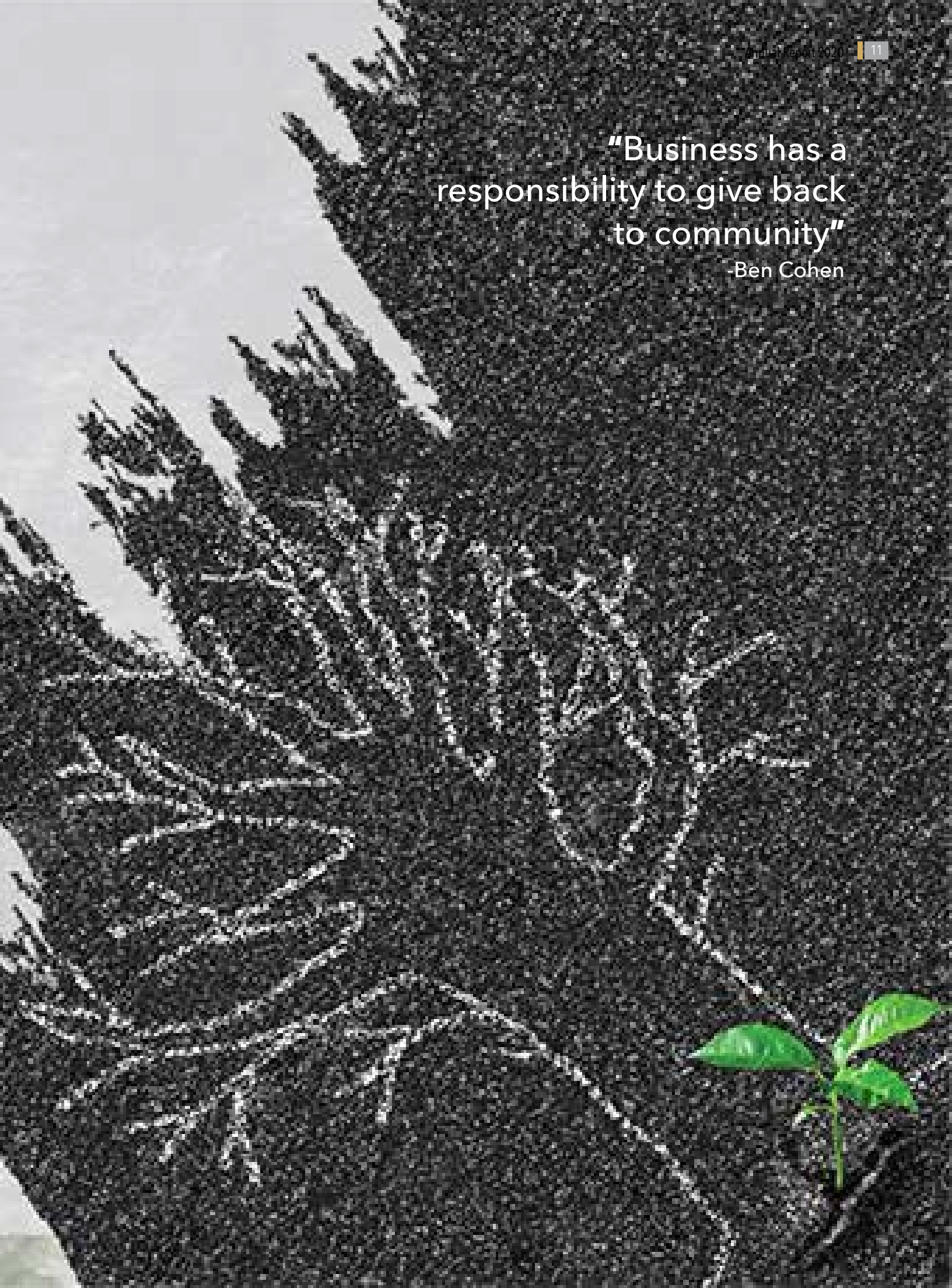
Where not clearly specified otherwise, we may use SIL and SF interchangeably in the following sections for the purposes of simplified understanding.

About this section of the report

We use the section in the Annual Report to share how we are managing and measuring progress against our CSR goals, as well as to respond broadly to stakeholder expectations in this area. The 2020 CSR section details progress on our most pertinent issues over the year, as well as our response to urgent challenges such as COVID-19.

In this section, we will give an overview of internal company initiatives & responsible operations, SIL-SF joint COVID-19 emergency response, direct community welfare projects, and finally institutional contributions through SF.

“Business has a
responsibility to give back
to community”
-Ben Cohen



Internal Company Initiatives & Responsible Operations

SIL has certain sustained initiatives to provide a safe, healthy and ethical environment for all internal stakeholders like employees, customers and shareholders associated with the company. Some of these initiatives are as follows:

a) Asia's First Solar Powered Footwear Factory

In September 2017, SIL Muridke completed the installation of a 1MW Solar Power Park, spread over four acres of land, consisting of 3,125 solar panels with an annual power generation of 1,500 MWh, becoming the first solar powered footwear factory in Asia. The initiative is equivalent to planting 100 trees daily, reducing carbon dioxide emissions by 730 tons annually. This initial step on the road to go green gives SIL's customers the benefit to market their products as eco-friendly in an increasingly environmentally conscious global population.

b) Industrial Relations

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

c) Employment of females and persons with disability

SIL is proud to be an equal opportunity employer and encourages the participation of females and persons with special needs in the workforce. SIL has taken steps to create a work environment conducive to females by dedicating separate production lines in both Gujrat and Muridke Footwear factories, employing 410+ females currently.

d) Occupational Safety and Health

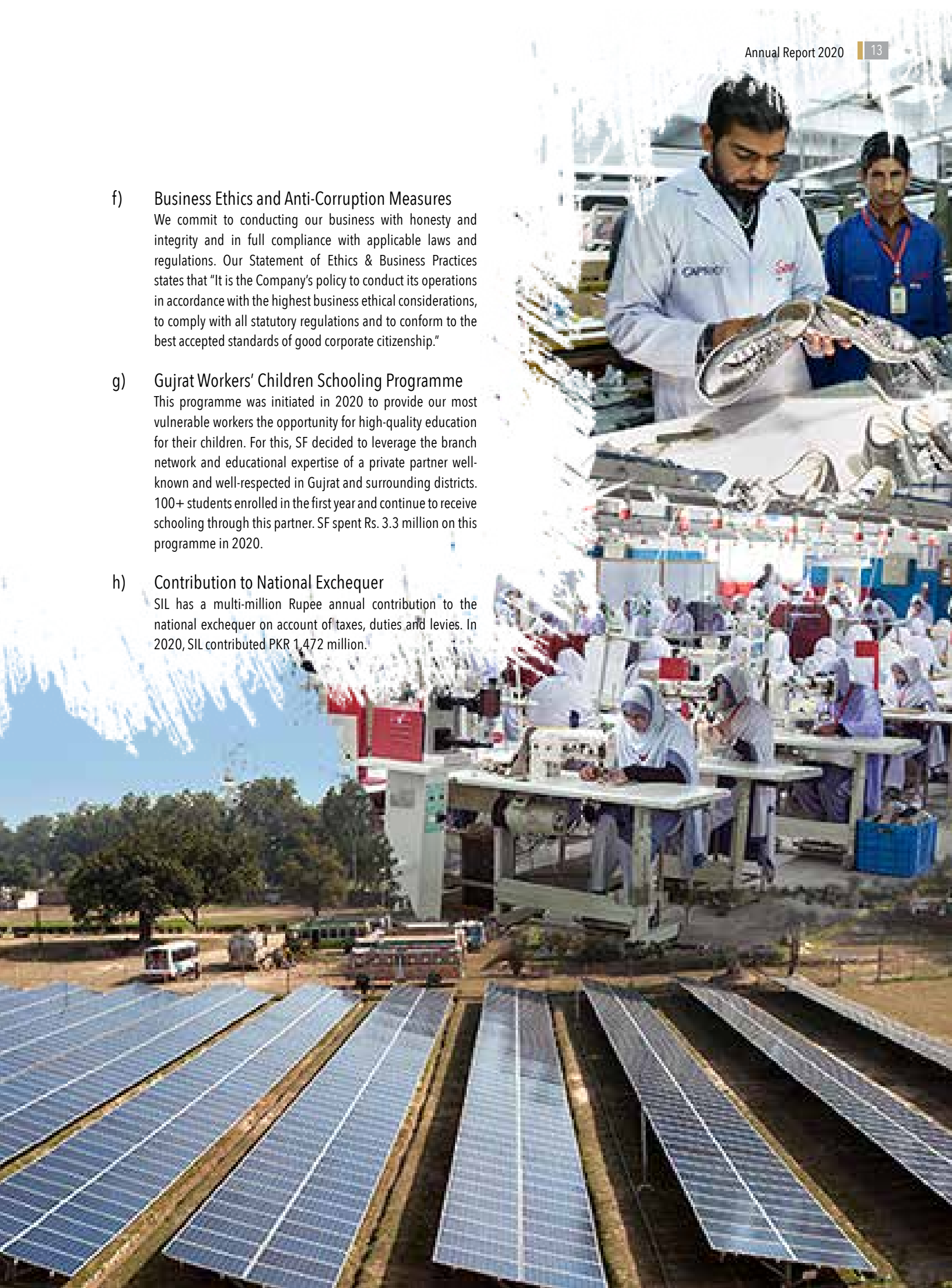
Our procedures have been gauged to provide a safe, clean, injury and illness-free environment to our employees. SIL has obtained OHSAS 1800:2007 Occupational Health and Safety Management Certification, an international standard providing a framework to identify, control and decrease the risks associated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

e) Consumer Protection Measures

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



- f) **Business Ethics and Anti-Corruption Measures**
We commit to conducting our business with honesty and integrity and in full compliance with applicable laws and regulations. Our Statement of Ethics & Business Practices states that "It is the Company's policy to conduct its operations in accordance with the highest business ethical considerations, to comply with all statutory regulations and to conform to the best accepted standards of good corporate citizenship."
- g) **Gujrat Workers' Children Schooling Programme**
This programme was initiated in 2020 to provide our most vulnerable workers the opportunity for high-quality education for their children. For this, SF decided to leverage the branch network and educational expertise of a private partner well-known and well-respected in Gujrat and surrounding districts. 100+ students enrolled in the first year and continue to receive schooling through this partner. SF spent Rs. 3.3 million on this programme in 2020.
- h) **Contribution to National Exchequer**
SIL has a multi-million Rupee annual contribution to the national exchequer on account of taxes, duties and levies. In 2020, SIL contributed PKR 1,472 million.



SIL-SF COVID-19 Joint Emergency Response

SIL & SF created a strategy of joint response to the pressures of the pandemic. This required us to adapt, function, and innovate in the new normal to best suit the needs of our employees and vulnerable communities. Some of the undertakings of this effort are as follows:

a) For the government and front-line workers

Part of SIL's contribution to COVID-19 relief was Rs. 9 Million worth of Personal Protective Equipment (PPE) including K95 masks, surgical masks, and overalls, were given to Aziz Bhatti Government Hospital, Gujrat, Punjab Primary & Secondary Healthcare Dept., Services Hospital, Lahore and Mayo Hospital, Lahore. 275 liters of hand sanitizer were given to Aziz Bhatti Government Hospital, Gujrat, Basic Health Units of Lahore district, and to 37 units of Government of Punjab. We also contributed Rs. 2 million to the COVID-19 ICU setup at Services Hospital, Lahore.

b) For our communities

We remained acutely aware that people already vulnerable before the pandemic now faced even more risks to their health, housing, and wellbeing. We contributed to the alleviation of this problem, through nonprofits that serve these citizens to distribute food rations to the most vulnerable ensuring compliance with social distancing requirements to curtail the spread of the virus. SIL stepped in to help through organizations addressing these vulnerable citizens. This included a key partnership with tennis star, Mr. Aisam ul Haq Qureshi, who led a global fundraising effort to bring home memorabilia from world-class athletes and investing the funds in supporting Pakistani families facing financial anguish ensuing from the pandemic. We successfully bid for Roger Federer's tennis shoes, as a result of which much-needed food rations were distributed to poor families across Lahore.

Emergency cash for food and necessities rations was disbursed through other NGOs also. These cash-based monthly grants to hunger-stricken families during shutdown of economic activity greatly assuaged the immediate woes of such families. We also continued supplementary grants to teachers in school that are under our care even during months of closure. In addition, we also provided ventilators to the COVID-19 ICU at Shalamar Hospital, Lahore.

c) For our employees

During government-directed economic lockdowns, we increased our capacity many folds to support remote employees and contractors within a matter of days. This required expanding our technological capacity, providing employees with needed equipment, and broadening our IT support. We thought ahead to provide necessary protocols for employees returning to our factories and offices. For example, in factories, particularly, where the majority of our employees are located, we erected separate medical setups and protocols to perform health screening and provide support to any employee requiring it, as mandated by the government. We also carried out a three-month long emergency cash handout programme for casual and probationary workers who had to be temporarily released due to business pressures of COVID-19 in the initial months. The majority of these workers were reinstated as factory capacity came back to normal.



Directly Owned Community Welfare Projects

a) Chaudhry Nazar Muhammad, Muhammad Hussain Memorial Society Hospital

Located in Gandhra, Gujrat, the hospital is a primary care facility for the community, providing subsidized consultation by a general Physician, free medicines, subsidized basic lab tests and ultrasound and x-ray facility. Approximately 24,000+ patient interactions are recorded at the facility annually. SIL contributed PKR XX million towards the running of this set-up in 2020.

b) Servis-TCF High School for Boys (through SF)

Located in Gujrat and located on main GT Road, this school serves as an educational institute for the underprivileged students in the area. Operational and management control was handed over to The Citizens Foundation (TCF) in 2018; they look after the school on behalf of SF. 120+ high school students are currently enrolled here. During the school closures of COVID-19, we continued our routine contribution to TCF to ensure that, any pressure on TCF for laying off teachers and staff due to financial constraints, was avoided.

c) Servis-Sunbeams School, Muridke, Sheikhupura

This school is located in a village 5km from the SIL Muridke factory and enrolls more 230+ students. Operations and management are looked after by Sunbeams School System on behalf of SF since August 2019. The school continued operations as per government protocols during COVID-19 closures, and our support also remained consistent.

d) Shalamar Institute of Health Sciences

In 2020, SIL sponsored the treatment of low-income patients to the tune of PKR 13 million at SIHS. Through SF, we also support a scholarship programme at the Medical College of SIHS.

In 2020, we phased-out projects like the Shirin Javed Free Clinic in Gujrat, and contribution to SPEECH, Lahore, as per directions and prudence of SF Board. This was owing to the prevalence of similar facilities in the localities and duplication of efforts – and the need to redirect funds to more urgent, focused projects.



Institutional contributions through Servis Foundation

SIL contributed PKR XX million to Servis Foundation during 2020 for the delivery of development programmes through charitable institutions. These institutional contributions included health and education spending through the following institutions:

a) Shalamar Institute of Health Sciences

Aside from low-income patient care at their facilities, SF continues SIL's tradition of annual donation to SIHS for other purposes. In 2020, SF contributed PKR 5 million to SIHS chiefly for medical students' scholarships.

b) Kidney Center Gujrat

SF is the foremost donor at this facility providing free hemodialysis and subsidised kidney stone management services to 1,000+ registered kidney disease patients from Gujrat and surrounding districts. Many low-income patients are receiving subsidised kidney-stone management treatment through the state-of-the-art lithotripter contributed by us. In 2020, SF contributed PKR 12 million to Kidney Center Gujrat.



c) The Citizens Foundation (TCF)

SF sponsors a TCF school, namely the YPO Pakistan Campus is a primary school with a student body strength of 220 located in Mansehra District, Khyber Pakhtunkhwa. In addition, TCF has been engaged by SF to manage its own school in Gujrat as mentioned above. In 2020, SF contributed PKR 5.6 million to The Citizens Foundation.

d) The Pakistan Society for the Rehabilitation of the Disabled (PSRD)

In December 2019, SF began its contributions to the Orthotics & Prosthetics Center at PSRD which provides subsidised services to low-income patients. SF is also spearheading capacity building and institutional strengthening efforts at the center. In 2020, SF contributed Rs. 2.75 million to PSRD.



Notice of Annual General Meeting

Notice is hereby given that the 64th Annual General Meeting ("AGM") of Service Industries Limited (the Company) will be held on **Wednesday, the April 28, 2021 at 11:00 a.m.** through video link facility from the registered office of the Company situated at Servis House, 2-Main Gulberg, Lahore, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the separate and consolidated audited financial statements of the Company for the year ended December 31, 2020, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To approve the final cash dividend of Rs. 15 per share i.e. 150% as recommended by the Board of Directors for the year ended December 31, 2020.
3. To appoint Auditors and to fix their remuneration. The members are hereby given notice that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s. Riaz Ahmad & Company, Chartered Accountants for re-appointment as auditors of the Company.

Special Business:

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

Attached to this Notice circulated to the members, is a statement of material facts under Section 134(3) of the Companies Act, 2017 pertaining to the Special Business to be transacted at the Annual General Meeting.

Lahore
April 07, 2021

By Order of the Board

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 22, 2021 to April 28, 2021 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on April 21, 2021 will be considered in time for the purpose of entitlement of final cash dividend and bonus shares to the transferees and to attend and vote at the AGM.
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend and vote in place of him / her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company. Proxy Forms in Urdu and English languages are attached to the notice circulated to the shareholders.
3. In Compliance with SECP's Circular No. 06 of 2021 dated March 03, 2021, keeping in view of the recent spike in number of Covid-19 cases, its gravity on public health, increased number of casualties and instructions of the Government / institutions to consider the provision of video link facility for conducting meetings, the Annual General Meeting will be held virtually via video-link for the safety and well being of our valued shareholders and general public.

To attend the AGM through video link, members are requested to register their following particulars by sending an e-mail at shareholders@servis.com.

Folio / CDC Account No.	No. of shares held	Name	CNIC No.	Cell No.	Email address

The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on April 26, 2021. The shareholders are also encouraged to send their comments / suggestions, related to the agenda items of the AGM on the above mentioned e-mail address or WhatsApp Number 0309 1560943 by the close of business hours (5:00 p.m.) April 26, 2021. For any query, the members may please contact at aforesaid email or WhatsApp Number.

4. In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website www.servisgroup.com and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's Broker/Participant/CDC Account Services.
5. The Government of Pakistan has made certain amendments in the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

For filers of income tax returns	15%
For non-filers of income tax returns	30%

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @30% instead of 15%.

Notice of Annual General Meeting

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may be notified to the Company in writing. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date.

Folio / CDC Account No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder
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The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or the Shares Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

6. A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.
7. The Company has placed the Audited Annual Financial Statements for the year ended 31 December 2020 along with Auditors and Directors Reports thereon and Chairman's Review Report on its website: www.servisgroup.com.
8. Members having physical shares are requested to immediately notify the change in their addresses, if any to our Shares Registrar, whereas CDC account holders are requested to contact their CDC Participant / CDC Account Services.
9. For any query / problem / information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 35916719, e-mail address: corplink786@gmail.com and / or the Company: Mr. Tahir Maqsood, Phone No. 042-35751990, email address: shareholders@servis.com.

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

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on April 28, 2021.

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

The Board of Directors in their meeting held on March 31, 2021 have recommended issue of bonus shares in proportion of 100 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. 100%) and decided that a sum of Rs. 234,937,270 be appropriated from the free reserves for issue of 23,493,727 Bonus Shares. After the issue of bonus shares, the paid-up capital of the Company will increase to Rs. 469,874,540. The Directors are of the opinion that the reserves of the Company are adequate for capitalization of Rs. 234,937,270 for issue of proposed bonus shares.

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

"Resolved that

- (i) A sum of Rs. 234,937,270 (Rupees two hundred thirty four million nine hundred thirty seven thousand two hundred seventy) out of the free reserves of the Company be capitalized and applied towards issue of 23,493,727 Ordinary Shares of Rs. 10 each as bonus shares in the proportion of 100 Ordinary Shares for every 100 Ordinary shares (i.e., @100%) held by every Member whose name appears on the Members' Register at the close of business on April 21, 2021.
- (ii) These bonus shares shall rank *pari passu* in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended December 31, 2020.
- (iii) Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.
- (iv) The Chief Executive Officer or any Director or Company Secretary be and is hereby authorized singly to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares."

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

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

Name of Investee Company	Service Long March Tyres (Private) Limited
Total Investment Approved	Long term equity investment up to US\$ 30,600,000 equivalent to Rs. 4,738,410,000 for purchase of 473,841,000 shares.
Amount of Investment made to date	Rs. 2,295,000,000.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time	No deviation. The validity of resolution for investment of up to Rs. 4,738,410,000 is three (3) years from February 03, 2020. The investment will be made as and when funds are required by the subsidiary Company.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company	Investment was approved on 03-02-2020. The sponsors have injected Rs. 4,500,000,000 as equity and the subsidiary company has purchased land for the project. As per latest audited financial statements for the period from January 07, 2020 to June 30, 2020 the balance sheet size is Rs. 1.5 Billion, Profit after tax is Rs. 18,408,573 and Earnings per share is Rs. 0.12. The Company is expected to commence the commercial operations by 3rd Quarter of 2021.

Board of Directors



Chaudhry Ahmed Javed
Chairman



Mr. Arif Saeed
Chief Executive Officer



Mr. Omar Saeed
Director



Mr. Hassan Javed
Director



Mr. Osman Saifullah Khan
Director



Mr. Riaz Ahmed
Director



Mr. Muhammad Naeem Khan
Director



Mr. Shahid Hussain Jatoi
Director



Mrs. Ayesha Naweed
Director

Group Executive Committee



Mr. Arif Saeed

Chief Executive Officer

Mr Arif Saeed graduated from the University of Oxford. He is currently the Chairman of Service Global Footwear Limited and serves as a Director on the Board of Service Long March Tyres (Private) Limited. He has been the CEO of Dar Es Salaam Textile Mills Limited. He was the founding Chairman of Quaid e Azam Solar Power Company, as well as the Quaid e Azam Thermal Power Company and the National Power Parks Management Company (Private) Limited which successfully set up four leading power projects in the public sector. Mr. Saeed serves on the governing boards of the King Edward Medical College and Aitchison College and is currently the President of the Pakistan Rugby Union. He has been the Chairman of the All Pakistan Textile Mills Association (APTMA) as well as the Lahore Stock Exchange.



Mr. Omar Saeed

Director

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

Omar is serving as a Director on the Boards of Service Global Footwear Limited and Service Shoes Lanka (Private) Limited. He is also serving as the Chief Executive Officer of Service Long March Tyres (Private) Limited, Servis Foundation and Jomo Technologies (Private) Limited. Omar has recently been appointed as an Independent Director of Systems Limited.

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

He has served on the Boards of various private and public companies in the past. Omar has also been an adjunct faculty member of LUMS where he taught entrepreneurship.



Mr. Hassan Javed

Director

Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. He is the Chief Executive Officer of Service Global Footwear Limited. He is also serving as a Director on the Boards of Service Industries Limited, Service Long March Tyres (Private) Limited, Service Shoes Lanka (Private) Limited, Jomo Technologies (Private) Limited and Servis Foundation. Mr. Javed has also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than fifteen years. He served as the Chairman, Board of Directors of Gujranwala Electricity Supply Company. He serves as a Director of Standard Spinning Mills (Private) Limited. He has also served as the chairman of Pakistan Footwear Manufacturers Association for a year.

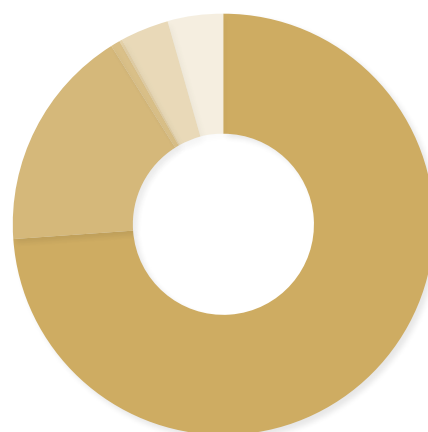
Value Added and its Distribution

	2020		2019	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	24,442,492		26,156,201	
Other income	(86,268)		332,450	
Bought-in-material & services	(18,045,821)		(19,711,097)	
	6,310,403	100	6,777,554	100
Wealth Distributed				
To Employees				
Remuneration, benefits, and facilities	3,326,468	53	3,847,946	57
To Government				
Taxation	471,160	7	186,661	3
Workers welfare fund	24,680	0	21,899	0
To Society				
Donation	59,518	1	49,705	1
To Lenders				
Dividend	187,950	3	616,474	9
Mark up & finance cost	1,084,627	17	1,123,589	17
Retained for Reinvestment & Future Growth				
Depreciation	652,509	10	660,075	10
Amortization	1,417	0	1,315	0
Retained profit	502,074	8	269,890	4
Unappropriated profit, depreciation & amortization	1,156,000	18	931,280	14
	6,310,403	100	6,777,554	100

Wealth Generated and Distributed

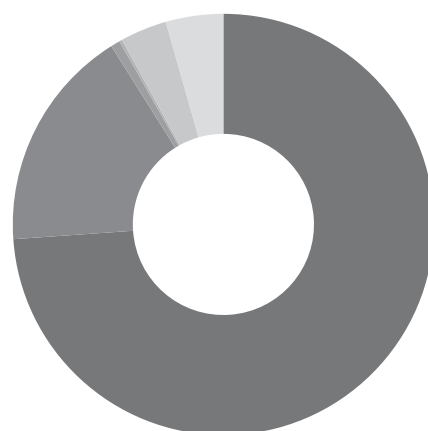
2020

	Amount	%
● Bought-in-material & services	18,045,821	74
● To Employees	3,326,468	14
● To Government	495,840	2
● To Society	59,518	0
● To Lenders	1,272,577	5
● Retained for Reinvestment & Future Growth	1,156,000	5
Total	24,356,224	100



2019

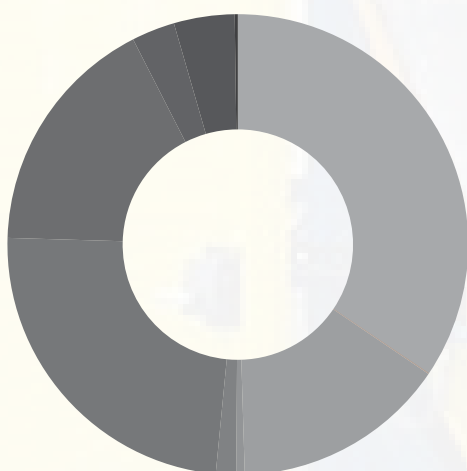
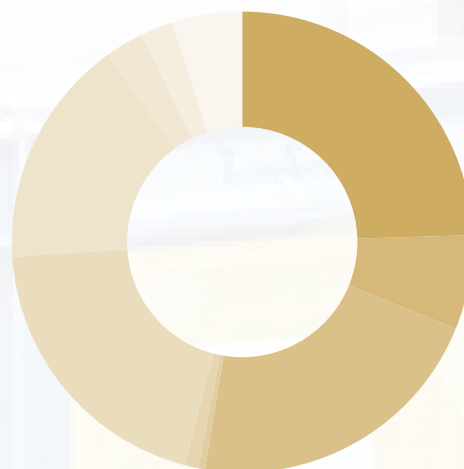
	Amount	%
● Bought-in-material & services	19,711,097	74
● To Employees	3,847,946	15
● To Government	208,560	1
● To Society	49,705	0
● To Lenders	1,740,063	7
● Retained for Reinvestment & Future Growth	931,280	4
Total	26,488,651	100



Balance Sheet Composition

Fixed and Current Assets

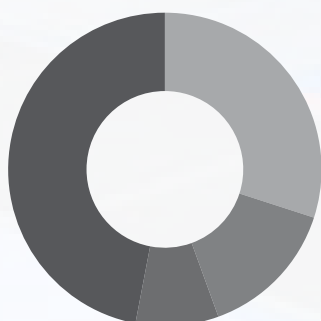
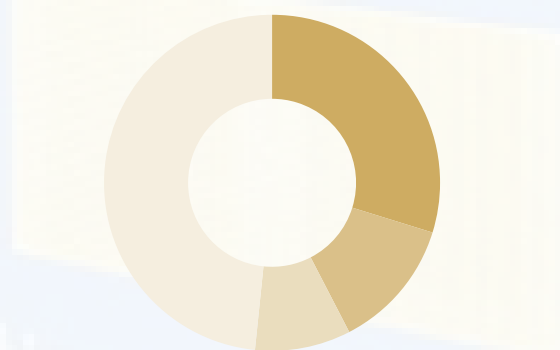
	2020
● Property, Plant and equipment	25%
● Right-of-use assets	7%
● Long term investments	21%
● Long term loans and deposits	0%
● Stores and spares	1%
● Stock in trade	20%
● Trade debts - net	16%
● Advances and prepayments	3%
● Other receivables	2%
● Cash and bank balances	5%



	2019
● Property, Plant and equipment	32%
● Right-of-use assets	7%
● Long term investments	14%
● Long term loans and deposits	1%
● Stores and spares	1%
● Stock in trade	22%
● Trade debts - net	16%
● Advances and prepayments	3%
● Other receivables	4%
● Cash and bank balances	0%

Equities and Liabilities

	2020
● Equity & reserves	30%
● Long term financing	13%
● Non current liabilities	9%
● Current liabilities	48%



	2019
● Equity & reserves	30%
● Long term financing	14%
● Non current liabilities	9%
● Current liabilities	47%



“Begin with the
end in mind”

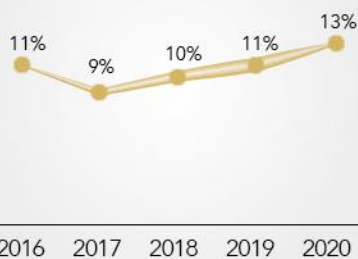
-Stephan R. Covey

Analytical Review



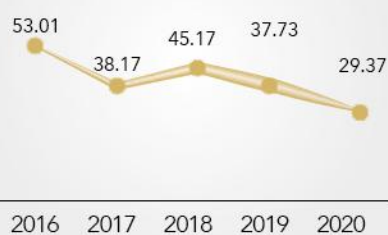
EBITDA Margins to Sales

in percentage



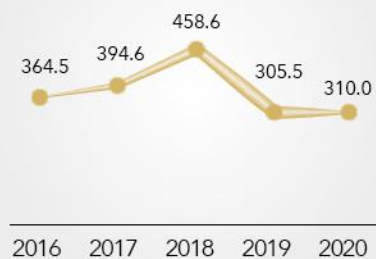
Earning per share

Rupees



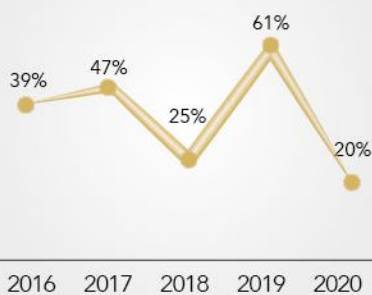
Breakup Value

Rupees



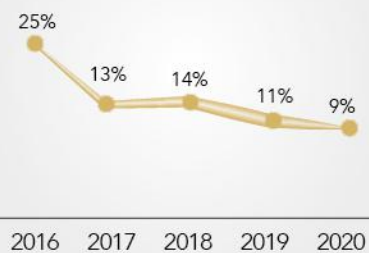
Dividend Payout

in percentage



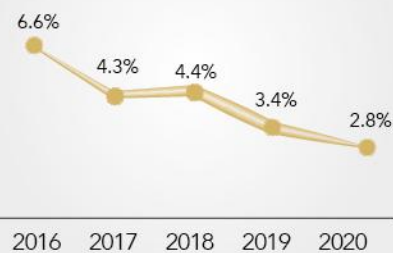
Return on Capital Employed

in percentage



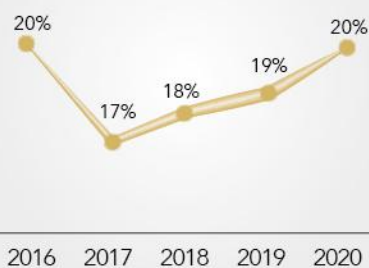
Net Profit Margin

in percentage



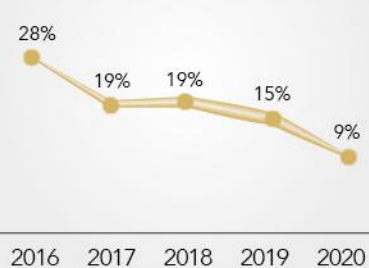
Gross Profit Margin

in percentage



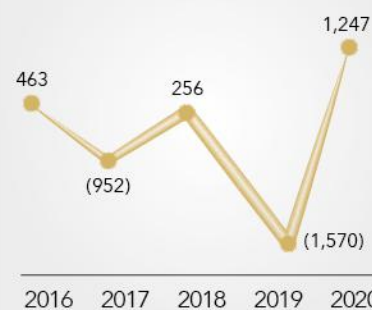
Return on Equity

in percentage



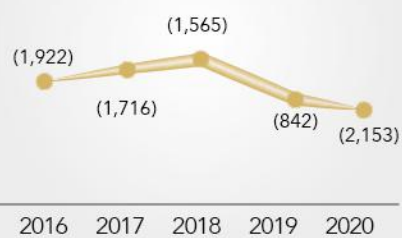
Cash Flows from Operating Activities

Rupees in million



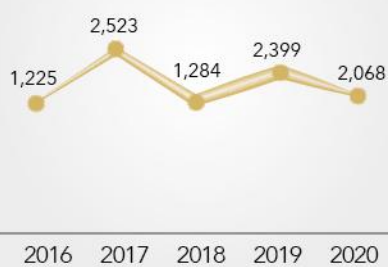
Cash Flows from Investing Activities

Rupees in million



Cash Flows from Financing Activities

Rupees in million



Price Earning Ratio

in times



Six Years at a Glance

Description	2020	2019	2018	2017	2016	2015
	Rupees in million					
Sales	24,442	26,156	24,080	20,898	18,984	17,545
Gross profit	4,921	4,884	4,333	3,563	3,776	3,016
Profit before tax	1,161	1,073	1,205	1,042	1,469	1,267
Profit after tax	690	886	1,061	897	1,245	946
Share capital	235	188	120	120	120	120
Share holder's equity	7,283	5,741	5,516	4,747	4,384	3,603
Property, plant & equipment	5,996	6,117	6,946	5,957	4,746	3,383
Total assets	24,451	19,150	18,121	15,885	12,697	10,243
Net current assets	(355)	(145)	1,044	1,123	562	1,061
Market Value Per Share (Rs.)	834	777	725	750	1,497	850
Dividend (%)						
Cash - Interim	-	125	-	85	150	125
Cash - Final	150	75	300	220	265	250
Bonus Shares	100	50	25	-	-	-
Profitability (%)						
Gross Profit	20.13	18.67	17.99	17.05	19.89	17.19
Profit Before Tax	4.75	4.10	5.01	4.98	7.74	7.22
Profit After Tax	2.82	3.39	4.41	4.29	6.56	5.39
Return to Shareholders						
R.O.E -Before Tax (%)	15.94	18.69	21.85	21.95	33.52	35.16
R.O.E -After Tax (%)	9.47	15.43	19.24	18.89	28.41	26.25
E.P.S-After Tax (Rs.)	29.37	37.73	45.17	38.17	53.01	40.26
Price Earning Ratio	28.40	20.59	16.05	19.65	28.24	21.11
Activity (Times)						
Sales To Total Assets	1.00	1.34	1.33	1.32	1.50	1.71
Sales To Fixed Assets	4.08	4.28	3.47	3.51	4.00	5.19
Inventory Turnover Ratio	4.28	5.13	4.96	5.22	5.58	5.24
Interest Coverage Ratio	2.84	2.54	3.06	4.05	7.20	5.00
Liquidity/Leverage						
Current Ratio	0.97	0.98	1.11	1.14	1.08	1.20
Break-up Value per Share	309.98	305.46	458.58	394.62	364.45	299.54
Total Liabilities To Equity	2.36	2.40	2.29	2.35	1.90	1.84
Debt Equity Ratio	40:60	38:62	38:62	38:62	21:79	23:77

" A dream does not become reality through magic; it takes sweat, determination and hard work."

-Colin Powell



Horizontal Analysis

	2020		2019		2018		2017		2016	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Balance Sheet										
Equity & Reserve	7,282,592	26.8	5,741,208	4.1	5,516,165	16.2	4,746,761	8.3	4,383,940	21.7
Long term financing facilities	3,084,863	11.3	2,770,768	5.9	2,617,155	7.6	2,431,930	143.7	998,021	13.2
Non Current Liability	2,254,772	37.5	1,639,506	212.4	524,871	(3.1)	541,668	36.8	396,060	14.1
Current Liabilities	11,828,991	31.5	8,998,338	(4.9)	9,462,932	15.9	8,164,511	18.0	6,918,703	27.9
	24,451,218	27.7	19,149,820	5.7	18,121,123	14.1	15,884,870	25.1	12,696,724	24.0

Non Current Assets

Property Plant and Equipment	5,996,063	(2.0)	6,117,464	(11.9)	6,946,303	16.6	5,957,312	25.5	4,745,935	40.3
Right-of-use assets	1,618,879	15.4	1,403,090	-	-	-	-	-	-	-
Intangibles	1,271	(52.7)	2,688	4.9	2,562	175.8	929	(65.8)	2,720	(51.8)
long term investment	5,242,711	96.5	2,668,005	385.2	549,917	5.4	521,663	39.5	373,855	15.6
long term loan & deposit	118,500	12.8	105,078	(9.0)	115,460	(1.4)	117,155	25.5	93,387	57.7

Current Asset

Stores and spares	232,316	(7.9)	252,240	58.2	159,415	30.2	122,467	22.2	100,205	(12.5)
Stock in-trade	4,877,842	14.9	4,247,068	5.0	4,044,171	3.2	3,917,187	43.5	2,729,738	0.4
Trade Debts	3,938,337	30.4	3,021,121	(8.5)	3,300,338	18.0	2,797,402	12.7	2,483,211	62.6
Loans & Advances	433,755	11.0	390,886	(15.7)	463,549	56.9	295,456	0.8	293,228	25.5
Trade Deposits and Prepayments	234,864	59.5	147,214	57.5	93,469	(29.1)	131,883	53.8	85,769	11.8
Other receivables	555,622	(26.6)	756,463	(68.4)	2,392,179	23.0	1,944,231	33.2	1,460,044	9.0
Cash and Balance	1,201,058	3019.4	38,503	(28.4)	53,761	(32.1)	79,184	(64.8)	224,887	(51.1)
	24,451,218	27.7	19,149,820	5.7	18,121,123	14.1	15,884,870	25.1	12,696,724	24.0

	2020		2019		2018		2017		2016	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %

Profit & Loss

Net Sales	24,442,492	(6.6)	26,156,201	8.6	24,080,265	15.2	20,898,174	10.1	18,984,428	8.2
Cost of Sales	19,521,551	(8.2)	21,271,958	7.7	19,747,583	13.9	17,335,541	14.0	15,208,729	4.7
Gross Profit	4,920,941	0.8	4,884,243	12.7	4,332,682	21.6	3,562,633	(5.6)	3,775,699	25.2
Administration and selling expenses	2,761,398	(8.6)	3,020,079	7.8	2,800,877	10.4	2,536,846	16.9	2,169,555	29.2
Other income	134,378	(57.0)	312,202	57.3	198,491	(44.5)	357,867	257.9	99,996	(59.4)
Operating profit	2,293,921	5.4	2,176,366	25.8	1,730,296	25.1	1,383,654	(18.9)	1,706,140	7.8
Financial charges	1,084,627	(3.5)	1,123,589	90.8	588,940	72.3	341,885	44.3	236,845	(25.1)
Share of profit	(48,110)	(337.6)	20,248	(68.3)	63,929	0.0	-	0.0	-	0.0
Profit before taxation	1,161,184	8.2	1,073,025	(11.0)	1,205,285	15.7	1,041,769	(29.1)	1,469,295	16.0
Provision for taxation	471,160	152.4	186,661	29.6	143,978	(0.7)	144,954	(35.2)	223,808	(30.3)
Profit after taxation	690,024	(22.2)	886,364	(16.5)	1,061,307	18.3	896,815	(28.0)	1,245,487	31.7

Vertical Analysis

	2020		2019		2018		2017		2016	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Balance Sheet										
Equity & Reserve	7,282,592	29.8	5,741,208	30.0	5,516,165	30.4	4,746,761	29.9	4,383,940	34.5
Long term financing facilities	3,084,863	12.6	2,770,768	14.5	2,617,155	14.4	2,431,930	15.3	998,021	7.9
Non Current Liability	2,254,772	9.2	1,639,506	8.6	524,871	2.9	541,668	3.4	396,060	3.1
Current Liabilities	11,828,991	48.4	8,998,338	47.0	9,462,932	52.2	8,164,511	51.4	6,918,703	54.5
	24,451,218	100.0	19,149,820	100.0	18,121,123	100.0	15,884,870	100.0	12,696,724	100.0
Non Current Assets										
Property Plant and Equipment	5,996,063	24.5	6,117,464	31.9	6,946,303	38.3	5,957,312	37.5	4,745,935	37.4
Right-of-use assets	1,618,879	6.6	1,403,090	7.3	-	0.0	-	0.0	-	0.0
Intangibles	1,271	0.0	2,688	0.0	2,562	0.0	929	0.0	2,720	0.0
Long term investment	5,242,711	21.4	2,668,005	13.9	549,917	3.0	521,663	3.3	373,855	2.9
Long term loans & deposit	118,500	0.5	105,078	0.5	115,460	0.6	117,155	0.7	93,387	0.7
Current Asset										
Stores and spares	232,316	1.0	252,240	1.3	159,415	0.9	122,467	0.8	100,205	0.8
Stock in-trade	4,877,842	19.9	4,247,068	22.2	4,044,171	22.3	3,917,187	24.7	2,729,738	21.5
Trade Debts	3,938,337	16.1	3,021,121	15.8	3,300,338	18.2	2,797,402	17.6	2,483,211	19.6
Loans & Advances	433,755	1.8	390,886	2.0	463,549	2.6	295,456	1.9	293,229	2.3
Trade Deposits and Prepayments	234,864	1.0	147,214	0.8	93,469	0.5	131,883	0.8	85,769	0.7
Other receivables	555,622	2.3	756,463	4.0	2,392,178	13.3	1,944,231	12.2	1,460,044	11.5
Short term Investments	-	0.0	-	0.0	-	0.0	-	0.0	103,745	0.8
Cash and Balance	1,201,058	4.9	38,503	0.2	53,761	0.3	79,184	0.5	224,887	1.8
	24,451,218	100.0	19,149,820	100.0	18,121,123	100.0	15,884,870	100.0	12,696,725	100.0
Profit & Loss										
Net Sales	24,442,492	100.0	26,156,201	100.0	24,080,265	100.0	20,898,174	100.0	18,984,428	100.0
Cost of Sales	19,521,551	79.9	21,271,958	81.3	19,747,583	81.5	17,335,541	83.0	15,208,729	80.1
Gross Profit	4,920,941	20.1	4,884,243	18.7	4,332,682	18.5	3,562,633	17.0	3,775,699	19.9
Administration and selling expenses	2,761,398	11.3	3,020,079	11.5	2,800,877	11.6	2,536,846	12.1	2,169,555	11.4
Other income	134,378	0.5	312,202	1.2	198,491	0.8	357,867	1.7	99,996	0.5
Operating profit	2,293,921	9.4	2,176,366	8.3	1,730,296	7.2	1,383,654	6.6	1,706,140	9.0
Financial charges	1,084,627	4.4	1,123,589	4.3	588,940	2.4	341,885	1.6	236,845	1.2
Share of profit	(48,110)	(0.2)	20,248	0.1	63,929	0.3	-	0.0	-	0.0
Profit before taxation	1,161,184	4.8	1,073,025	4.1	1,205,285	5.0	1,041,769	5.0	1,469,295	7.7
Provision for taxation	471,160	1.9	186,661	0.7	143,978	0.6	144,954	0.7	223,808	1.2
Profit after taxation	690,024	2.8	886,364	3.4	1,061,307	4.4	896,815	4.3	1,245,487	6.6

Chairman's Review

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Service Industries Limited ("the Company") showing overall performance of the Company and effectiveness of the leadership in attaining the Company's aims and objectives for the year ended December 31, 2020.

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

The Company has a nine (9) member Board of Directors ("the Board") which comprises of individuals with diverse background having core competencies, knowledge and experience relevant to the business of the Company. The Composition of the Board and its Committees is in accordance with the requirements of Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.

The Board has developed a mechanism for annual evaluation of Board's own performance, members of the Board and its Committees in compliance with the provisions of Listed Companies (Code of Corporate Governance) Regulations 2019. The performance evaluation mechanism also ensures that all statutory and legal requirements are fulfilled with regard to procedures, meetings and oversight role of the Board.

During the financial year 2020, the Board successfully achieved targets and objectives set for the growth of the Company by performing the following functions:

- Ensured effective and robust oversight.
- Supervised overall corporate strategy, key financial performance indicators and other budgetary targets.
- Ensured the quality and appropriateness of financial reporting and the transparency of disclosures.
- Carried out risk assessment especially relating to regulatory and legal requirements, market trends, materials' supply and price, energy availability and cost, foreign exchange fluctuations, interest rate and liquidity.
- Reviewed effectiveness of internal control system.
- Evaluated the significant investments.
- Reviewed details of financing facilities availed by the Company.
- Ensured timely dissemination of price sensitive and inside information to relevant regulatory authorities.

The Board of the company is fully committed to add value to the shareholders' wealth. Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final cash dividend of Rs. 15 per share and bonus shares of @ 100%.



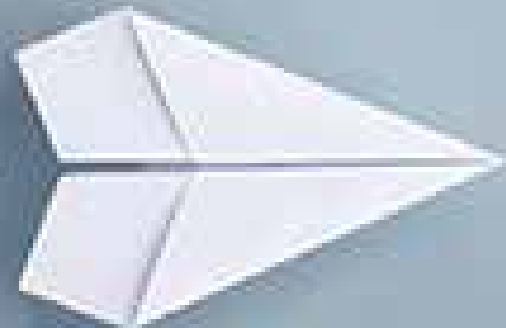
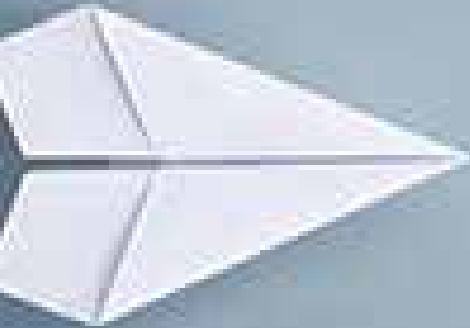
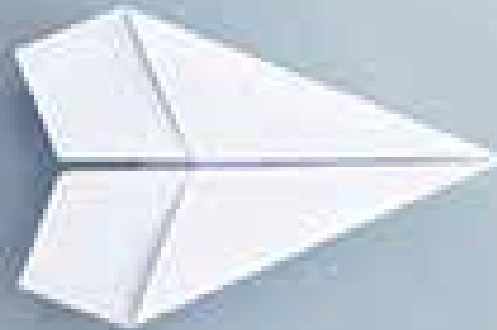
Chaudhry Ahmed Javed
Chairman

March 31, 2021
Lahore



“ Leadership is the capacity to translate vision into reality .”

- James Cash Penney



Directors' Report to the Shareholders

The Board of Directors of Service Industries Limited (SIL) is pleased to present to you its Annual Report along with the company's audited financial statements of the Company for the year ended December 31, 2020 ("FY 2020").

The Directors' Report has been prepared in accordance with Section 227 of the Companies Act, 2017. This report is to be submitted to the members at the Annual General Meeting of the Company to be held on 28 April 2021.

The COVID-19 outbreak developed rapidly in 2020 and is still continuing. The pandemic has adversely impacted the global and domestic economy. The Punjab Government through Notification dated March 23, 2020 ordered a lockdown in the entire province giving exemptions to specific institutes and industries. The Company had to suspend most of its operations due to this lockdown which negatively impacted the Company owing to the mismatch of overheads versus production: where production capacity remained underutilized. This sudden closure of production facilities affected the growth momentum of the company, which was gearing up for substantial progress and growth. As a result, the management of the company had to review its strategy to deal with the aftermath of COVID19 and looked towards consolidation, and preserving cash flows.

The management of the Company established a crisis management team. This team analyzed the situation on a daily basis and took prompt actions to implement all possible measures to ensure continuity of business operations. Measures were also taken to ensure health and safety of the employees and to prevent them from COVID infections.

The Company performed beyond expectations in the second half of the year by delivering revenue growth in spite of the challenging environment and managed even in the face of adversity to maintain profitability and to ensure business continuity

Key Performance Indicators (KPIs) for FY 2020 v/s FY 2019

Please find below key performance indicators of separate financials of Service Industries Limited for the year ended December 31, 2020.

Particulars	FY 2020 Rs'000	FY 2019 Rs'000 Restated	Percentage Change
Net Sales	24,442,492	26,156,201	-6.55%
Operating profit	2,293,921	2,176,366	5.40%
Profit before tax	1,161,184	1,073,025	8.22%
Net profit after tax	690,024	886,364	-22.15%

Please find below key performance indicators of consolidated financials of Service Group for the year ended December 31, 2020.

Particulars	FY 2020 Rs'000	FY 2019 Rs'000 Restated	Percentage Change
Net Sales	31,160,011	30,058,321	3.67%
Operating profit	2,982,783	2,615,818	14.03%
Profit before tax	1,891,901	1,586,621	19.24%
Net profit after tax	1,324,432	1,359,009	-2.54%

Tyre Division

Tyre Division, our biggest revenue contributor, has shown a top line growth of almost 12.74% in 2020 with better profitability compared to 2019. This achievement was the result of tremendous team work, consistent product quality, efficient supply chain management and product pricing.

At the time of writing, raw material prices are spiking, logistics costs have multiplied, and shortages of raw material are occasionally affecting production targets. Despite these challenges, our management team is determined to manage its market position and capitalize on the brand image of Servis Tyres.

The agricultural tyre production facility went online in 2020, our products have been extremely well received in the market. The management team is working on nationwide marketing activities, awareness campaigns, regional dealer meetings and strengthening market leadership through further capacity enhancement and restructuring of marketing channels.

Footwear Division

SIL footwear sales showed a decrease of 40%. Last year's sales figures included the six months sales figures of Service Global Footwear Limited (SGFL), a wholly owned subsidiary carved out from Service Industries Limited on 01 July 2019. The consolidated footwear segment of Service Group showed a decrease 10% from last year.

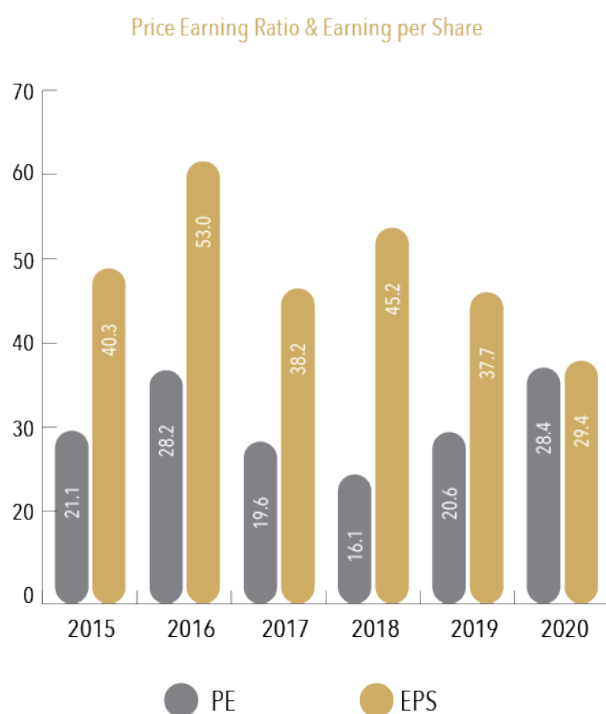
The entire year our retail and wholesale businesses were affected by restricted timings and reduced footfall, but the prolonged lock-down situation which lasted for almost two months, from late March 2020 to early May 2020 drastically impacted our budgetary target. The expected outcomes of COVID-19 resulted in negative sales growth over 2019 with an adverse impact on the bottom line since most of the expenses were of fixed nature.

For our retail business, year 2021 will be a year of expansion where we plan to open more retail stores across the country. This aggressive expansion is based on the reforms that were made in the year 2020, which resulted in gross margin improvement through price point coverage and discount management, better inventory planning and a balanced portfolio.

Our Corporate Sales has two divisions, Footwear and Technical Rubber Products. This business was not affected by Covid-19 as such because of its nature. In the Footwear division, corporate sales increased significantly in 2020, 70% from 2019. New products, such as, waterproof shoes, were also added to our range giving more depth to this business.

Earning Per Share (EPS)

The earnings per share of the Company stood at PKR 29.37 during the year ended 31st December 2020 as compared to PKR 37.73 during last year reflecting a decrease of 8.36%. Please note that the financial results of SGFL (before demerger) for the six months from January 2019 to June 2019 are included in the last year's Financial Statements of SIL.



Dividend and Appropriations

Following is the summary of appropriations made during FY 2020:

	PKR in million
Accumulated equity as at January 01, 2020	5,741
Total comprehensive income for FY 2020	755
Final Dividend @ PKR 7.50 per ordinary share for FY 2019	(141)
Reserve arising pursuant to the Scheme	927
Accumulated equity as at December 31, 2020	7,282

The Board of Directors of the Company has recommended final cash dividend of Rs. 15 per share (2019: Rs. 7.50 per share) in their meeting held on 31 March 2021, along with issuance of bonus shares in proportion of 100 ordinary shares for every 100 ordinary shares held by its members i.e. @ 100%.

Key Operating and Financial Data of last 6 Years

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

Evaluation of Company's Performance

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

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

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

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

Cash Flows & Capital Expenditure

The Company's cash requirements for working capital are managed mainly through internal cash generation with some reliance on external financing. For Capital Expenditure, financing is done through banks and Financial Institutions. The cash flow and funding requirements are effectively monitored. The Company continuously re-invests its surplus funds to make the required levels of investments in business necessary to sustain long term growth. Cash flows from operations were recorded at positive PKR 1,247 million in the year ended 2020 as compared to negative PKR (1,571) million recorded in the last year. The positive impact of operating cash flow is mainly due to the working capital management. During the current year, the Company made a capital investment of Rs.553 million (2019: Rs. 723 million) mainly on account of Capex incurred mainly in Auto Tyre Tube and Agri segment.

Directors' Report to the Shareholders

Risks, Uncertainties and Mitigations.

The Company's overall risk management program focuses on minimizing potential adverse effects on the Company's performance. Company's senior management team carries out the overall risk management for the Company and the results are shared with the Board of Directors. This entails identifying, evaluating and addressing strategic, financial, commercial and operational risks to which our company is exposed.

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

Environment, Health and Safety (EHS)

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

a) Asia's First Solar Powered Footwear Factory

In September 2017, SGFL the wholly owned subsidiary of SIL completed the installation of a 1MW Solar Power Park and enhanced the capacity to 2MW on September 2019, becoming the first solar powered footwear factory in Asia. The initiative on the road to go green gives Service Group customers the benefit to market their products as eco-friendly in an increasingly environmentally conscious global population.

b) Industrial Relations

SIL is Business Social Compliance Initiative (BSCI) certified, promoting workplace conditions in accordance with human rights, ILO conventions and national labor law. Additionally, SIL has been a member of SEDEX Global since 2015, ensuring our dedication to driving improvements in responsible and ethical business practices in the global supply chain and providing over 8,000 employees the best working conditions for increased productivity.

c) Employment of females and persons with disability

SIL is proud to be an equal opportunity employer and encourages the participation of females and persons with special needs in the workforce. SIL has taken steps to create a work environment conducive to females by dedicating separate production lines in Gujrat factory, employing more than 170 females currently.

d) Occupational Safety and Health

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

e) Consumer Protection Measures

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

f) Business Ethics and Anti-Corruption Measures

We have a commitment of conducting our business with honesty and integrity and in full compliance with applicable laws and regulations. Our Statement of Ethics & Business Practices states that "It is the Company's policy to conduct its operations in accordance with the highest business ethical considerations, to comply with all statutory regulations and to conform to the best accepted standards of good corporate citizenship."

g) Contribution to National Exchequer

SIL has a significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2020, SIL contributed PKR 1,472 million on this account.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

SIL is a socially conscious business entity. Its tradition of charity giving is as old as the company itself. Over the past five decades, SIL has been involved in significant philanthropic undertakings in health and education.

In late 2019, SIL decided to consolidate the delivery of this work by establishing its own independent corporate foundation by the name of Servis Foundation (SF). During 2020, as SF operationalized, it set out into becoming the custodian and implementer of all institutional CSR contributions of the Company. SF, as SIL's philanthropic arm, will deliver SIL's CSR goals through a programmatic and targeted mechanism.

During the year, the Company contributed PKR 59.5 million on account of CSR activities in various sectors.

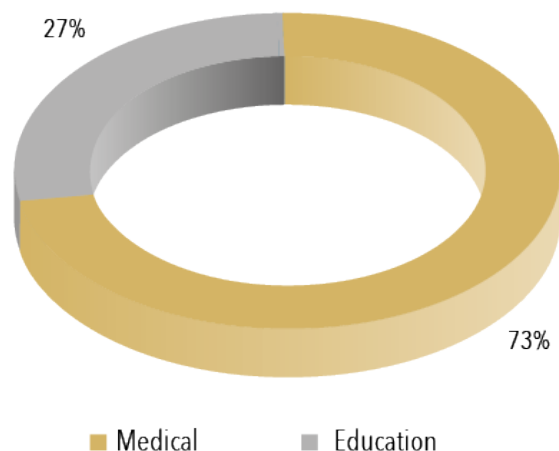


“ Act to make your
Vision a Reality.”

- Debasish Maridha

Directors' Report to the Shareholders

Contribution to CSR



COMPANY'S FUTURE OUTLOOK

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

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

COVID-19

In current COVID 19 pandemic and rising competition in segments of Service Industries Limited, the Company would continue its efforts to ensure business continuity while continuing to focus on employee well-being and following all public health guidelines.

This team is analyzing the situation on daily basis and taking prompt actions to implement all possible preventive measures and to ensure continuity of business operations. During this time, your Company has endeavored to maintain business performance despite slowed down economic activity.

ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is determined to meet and wherever possible, exceed in all legal and ethical requirements and to conduct all businesses according to the highest professional and ethical standards and practices. The Board defines a path of continuous improvement constantly challenging existing processes. It also requires the Company to embrace change so that the Company is in the right place when new opportunities open. This also means attracting the best talent in the

marketplace and giving them the skills and opportunities, they need to become high achievers. The Company constantly reviews its portfolio to provide answers to society's most vital challenges, enabling it to create sustainable value for its shareholders.

The Company continues to evaluate internal controls and operations to ensure fair financial reporting processes, compliance with applicable laws and adherence with internal control systems. This also results in achieving our objective of adding value to our operations.

STATEMENT OF COMPLIANCE

The Company strictly adheres to the principles of corporate governance mandated by the Securities and Exchange Commission of Pakistan and has implemented all the prescribed stipulations. The same have been summarized in the following statement of compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 duly reviewed by the external auditors.

DIRECTORS' STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK.

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

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



Teamwork gives you the best opportunity to turn vision into reality

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

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

DIRECTORS' REMUNERATION

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

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

Composition of Board and Committees

As per requirements of Clause 34 (2) (i, ii & iii) of Listed Companies (Code of Corporate Governance) Regulations 2019 the composition of the Board and its committees is given in serial No. 1, 2 and 12 of "Statement of Compliance" annexed to the Annual Report.

SAD DEMISE OF THE DIRECTOR

During the year, our beloved Mr. Muhammad Amin, a non-executive Director of the Company passed away on February 08, 2021. He remained Director of the Company from 2012 to February 08, 2021. Mr. Muhammad Amin was an inspirational leader, a true visionary with brilliant business acumen and a passion for people. His remarkable contribution led to the success and growth of the Company over the years. His dedicated philanthropic endeavors set an inspirational example for us all. Those who worked with him witnessed unparalleled diligence and are honored to have had the opportunity to learn from such a respected and charismatic personality. The Board of Directors along with the entire Company, offer heartfelt condolences to his family. We pray that Mr. Muhammad Amin is granted the highest place in Jannat-ul-Firdous, and may he be blessed with eternal peace. Ameen, we remain determined to uphold and advance his rich legacy and strong values.

Audit Committee

The Audit Committee currently consists of three members, two of whom are Independent Directors and one is an Non-Executive Director. The Chairman of the committee is an Independent Director. The terms of reference of this Committee have been determined in accordance with the guidelines provided in the Code of Corporate Governance and advised to the Committee for compliance.

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

Name of Member	Attendance
Mr. Osman Saifullah Khan - Chairman	2/2
Mr. Riaz Ahmed - Member	4/4
Mr. Muhammad Amin - Member [Deceased]	4/4
Mr. Muhammad Naeem Khan [Appointed in place of Mr. Muhammad Amin (Deceased) on March 31, 2021].	

Human Resource and Remuneration Committee

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

Name of Member	Attendance
Mrs. Ayesha Naweed - Chairperson	2/2
Mr. Arif Saeed - Member	2/2
Mr. Riaz Ahmed - Member	2/2

Meetings of the Board of Directors

During the year under review, five (5) meetings of the Board of Directors of the Company were held and the attendance position is as follows:

Name of Director	Attendance
Mr. Ahmed Javed	0/5
Mr. Arif Saeed	5/5
Mr. Omar Saeed	5/5
Mr. Hassan Javed	5/5
Mr. Osman Saifullah Khan	2/5
Mr. Rehman Naseem (Retired)	2/2
Mr. Riaz Ahmed	5/5
Mr. Muhammad Amin*	5/5
Mrs. Ayesha Naweed (Elected)	3/3
Mr. Shahid Hussain Jatoi	5/5

*Subsequent to year end December 31, 2020, Mr. Muhammad Amin, Non-Executive Director of the Company passed away on February 08, 2021. Accordingly, the casual vacancy occurred in the Board of Directors has duly been filled up by the Board within prescribed time frame.

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

CHANGES IN THE BOARD OF DIRECTORS

During the year, election of the Directors was held in the Extraordinary General Meeting on August 04, 2020. The following nine Directors were elected for the next term of three years:

- | | |
|-----------------------------|-----------------------------|
| 1. Mr. Ahmed Javed | 6. Mr. Riaz Ahmed |
| 2. Mr. Arif Saeed | 7. Mr. Muhammad Amin |
| 3. Mr. Omar Saeed | 8. Mr. Osman Saifullah Khan |
| 4. Mr. Hassan Javed | 9. Mrs. Ayesha Naweed |
| 5. Mr. Shahid Hussain Jatoi | |

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

Management Committee

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

External Auditors

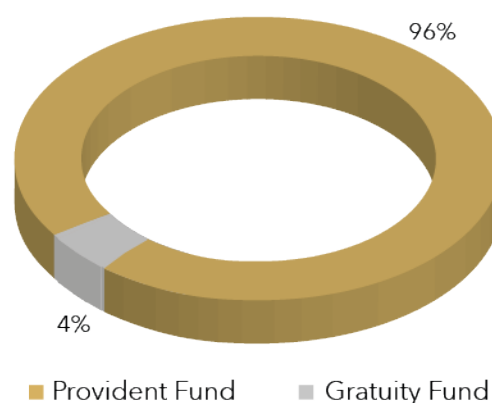
The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending December 31, 2021.

Investments in Retirement Benefits

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

	December 31, 2020	December 31, 2019
	(Rupees in million)	
Provident Fund	1,790	1,523
Gratuity Fund	71	64

Value of Investment



Pattern of Shareholding

The pattern of shareholding as at December 31, 2020 along with disclosure as required under the Code of Corporate Governance is included in this Annual Report. All trades in the shares of the Company, if any, carried out by the Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children are also annexed.

Post Balance Sheet Event

No material changes and commitments affecting the financial position of the Company occurred between 31 December 2020 and 31 March 2021 except for the declaration of final cash dividend of Rupees 15 per share (i.e. 150%) along with issuance of bonus shares in proportion of 100 ordinary shares for every 100 ordinary shares held by the members (i.e. 100%) which is subject to approval of members in the forthcoming

Annual General Meeting and as disclosed in the accompanying audited financial statements of the Company for the year ended 31 December 2020 more specifically in Note 46.2.

Acknowledgment

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

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

For and on behalf of the board



Arif Saeed
Chief Executive



Omar Saeed
Director

March 31, 2021
Lahore

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: Service Industries Limited
Year ended: December 31, 2020

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

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

- a. Male: 8
- b. Female: 1

2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Osman Saifullah Khan Mr. Shahid Hussain Jatoi Mrs. Ayesha Naweed (Female director) Mr. Muhammad Naeem Khan [Appointed as Director in place of Mr. Muhammad Amin (deceased) on March 31, 2021]
Non-Executive Directors	Chaudhry Ahmed Javed Mr. Riaz Ahmed
Executive Directors	Mr. Omar Saeed Mr. Arif Saeed Mr. Hassan Javed

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

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

9. The Board has arranged Directors' Training program for the following:

Names of Directors
Mr. Omar Saeed Mr. Hassan Javed Mr. Riaz Ahmed Mr. Shahid Hussain Jatoi

Following Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program:

Names of Directors
Mr. Arif Saeed Mr. Osman Saifullah Khan

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

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

a) Audit Committee

Names	Designation held
Mr. Osman Saifullah Khan	Chairman
Mr. Riaz Ahmed	Member
Mr. Muhammad Naeem Khan [Appointed in place of Mr. Muhammad Amin (deceased) on March 31, 2021]	Member

b) HR and Remuneration Committee

Names	Designation held
Mrs. Ayesha Naweed	Chairperson
Mr. Arif Saeed	Member
Mr. Riaz Ahmed	Member

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

14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

a) Audit Committee:

Four quarterly meetings were held during the financial year ended December 31, 2020.

b) HR and Remuneration Committee:

Two meetings of HR and Remuneration Committee were held during the financial year ended December 31, 2020.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;

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

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:



Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	Representation of Minority shareholders The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No one intended to contest election as director representing minority shareholders.	5
2	Responsibilities of the Board and its members The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)
3	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee.	29
4	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and a senior officer of the Company performs the requisite functions and apprise the Board accordingly.	30
5	Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.	35



Arif Saeed
Chief Executive



Omar Saeed
Director

March 31, 2021
Lahore

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Service Industries Limited (the Company) for the year ended 31 December 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2020.



RIAZ AHMAD & COMPANY
Chartered Accountants

Place: Lahore.

Date: March 31, 2021

Auditors' Report to The Members

To the members of Service Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Service Industries Limited (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition</p> <p>The Company recognized net sales of Rupees 24,442.492 million for the year ended 31 December 2020.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue from contracts with customers note 2.24 to the financial statements. - Sales – net note 28 to the financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation; • We also considered the appropriateness of disclosures in the financial statements.

Sr. No	Key audit matters	How the matter was addressed in our audit
2	<p>Stock-in-trade</p> <p>As at 31 December 2020, stock-in-trade is stated at Rupees 4,877.842 million.</p> <p>Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 19.95% of total assets of the Company as at 31 December 2020, and the judgment involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Stock-in-trade note 2.21 to the financial statements. - Stock-in-trade note 22 to the financial statements. 	<p>Our audit procedures to assess the existence and valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; • Assessing accuracy of inventory ageing reports and adequacy of provisions.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

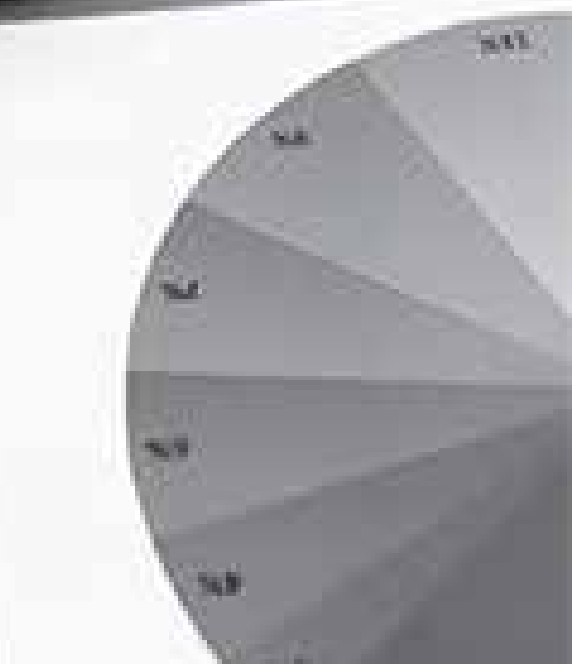
Date: March 31, 2021

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Financial Statements



Product Type	Percentage
Product Type 3	8%
Product Type 4	3%
Product Type 5	4%
Product Type 6	6%
Product Type 7	7%
Product Type 8	9%
Product Type 9	11%
Product Type 10	14%
Product Type 11	16%
Product Type 12	18%



Statement of Financial Position

As at December 31, 2020

	Note	2020 Amount Rupees in thousand	2019 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2019: 100,000,000)			
Ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, Subscribed and Paid up share capital	3	234,937	187,950
Reserves	4	7,047,655	5,553,258
Total Equity		7,282,592	5,741,208
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	3,084,863	2,770,768
Long term deposits	6	1,740	2,406
Lease liabilities	7	1,752,383	1,302,055
Employees' retirement benefit	8	154,077	148,408
Deferred liabilities	9	346,572	186,637
		5,339,635	4,410,274
CURRENT LIABILITIES			
Trade and other payables	10	3,853,305	2,707,757
Accrued mark-up	11	105,037	256,471
Short term borrowings	12	6,427,467	5,078,215
Current portion of non-current liabilities	13	1,405,285	918,111
Unclaimed dividend		37,897	37,784
		11,828,991	8,998,338
Total liabilities		17,168,626	13,408,612
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		24,451,218	19,149,820

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



Arif Saeed
(Chief Executive)

	Note	2020 Amount Rupees in thousand	2019 Amount
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	5,996,063	6,117,464
Right-of-use assets	16	1,618,879	1,403,090
Intangible assets	17	1,271	2,688
Long term investments	18	5,242,711	2,668,005
Long term loans to employees	19	8,857	14,770
Long term security deposits	20	109,643	90,308
		12,977,424	10,296,325
CURRENT ASSETS			
Stores, spares and loose tools	21	232,316	252,240
Stock-in-trade	22	4,877,842	4,247,068
Trade debts	23	3,938,337	3,021,121
Loans and advances	24	433,755	390,886
Trade deposits and prepayments	25	234,864	147,214
Other receivables	26	555,622	756,463
Cash and bank balances	27	1,201,058	38,503
		11,473,794	8,853,495
TOTAL ASSETS		24,451,218	19,149,820



Omar Saeed
(Director)




Badar Ul Hassan
(Chief Financial Officer)

Statement of Profit or Loss

For the year ended December 31, 2020

	Note	2020 Amount Rupees in thousand	2019 Amount
Sales - net	28	24,442,492	26,156,201
Cost of sales	29	(19,521,551)	(21,271,958)
Gross profit		4,920,941	4,884,243
Distribution cost	30	(1,437,878)	(1,697,756)
Administrative expenses	31	(1,056,792)	(1,117,181)
Other expenses	32	(266,728)	(205,142)
		(2,761,398)	(3,020,079)
		2,159,543	1,864,164
Other income	33	134,378	312,202
Profit from operations		2,293,921	2,176,366
Finance cost	34	(1,084,627)	(1,123,589)
		1,209,294	1,052,777
Share of (loss) / profit in equity accounted investee - net of taxation		(48,110)	20,248
Profit before taxation		1,161,184	1,073,025
Taxation	35	(471,160)	(186,661)
Profit after taxation		690,024	886,364
			Restated
Earnings per share - basic and diluted (Rupees)	36	29.37	37.73

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)


Badar Ul Hassan
(Chief Financial Officer)

Statement of Comprehensive Income

For the year ended December 31, 2020

Note	2020 Amount Rupees in thousand	2019 Amount
Profit after taxation	690,024	886,364
Other comprehensive income		
Items that will not be reclassify to profit or loss:		
Surplus arising on remeasurements of investment at fair value through other comprehensive income	66,860	2,500
Remeasurements of employees' retirement benefit obligation	(1,700)	6,961
Items that may be reclassified subsequently to profit or loss:	-	-
Other comprehensive income for the year	65,160	9,461
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	755,184	895,825

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Statement of Changes in Equity

For the year ended December 31, 2020

	RESERVES										TOTAL EQUITY	
	Share Capital	Capital reserves					Revenue reserves			Total		
		Capital gains	Fair value reserve FVTOCI investment	Share premium	Share of reserve held by equity accounted investee	Reserve pursuant to the Scheme	Sub total	General reserve	Un-appropriated profit			Sub total
Balance as at 01 January 2019	120,288	102,730	-	21,217	23,935	-	147,882	1,558,208	3,567,817	5,126,025	5,273,907	5,394,195
Transaction with owners:												
Final dividend for the year ended 31 December 2018 @ Rupees 30 per share	30,072	-	-	-	-	-	-	-	(360,862)	(30,072)	(360,862)	(360,862)
Issue of bonus shares for the year ended 31 December 2018 @ 25% Interim dividend for the year ended 31 December 2019	-	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(187,950)
Issue of bonus shares during the year ended 31 December 2019 @ 25%	37,590	-	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	-
	67,662	-	-	-	-	-	-	-	(616,474)	(616,474)	(616,474)	(548,812)
Profit for the year	-	-	-	-	-	-	-	-	886,364	886,364	886,364	886,364
Other comprehensive income for the year	-	2,500	-	-	-	-	2,500	-	6,961	6,961	9,461	9,461
Total comprehensive income for the year	-	2,500	-	-	-	-	2,500	-	893,325	893,325	895,825	895,825
Balance as at 31 December 2019	187,950	102,730	2,500	21,217	23,935	-	150,382	1,558,208	3,844,668	5,402,876	5,553,258	5,741,208
Transactions with owners:												
Final dividend for the year ended 31 December 2019 @ Rupees 7.50 per share	-	-	-	-	-	-	-	-	(140,963)	(140,963)	(140,963)	(140,963)
Issue of bonus shares for the year ended 31 December 2019 @ 25%	46,987	-	-	-	-	-	-	-	(46,987)	(46,987)	(46,987)	-
	46,987	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(140,963)
Reserve arising pursuant to the Scheme of Compromises, Arrangement and Reconstruction between the Company and its members and Service Global Footwear Limited - subsidiary company and its members (the Scheme) (Note 18.1.1)	-	-	-	-	-	927,163	927,163	-	-	-	927,163	927,163
Profit for the year	-	-	-	-	-	-	-	-	690,024	690,024	690,024	690,024
Other comprehensive income for the year	-	66,860	-	-	-	-	66,860	-	(1,700)	(1,700)	65,160	65,160
Total comprehensive income for the year	-	66,860	-	-	-	-	66,860	-	688,324	688,324	755,184	755,184
Balance as at 31 December 2020	234,937	102,730	69,360	21,217	23,935	927,163	1,144,405	1,558,208	4,345,042	5,903,250	7,047,655	7,282,592

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Statement of Cash Flows

For the year ended December 31, 2020

	Note	2020 Amount Rupees in thousand	2019 Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	37	2,951,620	(184,003)
Finance cost paid		(1,215,709)	(996,679)
Income tax paid		(320,328)	(258,374)
Workers' welfare fund paid		(54,275)	(16,735)
Workers' profit participation fund paid		(5,139)	(6,624)
Employees' retirement benefits paid		(15,707)	(15,186)
Net decrease / (increase) in long term loans to employees		6,414	(7,698)
Net increase in security deposits		(99,418)	(85,769)
Net cash generated from / (used in) operating activities		1,247,458	(1,571,068)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(552,848)	(722,930)
Intangible asset acquired		-	(1,441)
Return on bank deposits		10,535	381
Proceeds from sale of operating fixed assets		18,473	14,355
Long term investments made		(1,629,033)	(131,819)
Net cash used in investing activities		(2,152,873)	(841,454)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,248,164	1,311,774
Repayment of long term financing		(330,767)	(846,800)
Repayment of lease liabilities		(57,163)	(74,459)
Long term deposits - net		(666)	(837)
Short term borrowings - net		1,349,252	2,551,507
Dividend paid		(140,850)	(543,030)
Net cash from financing activities		2,067,970	2,398,155
Net increase / (decrease) in cash and cash equivalents		1,162,555	(14,367)
Cash and cash equivalents at the beginning of the year		38,503	53,761
Cash transferred to Service Global Footwear Limited - subsidiary			
Company pursuant to the Scheme		-	(891)
Cash and cash equivalents at the end of the year		1,201,058	38,503

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)


Badar Ul Hassan
(Chief Financial Officer)

Notes to the Financial Statements

For the year ended December 31, 2020

1 The company and its operations

1.1 Service Industries Limited (the Company) was incorporated as a private limited Company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017), converted into a public limited company on 23 September 1959 and got listed on 27 June 1970. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. These financial statements are the separate financial statements of the Company. Consolidated financial statements of the Company are prepared separately. Details of the Company's investment in subsidiaries and associate are stated in note 18 to these financial statements.

1.2 Geographical location

Geographical location and addresses of all business units are as follows:

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Registered and Head Office	Servis House, 2 - Main Gulberg, Lahore
Karachi office	Adamjee House, 10th Floor, I.I. Chundrigar Road, Karachi.
Factory site	G.T. Road, Gujrat.
Retail outlets	
Shoe Box M.M. Alam Road	R-2, M.M. Alam Road, Gulberg II, Lahore.
Shoe Box Mall Road 1	Near Urban Sole, Mall Road, Lahore.
Shoe Box Mall Road 2	Shoe Box, Dinga Singh Building, 46- Mall Road, Lahore.
Shoe Box Baghban Pura	17-A, Main G.T Road, Lahore.
Shoe Box Allama Iqbal Town	Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore.
Shoe Box Karim Block	23-Karim Block, Allama Iqbal Town, Lahore.
Shoe Box DHA Y Block	133-Y, Block, Phase 3, DHA, Lahore.
Shoe Box Gujranwala 1	400-C, College Chowk, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 2	751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujrat	Hassan Chowk, Kacheri Road, Gujrat.
Shoe Box Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Faisalabad 1	Harian Wala Chowk, D-Ground, Faisalabad.
Shoe Box Faisalabad 2	584-B, Chen One Road, Peoples Colony 1, Faisalabad.
Shoe Box Burewala	Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala.
Shoe Box Bahawalpur 1	Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur.
Shoe Box Bahawalpur 2	Railway Road, Bahawalpur.
Shoe Box Mandi Baha-ud-Din	Kacheri Road, Mandi Baha-ud-Din.
Shoe Box Multan 1	Zain Tower, 10-A Gulshat Colony, Multan.
Shoe Box Multan 2	499-A Vehari Road, Mumtazabad, Multan.
Shoe Box Multan 3	Property No. 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt.
Shoe Box Multan 4	Property No. 12, Block Y, Street 100, New Multan.
Shoe Box Rahim Yar Khan	Shahi Road, Rahim Yar Khan.
Shoe Box Rawalpindi 1	Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi.
Shoe Box Rawalpindi 2	Shop No. 67 & 67A, Bank Road, Rawalpindi.
Shoe Box Rawalpindi 3	Property No. 11-C, Main PWD Rawalpindi.
Shoe Box Sargodha 1	City Tower, City Road, Sargodha.
Shoe Box Sargodha 2	03, Jinnah Park, University Road, Sargodha.
Shoe Box Sialkot	Darman Wala Chowk, Trunk Bazar, Opposite Bata Shoes, Sialkot.
Shoe Box Sahiwal	Near Metro Shoes, Girls College Road, Sahiwal.
Shoe Box Peshawar 1	University Road, Peshawar.

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Shoe Box Peshawar 2	Saddar Road, Peshawar.
Shoe Box Peshawar 3	17-C, Saddar Road, Peshawar Cantt.
Shoe Box Khanewal	Property No. 6-7, Block No. 12, Jamia Masjid Road, Khanewal.
Shoe Box Okara	Property No. B1-2r/169, M.A. Jinnah Road, Okara.
Shoe Box Daska	Shoe Box, College Road, Near Borjan, Daska.
Shoe Box Bahawalnagar	Shoe Box, Plot No. 6, Block No. 20, City Chowk, Bahawalnagar.
Shoe Box Chakwal	Al-Fateh Plaza, Talagang Road, Near GPO, Chakwal.
Shoe Box Karachi 1	B-61, Block H, Sector 2, North Nazimabad, Karachi.
Shoe Box Karachi 2	250/1 Deh Okewari, Block No. 19, Rashid Minhas Road, Gulistan-E-Jauhar, Karachi.
Shoe Box Karachi 3	House No. 5/117 A, Model Colony, Karachi.
Shoe Box Sheikhpura	Batti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhpura.
Factory Outlet Vehari	143-C, Club Road, Vehari.
Factory Outlet Muridke	10-KM, Sheikhpura Road, Muridke.
Factory Outlet Gujrat	Servis Factory, Main G.T. Road, Gujrat.
Factory Outlet Township	Shop No. 5-A-1, Al-Madina Road, Township, Lahore.
Shoe Box Franchise	Al-Hafeez Center, 26-A, Model Town, Lahore.
KLARA Warehouses	
Lahore	26-KM, Multan Road, Opposite Maraka Telephone Exchange, Lahore.
Lahore	19-A, Main Ravi Road, Near Kasur Pura Stop, Yadgar, Lahore.
Rawalpindi	Near Bagar Dhair, Tippu Sultan Masjid I-J-P Road, Rawalpindi.
Faisalabad	Jhang Road, Opposite Nayab Energy Gate, Faisalabad.
Bahawalpur	6-A, Adil Town, Dubai Mehal Road, Near City School, Bahawalpur.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

Notes to the Financial Statements

For the year ended December 31, 2020

c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

i) Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

ii) Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

iii) Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

iv) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

v) Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

vi) Impairment of investment in subsidiary companies and equity method accounted for associated company

In making an estimate of recoverable amount of the Company's investment in subsidiary companies and equity method accounted for associated company, the management considers future cash flows.

vii) Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 January 2020:

- IAS 1 (Amendments) 'Presentation of Financial Statements' and IAS 8 (Amendments) 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IASB's (Revised) 'Conceptual Framework'
- IFRS 3 (Amendments) 'Business Combination'
- Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'

The above mentioned amendments to approved accounting standards did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

e) Standards and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2021 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Notes to the Financial Statements

For the year ended December 31, 2020

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 1 January 2021. The changes made relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The above amendments and improvements do not have a material impact on the financial statements.

g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 January 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures are rounded off to the nearest thousand of Pak Rupees.

2.3 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.4 Employees' retirement benefits

i) Contributory provident fund

There is an approved contributory provident fund for employees of the Company. Equal monthly contributions are made both by the employees and the Company to the fund in accordance with the fund rules. The Company's contributions to the fund are charged to statement of profit or loss.

ii) Defined benefit plan

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

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company,

the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

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

iii) **Compensated absences**

The Company provides for liability in respect of employees' compensated absences in the period in which these are earned.

2.5 **Taxation**

Income tax comprises current and deferred tax. Securities and Exchange Commission of Pakistan (SECP) has designated the Company and its wholly-owned subsidiaries Service Global Footwear Limited and Service Industries Capital (Private) Limited as a "Group" for the purpose of group taxation under Section 59AA of the Income Tax Ordinance, 2001.

Current

Provision for current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets 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 is calculated at the 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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6 **Borrowings**

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

2.7 **Borrowing costs**

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in statement of profit or loss.

Notes to the Financial Statements

For the year ended December 31, 2020

2.8 Fixed assets

Owned

Fixed assets except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

Depreciation

Depreciation on operating fixed assets except for leasehold improvements is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in note 15.1. Depreciation on leasehold improvements is charged to the statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives or the shorter lease term at the rates given in note 15.1. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

2.9 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

2.10 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.11 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.12 Investment in subsidiary companies

Investment in subsidiary companies is stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27 'Separate Financial Statements'.

2.13 Investment in associate - (with significant influence)

Associate is an entity over which the Company has significant influence but not control or joint control. Investment in associate is accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associate is recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investment in equity method accounted for associate is tested for impairment in accordance with the provision of IAS 36 'Impairment of Assets'

2.14 Ijarah transactions

Under the Ijarah contracts the Company obtains usufruct of an asset for an agreed period for an agreed consideration. The Company accounts for its Ijarah contracts in accordance with the requirements of IFAS 2 'Ijarah'. Accordingly, the Company as a Mustaj'ir (lessee) in the Ijarah contract recognises the Ujrah (lease) payments as an expense in the profit and loss on straight line basis over the Ijarah term.

2.15 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Financial Statements

For the year ended December 31, 2020

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

2.16 Financial liabilities - classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.17 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.18 De-recognition

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company shall derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.19 Offsetting of financial instruments

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

2.20 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.21 Inventories

Inventories, except for stock-in-transit and waste stock, are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Usable stores, spare parts and loose tools are valued principally at cost using first-in-first-out (FIFO) cost formula, while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges paid thereon

Notes to the Financial Statements

For the year ended December 31, 2020

Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

(i) For raw materials:	First-in-first-out (FIFO) cost formula
(ii) For work-in-process and finished goods:	Direct material, labour and appropriate manufacturing overheads
(iii) Finished goods purchased for resale:	Moving average

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stocks are valued at net realizable value.

Net realizable 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 a sale.

2.22 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.23 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.24 Revenue from contracts with customers

i) Revenue recognition

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(b) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

(d) Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

(e) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

ii) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

iii) Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

iv) Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

v) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

vi) Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

vii) Refund liabilities

Refund liabilities are recognised where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

2.25 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.26 Provisions

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

2.27 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Notes to the Financial Statements

For the year ended December 31, 2020

2.28 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.29 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.30 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

2.32 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has following reportable business segments. Footwear (Purchase, manufacturing and sale of different qualities of footwear), Tyre (Manufacturing of different qualities of tyres) and Technical rubber products (Manufacturing of different qualities of rubber products on specifications).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

2.33 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. Issued, Subscribed and Paid-Up Share Capital

	2020	2019	2020	2019
	Number of shares		Rupees in thousand	
Ordinary shares of Rupees 10 each fully paid in cash	3,183,190	3,183,190	31,832	31,832
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	20,310,537	15,611,792	203,105	156,118
	23,493,727	18,794,982	234,937	187,950

3.1 Movement during the year

	2020	2019	2020	2019
	Number of shares		Rupees in thousand	
At 01 January	18,794,982	12,028,789	187,950	120,288
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	4,698,745	6,766,193	46,987	67,662
	23,493,727	18,794,982	234,937	187,950

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

	2020	2019
	Number of shares	
3.3 Ordinary shares of the Company held by associated company / associated undertaking:		
Shahid Arif Investments (Private) Limited - associated company	19,812	15,850
Service Charitable Trust	22,628	18,103
Service Provident Fund Trust	1,090,637	872,510
	2020	2019
	Amount	Amount
	Rupees in thousand	

4 RESERVES

Composition of reserves is as follows:

Capital reserves

Capital gains		102,730	102,730
Fair value reserve FVTOCI investment	(Note 4.1)	69,360	2,500
Share premium	(Note 4.2)	21,217	21,217
Share of reserve held by equity accounted investee		23,935	23,935
Reserve pursuant to the Scheme of Compromises, Arrangement and Reconstruction		927,163	-
		1,144,405	150,382

Revenue reserves

General reserve		1,558,208	1,558,208
Unappropriated profits		4,345,042	3,844,668
		5,903,250	5,402,876
		7,047,655	5,553,258

4.1 This represents the unrealized gain on re-measurement of investment at fair value through other comprehensive income and is not available for distribution. Reconciliation of fair value reserve is as under:

Notes to the Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
Balance at 01 January	2,500	-
Fair value adjustment during the year	66,860	2,500
Balance at 31 December	69,360	2,500

4.2 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

5. LONG TERM FINANCING

From banking companies - secured			
Long term loans	(Note 5.1)	4,048,084	3,207,446
Long term musharaka	(Note 5.2)	270,000	270,000
		<u>4,318,084</u>	<u>3,477,446</u>
Current portion shown under current liabilities			
	(Note 13)		
Long term loans		(1,173,221)	(646,678)
Long term musharaka		(60,000)	(60,000)
		<u>(1,233,221)</u>	<u>(706,678)</u>
		3,084,863	2,770,768

5.1 Long term loans

LENDER	2020		2019	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand							
Allied Bank Limited	-	35,000		6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 19 September 2015 and ended on 19 March 2020.	Half yearly	Half yearly	First joint pari passu charge of Rupees 1,400,000 million on fixed assets (plant and machinery) of the Company.
Allied Bank Limited (Note 5.3)	25,000	50,000		6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 18 March 2016 and ending on 18 September 2021.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	270,000	270,000		6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 20 June 2018 and ending on 20 December 2023.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	150,000	150,000		6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2023.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	560,000	560,000		6-month KIBOR + 0.14%	Ten equal half yearly instalments commenced on 30 December 2018 and ending on 30 June 2024.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 2,067,0000 million over plant and machinery of the Company with 25% margin.
MCB Bank Limited (Note 5.3)	400,000	400,000		6-month KIBOR + 0.10%	Ten equal half yearly instalments commenced on 27 June 2019 and ending on 27 December 2024.	Half yearly	Half yearly	
Habib Bank Limited (Note 5.3)	10,830	11,144		SBP rate for LTF + 0.50%	Ninety four unequal quarterly instalments commenced on 14 June 2019 and ending on 30 April 2028.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 640,000 million on all present and future fixed assets of the Company.
Habib Bank Limited (Note 5.3)	191,039	205,734		SBP rate for LTF + 0.50%	Sixteen equal quarterly instalments commenced on 22 September 2019 and ending on 22 June 2024.	-	Quarterly	
Allied Bank Limited (Note 5.3)	250,000	450,000		6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 29 December 2019 and ending on 29 June 2025.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 667,000 million over all present and future plant and machinery of the Company with 25% margin.
Allied Bank Limited (Note 5.3)	130,917	72,838		SBP rate for LTF + 0.25%	Two hundred and sixty seven unequal instalments commenced on 5 April 2021 and ending on 15 May 2031.	-	Quarterly	
	20,710	2,730		6-months KIBOR + 0.25%		Half yearly	Quarterly	
	151,627	75,568						
Allied Bank Limited (Note 5.4)	1,039,588	-		SBP rate for salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 27 February 2021 and ending on 27 November 2022.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 562,500 million over all present and future current assets of the Company and first joint pari passu hypothecation charge of Rupees 337,500 million on plant and machinery of the Company with 25% margin.
MCB Bank Limited	1,000,000	1,000,000		6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 11 June 2021 and ending on 11 December 2025.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 1,333,330 million over plant and machinery of the Company with 25% margin.
	4,048,084	3,207,446						

5.2 Long term musharakata

LENDER	2020	2019	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Meezan Bank Limited (Note 5.3)	270,000	270,000	6-month KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 November 2019 and ending on 18 May 2025.	Half yearly	Half yearly	Exclusive charge of Rupees 365.578 million over plant and machinery of the Company with 15% margin and ranking charge over present and future fixed assets (including land and building) of the Company with 20% margin.
	270,000	270,000					

5.3 Repayment period of these loans includes deferment of repayment of principal loan amount by one year in accordance with State Bank of Pakistan BPRD Circular Letter No. 13 of 2020 dated 26 March 2020.

5.4 This loan is obtained by the Company under SBP Refinance Scheme for payment of wages and salaries to workers. It is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate ranges from 7.71% to 7.87% per annum.

Notes to the Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
Rupees in thousand			
6. LONG TERM DEPOSITS			
These represent deposits of dealers and others, who have permitted the utilization of such money by the Company in pursuance of section 217 of the Companies Act, 2017.			
7. Lease liabilities			
Total lease liabilities	(Note 7.1)	1,854,699	1,513,488
Less: Current portion shown under current liabilities	(Note 13)	(102,316)	(211,433)
		1,752,383	1,302,055
7.1 Reconciliation of lease liabilities			
At 01 January		1,513,488	-
Recognition on initial application of IFRS 16		-	1,350,879
Additions during the year		680,539	237,068
Interest on lease liabilities	(Note 34)	171,888	160,867
Impact of lease modification / termination		(282,165)	-
Payments made during the year		(229,051)	(235,326)
At 31 December		1,854,699	1,513,488
7.2 Implicit rates against lease liabilities range from 8.05% to 14.56% (2019: 12.04%) per annum.			
8. Employees' Retirement Benefit			
The latest actuarial valuation of the Fund as at 31 December 2020 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:			
8.1 The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligations		225,093	212,148
Fair value of plan assets		(71,016)	(63,740)
Net defined benefit obligation		154,077	148,408
8.2 Movement in the present value of net defined benefit obligation			
Net liability at 01 January		148,408	180,446
Net liability transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		-	(61,861)
Transferred to defined benefit obligation relating to subsidiary company		(18,826)	-
Current service cost		22,689	26,919
Past service cost		-	2,358
Net interest on defined benefit obligation		15,813	22,693
Net remeasurements for the year		1,700	(6,961)
Contributions made during the year		(15,707)	(15,186)
Net liability 31 December		154,077	148,408

Notes to the Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
8.3 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at 01 January	212,148	262,604
Liability transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	-	(83,959)
Transferred to defined benefit obligation relating to subsidiary company	(18,826)	-
Current service cost	22,689	26,919
Past service cost	-	2,358
Interest cost	22,983	31,943
Benefits paid during the year	(15,707)	(13,913)
Remeasurements on obligation:		
Actuarial gains from changes in financial assumptions	(731)	(869)
Experience adjustments	2,537	(12,935)
Present value of defined benefit obligation at 31 December	225,093	212,148

8.4 Movement in the fair value of the plan assets		
Fair value of plan assets at 01 January	63,740	82,158
Assets transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	-	(22,098)
Interest income on plan assets	7,170	9,250
Contributions made during the year	15,707	15,186
Benefits paid during the year	(15,707)	(13,913)
Remeasurements on fair value of plan assets	106	(6,843)
Fair value of plan assets at 31 December	71,016	63,740

8.4.1 As per Scheme, employees gratuity fund of Service Industries Limited in the name of Service Industries Limited Employees Gratuity Fund Trust shall be continued for the benefits of the employees of the Company and Service Global Footwear Limited. Hence, total plan assets of Service Industries Limited Employees Gratuity Fund Trust as shown below have been allocated by the Actuary for actuarial valuation purposes of the Company and Service Global Footwear Limited - subsidiary company.

Mutual funds	98,815	88,788
Bank balances	563	408
Total plan assets	99,378	89,196
Allocated to the Company	71,016	63,740
Allocated to the Service Global Footwear Limited - subsidiary company	28,362	25,456
	-	-

8.5 Amounts recognized in the statement of profit or loss		
Current service cost	22,689	26,919
Past service cost	-	2,358
Interest cost	22,983	31,943
Interest income on plan assets	(7,170)	(9,250)
Net expense charged in the statement of profit or loss	38,502	51,970

	2020 Amount	2019 Amount
	Rupees in thousand	
8.6 Remeasurements charged to statement of other comprehensive income		
Experience adjustments	(2,537)	12,935
Return on plan assets excluding interest income	106	(6,843)
Actuarial loss from changes in financial assumptions	731	869
Total remeasurements charged to statement of other comprehensive income	(1,700)	6,961

8.7 Comparison of present value of defined benefit obligation and the fair value of plan assets for current and previous four years is as follows:

	2020	2019	2018	2017	2016
	-----Rupees in thousand-----				
Present value of defined benefit obligation	225,093	212,148	262,604	213,626	186,612
Fair value of the plan assets	(71,016)	(63,740)	(82,158)	(85,177)	(101,576)
Deficit in the plan	154,077	148,408	180,446	128,449	85,036
Remeasurement gain / (loss) on obligation	(1,806)	(13,804)	17,171	24,124	7,997
Remeasurement gain / (loss) on plan assets	106	(6,843)	(10,099)	(16,202)	15,733

8.8 Estimated charge to profit or loss for the year ending 31 December 2021 will be Rupees 36.495 million.

		2020	2019
8.9 Principal actuarial assumptions used:			
Discount rate used for interest cost	% per annum	11.25	13.25
Discount rate used for year end obligation	% per annum	9.75	11.25
Expected rate of salary increase	% per annum	8.75	10.25

8.10 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption at the reporting date:

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees in thousand	
Discount rate	100	200,971	244,118
Future salary increase	100	244,428	200,351

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Mortality was assumed to be based on SLIC 2001-2005 ultimate mortality rates, set back one year.

8.11 The average duration of the benefit obligation is 9.8 years.

Notes to the Financial Statements

For the year ended December 31, 2020

8.12 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total	
Rupees in thousand						
10,693	13,327	71,977	129,406	1,816,172	2,041,575	
					2020	2019
					Amount	Amount
					Rupees in thousand	

9. Deferred Liabilities

Deferred income - Government grant	(Note 9.1)	20,257	-
Provision for Gas Infrastructure Development Cess (GIDC)	(Note 9.2)	7,403	-
Deferred income tax liability - net	(Note 9.3)	318,912	186,637
		346,572	186,637

9.1 Deferred income - Government grant

Recognized during the year		96,520	-
Amortized during the year	(Note 33)	(19,761)	-
		76,759	-
Current portion shown under current liabilities	(Note 13)	(56,502)	-
		20,257	-

The State Bank of Pakistan (SBP), through its Circular No. 06 of 2020 dated 10 April 2020 has introduced a temporary refinance scheme for payment of wages and salaries to the workers and employees of business concerns (the Refinance Scheme). The refinance scheme is funded by SBP. Borrowers can obtain loans from the banks and ease their cash flow constraints to avoid layoffs. One of the key feature of the refinance scheme is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company has obtained this loan as disclosed in note 5 to the financial statements. In accordance with IFRS 9 'Financial Instruments' loan obtained under the refinance scheme was initially recognized at its fair value which is the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

9.2 Provision for Gas Infrastructure Development Cess (GIDC)

Provision for GIDC at 31 December		20,649	-
Current portion shown under current liabilities	(Note 13)	(13,246)	-
		7,403	-

	2020 Amount	2019 Amount
	Rupees in thousand	
9.3 Deferred income tax liability - net		
The deferred income tax liability / (asset) originated due to timing differences relating to:		
Taxable temporary differences:		
Accelerated tax depreciation	591,236	503,473
Investment in associate	21,194	17,111
	612,430	520,584
Deductible temporary differences		
Allowance for expected credit losses	(63,793)	(37,230)
Provision for slow moving and obsolete stores	(6,281)	(5,871)
Provision for slow moving and obsolete stock in trade	(15,394)	(25,326)
Minimum tax carry forward	(208,050)	(265,520)
	(293,518)	(333,947)
Deferred income tax liability - net	318,912	186,637

10. Trade and other payables

Trade creditors	(Note 10.1)	2,069,353	1,438,369
Accrued liabilities		950,898	856,027
Letters of credit		202,091	180,220
Advances from customers		250,855	160,793
Provident fund payable		22,037	20,761
Provision for service warranties		33,453	23,177
Workers' profit participation fund	(Note 10.2)	(1,857)	(7,574)
Workers' welfare fund	(Note 10.3)	41,810	22,269
Income tax deducted at source		5,186	3,866
Sales tax payable		264,431	-
Others		15,048	9,849
		3,853,305	2,707,757

10.1 These include Rupees 71.542 million (2019: Rupees Nil) due to Service Global Footwear Limited - subsidiary company. It is in ordinary course of business and interest free.

10.2 Workers' profit participation fund

Balance at 01 January		(7,574)	(23,147)
Impact of adjustment due to adoption of IFRS 15		-	(3,716)
Allocation to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		-	(6,260)
Allocation for the year	(Note 32)	59,992	42,284
		52,418	9,161
Payments made during the year		(54,275)	(16,735)
Balance at 31 December		(1,857)	(7,574)

10.3 Workers' welfare fund

Balance as at 01 January		22,269	8,302
Allocation to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		-	(1,308)
Provision for the year	(Note 32)	24,680	21,899
		46,949	28,893
Payments during the year		(5,139)	(6,624)
Balance at 31 December		41,810	22,269

Notes to the Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
		Rupees in thousand	
11. Accrued mark-up			
Long term financing		14,634	25,112
Short term borrowings	(Note 11.1)	90,403	231,359
		105,037	256,471

11.1 This includes accrued mark-up of Rupees 65.229 million (2019: Rupees 134.821 million) on loan obtained from Service Global Footwear Limited - subsidiary company.

12. Short term Borrowings

From banking companies - secured

Short term running finances	(Notes 12.1 and 12.2)	1,496,701	854,992
Export refinance	(Notes 12.1 and 12.3)	2,016,475	1,774,833
Import loans	(Notes 12.1 and 12.4)	-	303,512
Loan from Service Global Footwear Limited - subsidiary company	(Note 12.5)	2,914,291	2,144,878
		6,427,467	5,078,215

12.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of present and future current assets of the Company. These form part of total credit facilities of Rupees 9,680.000 million (2019: Rupees 7,180.000 million).

12.2 The rates of mark-up range from 7.28% to 14.56% (2019: 10.75% to 14.86%) per annum..

12.3 The rates of mark-up range from 2.20% to 3% (2019: 2.20% to 3%) per annum.

12.4 The rates of mark-up range from 2.4% to 3.75% (2019: 2.4% to 3.75%) per annum.

12.5 This represents unsecured loan from Service Global Footwear Limited - subsidiary company for working capital requirement. Total credit facility available is Rupees 5,000 million. This carries mark-up at the rate of 1 month KIBOR plus 0.05 percent per annum. The maximum aggregate amount payable to subsidiary company at the end of any month during the period was Rupees 3,842.291 million (2019: Rupees 2,144.878 million). Effective rate of mark-up charged on this short term loan is 7.37% to 13.71% (2019: 13.31%) per annum.

13. Current portion of non-current liabilities

Long term financing	(Notes 5)	1,233,221	706,678
Current portion of lease liabilities	(Note 7)	102,316	211,433
Deferred income - Government grant	(Note 9.1)	56,502	-
Provision for GIDC	(Note 9.2)	13,246	-
		1,405,285	918,111

14. Contingencies and Commitments

14.1 Contingencies

14.1.1 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rupees 18.630 million and Rupees 4.108 million respectively at import of tyre cord fabrics during the period from August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of SRO 509 (1)/2007 dated 09 June 2007. The case has been remanded back by the Appellate Tribunal Inland Revenue (ATIR), Lahore to the Commissioner Inland Revenue Appeals [CIR (Appeals)], Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.

- 14.1.2** Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rupees 4.804 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 1.982 million is recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. In the third case, Rupees 31.807 million is recoverable by PESSI. This case was decided in the favour of the Company in the year 2013, however, the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore against the aforesaid cases. During the pendency of the matter PESSI sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 14.1.3** Deputy Commissioner Inland Revenue (DCIR) initiated a case against the Company after post sales tax refund audit in which demand of Rupees 27.922 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.650 million. The Company had further filed an appeal before ATIR against said points. The management of the Company is confident that decision will be in favour of the Company. Hence, no provision has been made in these financial statements.
- 14.1.4** DCIR initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.707 million was created. The Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10.000 million and remanded back certain charges to the tune of Rupees 172.707 million. The Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. The management of the Company is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 14.1.5** DCIR initiated income tax audit for the year 2014 in which a demand of Rupees 123.412 million was created. The Company filed an appeal before CIR (Appeals) who remitted back the proceedings to the department for denovo consideration in its order dated 29 October 2020. The Company has filed an appeal before ATIR against said points. The management of the Company is confident that decision will be in favour of the Company. Hence, no provision has been made in these financial statements.
- 14.1.6** The Company received show cause notice dated 14 December 2018 for which detailed reply was furnished to Assistant Commissioner Unit-07 Sindh Revenue Board (SRB). Taxation officer subsequently passed assessment order under section 47 read with section 44 of the Sindh Sales Tax on Services Act, 2011 demanding sales tax amounting to Rupees 30.572 million. Aggrieved with impugned order, the Company has preferred an appeal to the Commissioner Appeals SRB, which is pending adjudication. Based on merits of the case and advice of the tax advisor, no provision against this demand has been recognized in these financial statements.
- 14.1.7** Honourable Lahore High Court has allowed a petition filed by the Company against show-cause notice issued by DCIR amounting to Rupees 13.076 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision of Honourable Lahore High Court in Honourable Supreme Court of Pakistan which is pending for hearing. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 14.1.8** DCIR conducted income tax audit for the year 2011 in which a demand of Rupees 19.605 million was created. The Company filed an appeal before CIR (Appeals) who confirmed the demand of Rupees 12.989 million and remanded back certain charges amounting to Rupees 6.616 million in its order dated 07 August 2020. The Company has filed an appeal before ATIR against said points. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 14.1.9** The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has claimed input sales tax on packing material of Rupees 48.981 million in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favourable outcome of its appeal.

Notes to the Financial Statements

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14.1.10 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court, Lahore has passed order against the Company and the Company being aggrieved with the order has preferred Intra Court Appeal before the Honourable Lahore High Court, Lahore. The Company has claimed input sales tax of Rupees 18.515 million on such goods in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favourable outcome of its appeal.

14.1.11 DCIR initiated income tax cases of tax years 2006 and 2008. A demand of Rupees 12.774 million and Rupees 68.406 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company has filed appeal with ATIR which is pending for hearing. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.

14.1.12 CIR passed an order regarding CREST discrepancies of sales tax for an amount of Rupees 10.324 million. The Company filed an appeal with ATIR which is pending for hearing. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.

14.1.13 The Company has issued cross corporate guarantees of Rupees 8,000.000 million (2019: Rupees Nil) on behalf of Service Long March Tyres (Private) Limited - subsidiary company to secure the obligations of subsidiary company towards its lenders.

14.1.14 Guarantees issued in ordinary course of business through banks are of Rupees 958.318 million (2019: Rupees 879.505 million).

14.1.15 Joint pari passu charge of Rupees 667.000 million (2019: Rupees 667.000 million) has been created over current assets of the Company against export refinance facility given to Service Global Limited - subsidiary company.

14.2 Commitments

14.2.1 Contracts for capital expenditure are approximately of Rupees 1,298.090 million (2019: Rupees 82.054 million).

14.2.2 Letters of credit other than capital expenditure are of Rupees 2,589.699 million (2019: Rupees 483.486 million).

14.2.3 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of four years. Ijarah rentals are payable on half yearly and monthly basis. Future Ujrah payments under Ijarah are as follows:

	2020 Amount	2019 Amount
	Rupees in thousand	
Not later than one year	57,495	63,299
Later than one year and not later than five years	100,411	103,214
	157,906	166,513

15. FIXED ASSETS

Operating fixed assets	(Note 15.1)	5,842,520	5,969,030
Capital work-in-progress	(Note 15.2)	153,543	148,434
		5,996,063	6,117,464

15.1 Reconciliations of carrying amounts of operating fixed assets at the beginning and at the end of the year are as follows:

Description	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total Assets
At 31 December 2018								
Cost	7,071	1,616,179	5,448,725	58,872	43,094	1,350,603	307,375	8,831,919
Accumulated depreciation	-	(488,917)	(1,919,828)	(29,881)	(20,592)	(576,778)	(69,399)	(3,105,395)
Net book value	7,071	1,127,262	3,528,897	28,991	22,502	773,825	237,976	5,726,524
Year ended 31 December 2019								
Opening net book value	7,071	1,127,262	3,528,897	28,991	22,502	773,825	237,976	5,726,524
Additions	-	317,963	1,161,615	9,195	7,399	158,132	24,436	1,678,740
Disposals:								
Cost	(655)	-	(6,964)	(13)	(2,426)	(11,899)	(14,514)	(36,471)
Accumulated depreciation	-	-	5,780	13	1,583	6,774	2,915	17,065
	(655)	-	(1,184)	-	(843)	(5,125)	(11,599)	(19,406)
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme:								
Cost	(1,395)	(223,405)	(835,362)	(6,358)	(1,048)	(268,597)	-	(1,336,165)
Accumulated depreciation	-	114,260	362,393	3,994	820	97,945	-	579,412
Depreciation	(1,395)	(109,145)	(472,969)	(2,364)	(228)	(170,652)	-	(756,753)
	-	(121,064)	(403,975)	(3,160)	(4,904)	(96,393)	(30,579)	(660,075)
Closing net book value	5,021	1,215,016	3,812,384	32,662	23,926	659,787	220,234	5,969,030
At 31 December 2019								
Cost	5,021	1,710,737	5,768,014	61,696	47,019	1,228,239	317,297	9,138,023
Accumulated depreciation	-	(495,721)	(1,955,630)	(29,034)	(23,093)	(568,452)	(97,063)	(3,168,993)
Net book value	5,021	1,215,016	3,812,384	32,662	23,926	659,787	220,234	5,969,030

Description	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total Assets
Year ended 31 December 2020								
Opening net book value	5,021	1,215,016	3,812,384	32,662	23,926	659,787	220,234	5,969,030
Additions	-	36,605	334,079	3,182	41,090	70,886	61,897	547,739
Disposals / written off:								
Cost	-	-	(8,843)	(610)	(5,887)	(7,407)	(23,758)	(46,505)
Accumulated depreciation	-	-	7,237	138	2,440	6,532	8,418	24,765
	-	-	(1,606)	(472)	(3,447)	(875)	(15,340)	(21,740)
Depreciation	-	(113,720)	(395,329)	(3,463)	(12,031)	(92,259)	(35,707)	(652,509)
Closing net book value	5,021	1,137,901	3,749,528	31,909	49,538	637,539	231,084	5,842,520
At 31 December 2020								
Cost	5,021	1,747,342	6,093,250	64,268	82,222	1,291,718	355,436	9,639,257
Accumulated depreciation	-	(609,441)	(2,343,722)	(32,359)	(32,684)	(654,179)	(124,352)	(3,796,737)
Net book value	5,021	1,137,901	3,749,528	31,909	49,538	637,539	231,084	5,842,520
Annual rate of depreciation (%)		5-10	10	10	20	10-30	10	

15.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed / written off during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
<-----Rupees in thousand----->							
Leasehold improvements							
Wapda Town Shop	14,220	6,185	8,035	-	(8,035)	Written off	-
Peshawar Shop	8,377	1,995	6,382	7,271	889	Insurance claim	Jubilee General Insurance Company Limited, Lahore.
Vehicles							
Mercedes-Benz IEC-14-6719	2,225	734	1,491	6,109	4,618	Negotiation	Mr. Arif Saeed, Company's Director
Mercedes-Benz LED-14-6010	2,229	915	1,314	1,314	-	Negotiation	Mr. Ahmad Javed, Company's Director
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	19,454	14,936	4,518	3,779	(739)		
	46,505	24,765	21,740	18,473	(3,267)		

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For the year ended December 31, 2020

		2020 Amount	2019 Amount
		Rupees in thousand	
15.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	(Note 29)	578,717	600,678
Distribution cost	(Note 30)	48,255	41,134
Administrative expenses	(Note 31)	25,537	18,263
		652,509	660,075

15.1.3 Particulars of immovable properties are as follows:

Head office and manufacturing units	Address	Area of land Sq. Feet
Head office	2 - Main Gulberg, Lahore.	29,842
Manufacturing unit		
Gujrat factory and residential colony	G.T. Road, Gujrat.	2,038,608
		2,068,450

	2020 Amount	2019 Amount
		Rupees in thousand
15.2 Capital work-in-progress		
Building	49,338	26,940
Plant and machinery	88,462	109,745
Furniture and fixtures	194	380
Service equipment	15,341	11,369
Advance against purchase of vehicle	208	-
		153,543
		148,434

15.2.1 Reconciliation of capital work-in-progress

Balance at 01 January	148,434	1,219,779
Additions during the year	549,658	714,031
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the scheme	-	(115,535)
Transferred during the year	(544,549)	(1,669,841)
Balance at 31 December	153,543	148,434

16. Right-of-use assets

Reconciliation of carrying amount of right-of-use assets

Balance at 01 January		1,403,090	-
Recognition on initial application of IFRS 16		-	1,358,761
Additions during the year		680,539	237,068
Impact of lease modification / termination		(268,006)	-
Deperation for the year	(Note 16.2)	(196,744)	(192,739)
Balance at 31 December		1,618,879	1,403,090

16.1 Lease of buildings

The Company obtained buildings on lease for godowns and shops. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease periods range from six to fifteen years.

The Company also has certain leases of buildings with lease term of twelve months or less. The Company applies 'short-term lease' and 'lease of low value assets' recognition exemptions for these leases.

There is no impairment against right-of-use assets.

		2020 Amount	2019 Amount
Rupees in thousand			
16.2	The depreciation charge for the year has been allocated as follows:		
	Cost of sales (Note 29)	11,227	-
	Distribution cost (Note 30)	185,517	192,739
		196,744	192,739

17. Intangible Assets

	Balance at 01 January	2,688	2,562
	Addition during the year	-	1,441
	Amortization during the year (Note 17.2)	(1,417)	(1,315)
	Balance at 31 December	1,271	2,688
17.1	Cost at 31 December	44,916	44,916
	Accumulated amortization	(43,645)	(42,228)
	Net book value at 31 December	1,271	2,688
17.2	Amortization on intangible assets has been allocated as follows:		
	Distribution cost (Note 30)	833	853
	Administrative expenses (Note 31)	584	462
		1,417	1,315

17.3 Intangible assets - computer softwares have been amortized at the rate 33.33% per annum.

18. Long term investments

	Investment in subsidiary companies - at cost (Note 18.1)	4,870,217	2,314,021
	Investment in associate (with significant influence) - under equity method (Note 18.2)	280,844	328,954
	Investment in joint ventures - at cost (Note 18.3)	240	480
	Other investment - at FVTOCI (Note 18.4)	91,410	24,550
		5,242,711	2,668,005

18.1 Investment in subsidiary companies - at cost

Service Industries Capital (Private) Limited 29,999,997 (2019: 29,999,997) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2019: 100%)	300,000	300,000
Service Global Footwear Limited 163,550,000 (2019: 5,050,000) fully paid ordinary shares of Rupees 10 each. Equity held 100% (2019: 100%) (Note 18.1.1)	3,026,184	2,014,021
Service Long March Tyres (Private) Limited 153,000,000 (2019: Nil) fully paid ordinary shares of Rupees 10 each. Equity held 51% (2019: Nil)	1,544,033	-
	4,870,217	2,314,021

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18.1.1 Pursuant to the Scheme, cost of investment of the Company in Service Global Footwear Limited - subsidiary company has been finally determined on the basis of the net assets, including surplus on revaluation of land, building and plant and machinery of the Muridke Footwear Undertaking as on 25 June 2020 (Completion date for the purpose of the Scheme). Net assets of Rupees 2,890.684 million, including surplus on revaluation of land, building and plant and machinery of Rupees 927.163 million, of the Muridke Footwear Undertaking as on 25 June 2020 have been determined by the Company in accordance with approved accounting standards as applicable in Pakistan. In return, Service Global Footwear Limited has issued 150,000,000 fully paid ordinary shares of Rupees 10 each to the Company. Further, the Company has invested in 13,550,000 ordinary shares of Service Global Footwear Limited of Rupees 10 each fully paid-up in cash (Rupees 135.500 million). Resultantly, as on the reporting date, the Company has total cost of investment of Rupees 3,026.184 million in Service Global Footwear Limited against 163,550,000 fully paid ordinary shares of Rupees 10 each.

	2020 Amount	2019 Amount
	Rupees in thousand	
18.2 Investment in associate (with significant influence) - under equity method		
Speed (Private) Limited 160,709 (2019: 160,709) fully paid ordinary shares of Rupees 100 each	190,949	190,949
Share of post acquisition reserve		
At 01 January	138,005	117,757
Adjustment due to adoption of IFRS 16	(35,641)	-
Share of post acquisition (loss) / profit for the year	(12,469)	20,248
	89,894	138,005
	280,844	328,954

18.2.1 Speed (Private) Limited is primarily engaged in the business of distribution of international brands of footwear, apparel, watches, bags, sunglasses etc. The registered office of Speed (Private) Limited is situated at Office No.1, First Floor, Service Club Extension Building, Mereweather Road, Karachi.

18.2.2 Summarized financial statements

Current assets	1,419,662	1,373,164
Non-current assets	632,026	269,050
Current liabilities	482,089	412,281
Non-current liabilities	561,319	1,970
Revenue - net for the year	1,803,052	2,298,065
Expenses for the year	1,859,990	2,205,659
(Loss) / profit for the year	(56,938)	92,406
Total comprehensive (loss) / income for the year	(56,938)	92,406
Adjustment due to adoption of IFRS 16	(162,746)	-
Net assets of the associate	1,008,280	1,227,963
Percentage of holding	21.90%	21.90%
Share in net assets of associate	220,814	268,924
18.2.3 Breakup value per share (Rupees)	1,374	1,674

18.2.4 Reconciliation to carrying amount:

Share in net assets of associate	220,814	268,924
Goodwill	60,030	60,030
Carrying value of investment in associate	280,844	328,954

	2020 Amount	2019 Amount
	Rupees in thousand	
18.3 Investment in joint ventures - at cost		
S2 Power Limited		
24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited		
24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
Impairment loss recognized against investment in S2 Power Limited (Note 32)	(240)	-
	240	480
18.4 Other investment - at FVTOCI		
TRG Pakistan Limited		
1,000,000 (2018: 1,000,000) fully paid ordinary shares of Rupees 10 each	22,050	22,050
Fair value adjustment	69,360	2,500
	91,410	24,550
19. Long term loans to employees		
Considered good:		
Executives (Notes 19.1, 19.2 and 19.3)	18,268	25,680
Other employees (Note 19.3)	2,251	1,253
	20,519	26,933
Current portion shown under current assets (Note 24)		
Executives	(10,589)	(11,620)
Other employees	(1,073)	(543)
	(11,662)	(12,163)
	8,857	14,770
19.1 Reconciliation of carrying amount of loans to executives:		
Balance as at 01 January	25,680	28,877
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	-	(13,379)
Disbursements during the year	6,250	24,630
Repayments during the year	(13,662)	(14,448)
Balance as at 31 December	18,268	25,680

19.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 23.619 million (2019: Rupees 28.805 million).

19.3 These represent interest free loans to executives and employees for general purposes and house building, which are recoverable in monthly instalments over a period of 1 to 7 years and are secured by a charge on the assets purchased and / or amount due to the employees against retirement benefits.

19.4 The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of staff loans is not considered material and hence not recognized.

Notes to the Financial Statements

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		2020 Amount	2019 Amount
		Rupees in thousand	
20. Long Term Security Deposits			
Security deposits against Ijarah		23,747	25,107
Security deposits against right-of-use assets		63,187	53,122
Security deposits - others		28,142	27,665
		115,076	105,894
Current portion shown under current assets	(Note 25)	(5,433)	(15,586)
		109,643	90,308
21. Stores, spares and loose tools			
Machinery spares		42,362	56,203
Stores		213,622	221,660
Loose tools		1,047	1,013
		257,031	278,876
Provision for slow moving and obsolete items	(Note 21.1)	(24,715)	(26,636)
		232,316	252,240
21.1 Provision for slow moving and obsolete items			
Balance at 01 January		26,636	24,395
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		-	(3,744)
Provision made during the year		123	6,749
Reversal of provision made during the year		(2,044)	(764)
Net (reversal) / charge of provision for the year		(1,921)	5,985
Balance at 31 December		24,715	26,636
22. Stock-In-Trade			
Raw materials	(Note 22.1)	1,994,118	1,657,095
Packing materials		64,239	65,780
Work-in-process		426,949	225,852
Finished goods	(Note 22.2 and 23.3)		
- Own production		1,699,970	1,621,623
- Purchased		753,139	791,629
		2,453,109	2,413,252
		4,938,415	4,361,979
Provision for slow moving and obsolete items	(Note 22.5)	(60,573)	(114,911)
		4,877,842	4,247,068

22.1 These include stock in transit of Rupees 474.000 million (2019: Rupees 474.313 million).

22.2 These include stock in transit of Rupees 59.525 million (2019: Rupees 44.797 million).

22.3 Finished goods of Rupees 76.977 million (2019: Rupees 252.393 million) are being carried at net realizable value.

22.4 The aggregate amount of Rupees 7.876 million (2019: Rupees 52.572 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	2020 Amount	2019 Amount
	Rupees in thousand	
22.5 Provision for slow moving and obsolete items		
Balance at 01 January	114,911	130,029
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	-	(95,899)
Provision made during the year	39,616	129,921
Reversal of provision made during the year	(29,611)	(49,140)
Net charge of provision for the year	10,005	80,781
Stock written off against provision during the year	(64,343)	-
Balance at 31 December	60,573	114,911
23. Trade debts		
Considered good:		
Secured:		
- Against irrevocable letters of credit	32,276	19,605
Unsecured:		
- Related party (Note 23.1, 23.2 and 23.3)	189,598	-
- Others (Note 23.4)	3,967,483	3,170,434
	4,157,081	3,170,434
	4,189,357	3,190,039
Allowance for expected credit losses (Note 23.5)	(251,020)	(168,918)
	3,938,337	3,021,121
23.1 This represents amounts due from following related parties:		
Service Global Footwear Limited - subsidiary company	129,977	-
Jomo Technologies (Private) Limited - associated company	59,621	-
23.2 The maximum aggregate amount receivable from these related parties at the end of any month during the year was as follows:		
Service Global Footwear Limited	129,977	-
Jomo Technologies (Private) Limited	59,621	-
23.3 As at the reporting date, trade debts due from related parties amounting to Rupees 98.212 million (2019: Rupees Nil) were past due but not impaired. The ageing analysis of this trade debts is as follows:		
Upto 1 month	3,433	-
1 to 6 months	94,779	-
More than 6 months	-	-
Balance at the end of the year	98,212	-
23.4 As at 31 December 2020, trade debts due from other than related parties of Rupees 916.579 million (2019: Rupees 569.353 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:		
Upto 1 month	378,048	56,526
1 to 6 months	268,271	310,068
More than 6 months	270,260	202,759
	916,579	569,353

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	2020 Amount	2019 Amount
	Rupees in thousand	
23.5 Allowance for expected credit losses		
Balance at 01 January	168,918	70,929
Impact of adjustment due to adoption of IFRS 9	-	51,358
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	-	(1,008)
Expected credit losses recognized during the year (Note 32)	108,026	86,203
Trade debts written off against expected credit losses (Note 23.6)	(25,924)	(38,564)
Balance at 31 December	251,020	168,918
23.6	During the year, trade debts of Rupees 25.924 million (2019: Rupees 38.564 million) have been written off against allowance for expected credit losses. The aging of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.	
24. Loans and advances		
Considered good:		
Advances to staff	3,421	4,282
Current portion of long term loans to employees (Note 19)	11,662	12,163
Advances to suppliers	66,112	81,958
Letters of credit	334,435	266,832
Others (Note 24.1)	18,125	25,651
	433,755	390,886
24.1	These include amount due from following related parties:	
S2 Power Limited - joint venture	2,691	2,073
S2 Hydro Limited - joint venture	11,476	11,476
	14,167	13,549
Impairment loss against advance to S2 Power Limited - joint venture (Note 32)	(2,691)	-
	11,476	13,549
24.1.1	The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:	
S2 Power Limited - joint venture	2,691	2,073
S2 Hydro Limited - joint venture	11,476	11,476
SBL Trading (Private) Limited - associated company	-	94
25. Trade deposits and prepayments		
Security deposits	205,608	115,372
Prepayments	23,823	16,256
Current portion of long term security deposits (Note 20)	5,433	15,586
	234,864	147,214
26. Other Receivables		
Considered good:		
Duty draw back	93,763	75,468
Custom duty rebate	64,988	80,596
Advance income tax (Note 26.1)	385,855	404,412
Sales tax	-	186,548
Accrued interest on term deposit receipts	1,586	-
Receivable from subsidiary company (Note 26.2)	737	-
Others	8,693	9,439
	555,622	756,463

	2020 Amount	2019 Amount
	Rupees in thousand	
26.1 Advance income tax - net		
Advance income tax	909,295	773,215
Provision for taxation	(523,440)	(368,803)
	385,855	404,412

26.2 The Company, Service Global Footwear Limited - subsidiary company and Service Industries Capital (Private) Limited - subsidiary company have opted for group taxation as one fiscal unit under section 59AA of the Income Tax Ordinance, 2001. As on the reporting date, Service Industries Capital (Private) Limited - subsidiary company's share under group taxation after netting off advance tax has been recognized as receivable from the Service Industries Capital (Private) Limited - subsidiary company.

27. Cash and bank balances

With banks:

On current accounts			
Local currency		901,970	16,786
Foreign currency	(Note 27.1)	753	2,057
		902,723	18,843
On saving accounts			
Local currency	(Note 27.2)	2,246	5,112
Term deposit receipts	(Note 27.3)	282,000	-
		1,186,969	23,955
Cash in transit		5,135	2,178
Cash in hand		8,954	12,370
		1,201,058	38,503

27.1 This represents USD 1,395 (2019: USD 1,395) and EURO 2,692.62 (2019: EURO 10,575.25)..

27.2 Rate of profit on saving accounts ranges from 5.50% to 11.25% (2019: 8.25% to 11.25%) per annum.

27.3 These represent term deposits with a banking companies having maturity period ranging from seven days to one month and carry profit at the rate ranging from 6.85% to 7.59% per annum.

28. Sales- net

Export sales	3,080,508	6,333,807
Discounts, commissions etc.	(79,061)	(178,585)
	3,001,447	6,155,222
Local sales	27,216,006	24,409,749
Sales tax	(4,301,023)	(3,300,119)
Discounts, commissions etc.	(1,521,230)	(1,306,998)
	21,393,753	19,802,632
Duty draw back	47,292	198,347
	24,442,492	26,156,201

Notes to the Financial Statements

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		2020 Amount	2019 Amount
		Rupees in thousand	
28.1 Sales of footwear - net			
Export sales		1,500,069	4,856,664
Local sales		4,439,419	4,909,417
Duty draw back		47,292	198,347
		5,986,780	9,964,428
Sales of tyres - net			
Export sales		1,501,378	1,298,558
Local sales		16,492,200	14,662,034
		17,993,578	15,960,592
Sales of technical rubber products - net			
Local sales		462,134	231,181
		24,442,492	26,156,201
29. Cost of sales			
Raw materials consumed	(Note 29.1)	12,588,679	13,466,222
Salaries, wages and other benefits	(Note 29.2)	2,223,133	2,709,226
Stores and spares consumed		223,830	237,064
Packing materials consumed		471,741	626,836
Fuel and power		944,716	997,862
Insurance		24,497	24,129
Traveling		7,992	18,665
Repair and maintenance		181,635	162,547
Entertainment		1,560	3,909
Depreciation on operating fixed assets	(Note 15.1.2)	578,717	600,678
Depreciation on right-of-use-assets	(Note 16.2)	11,227	-
Provision for slow moving and obsolete inventory		8,084	86,766
Other manufacturing charges		64,611	149,612
		17,330,422	19,083,516
Work-in-process			
Opening stock		225,852	398,415
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		-	(205,501)
Closing stock		(426,949)	(225,852)
		(201,097)	(32,938)
Cost of goods manufactured		17,129,324	19,050,578
Finished goods			
Opening stock		2,413,252	2,187,110
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		-	(446,373)
Purchases during the year		2,432,083	2,893,895
Closing stock		(2,453,109)	(2,413,252)
		2,392,226	2,221,380
		19,521,551	21,271,958

	2020 Amount Rupees in thousand	2019 Amount
29.1 Raw materials consumed		
Opening stock	1,657,095	1,500,550
Purchases during the year	12,925,702	14,252,176
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	-	(629,409)
Closing stock	(1,994,118)	(1,657,095)
	12,588,679	13,466,222

29.2 Salaries, wages and other benefits include Rupees 66.215 million (2019: Rupees 98.314 million) and Rupees 18.480 million (2019: Rupees 20.864 million) in respect of provident fund contribution and gratuity fund contribution by the Company respectively.

29.3 Custom duty rebate for the year amounting to Rupees 46.839 million (2019: Rupees 93.186 million) has been adjusted against raw materials consumed.

30. Distribution Cost

Salaries and other benefits	(Note 30.1)	362,054	330,499
Freight and insurance		335,317	418,120
Advertisement and publicity		268,229	318,717
Entertainment		5,319	12,009
Samples		39,061	115,495
Depreciation on operating fixed assets	(Note 15.1.2)	48,255	41,134
Depreciation on right-of-use-assets	(Note 16.2)	185,517	192,739
Amortization on intangible assets	(Note 17.2)	833	853
Rent, rates and taxes	(Note 30.2 and 30.3)	32,210	7,288
Postage and courier		30,007	59,553
Fuel and power		41,276	42,031
Travelling and conveyance		42,067	76,542
Others		47,733	82,776
		1,437,878	1,697,756

30.1 Salaries and other benefits include Rupees 9.897 million (2019: Rupees 9.188 million) and Rupees 3.989 million (2019: Rupees 15.459 million) in respect of provident fund contribution and gratuity fund contribution by the Company respectively.

30.2 This includes rent expense of Rupees 20.651 million (2019: Rupees Nil) relating to shops not classified as lease due to sale based rent.

30.3 This includes rent expense of Rupees 1.141 million (2019: Rupees 1.038 million) relating to leases of low value assets.

Notes to the Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
		Rupees in thousand	
31. Administrative Expenses			
Salaries and other benefits	(Note 31.1)	741,281	765,937
Communication		18,404	22,007
Printing and stationery		8,040	10,269
Travelling and conveyance		16,079	45,110
Entertainment		21,257	26,004
Vehicles' running		18,460	28,892
Insurance		3,736	2,819
Rent, rates and taxes		19,026	18,970
Fuel and power		15,917	22,833
Repairs and maintenance		9,444	12,317
Auditor's remuneration	(Note 31.2)	4,071	5,289
Legal and professional		37,528	28,919
Fee and subscription		9,964	1,344
Depreciation on operating fixed assets	(Note 15.1.2)	25,537	18,263
Amortization on intangible assets	(Note 17.2)	584	462
Ijarah rentals		50,610	57,324
Computer running		11,821	10,307
Advertisement		13	307
General		45,020	39,808
		1,056,792	1,117,181
31.1	Salaries and other benefits include Rupees 18.383 million (2019: Rupees 19.808 million) and Rupees 16.033 million (2019: Rupees 15.647 million) in respect of provident fund contribution and gratuity fund contribution by the Company respectively.		
31.2	This includes rent expense of Rupees 6.116 million (2019: Rupees 5.560 million) and Rupees 2.555 million (2019: Rupees 0.913 million) relating to short term leases and leases of low value assets respectively.		
31.3 Auditor's remuneration:			
Audit fee		2,944	2,677
Special audit fee		-	1,695
Half yearly review		737	670
Certification charges		200	75
Reimbursable expenses		190	172
		4,071	5,289
32. Other Expenses			
Donations	(Note 32.1)	59,518	49,705
Workers' profit participation fund	(Note 10.2)	59,992	42,284
Workers' welfare fund	(Note 10.3)	24,680	21,899
Loss on modification of leases		3,546	-
Operating fixed asset written off	(Note 15.1.1)	8,035	-
Loss on sale of operating fixed assets		-	5,051
Allowance for expected credit losses - net	(Note 23.5)	108,026	86,203
Impairment loss recognized on investment in joint venture	(Note 18.3)	240	-
Impairment loss against advance to joint venture	(Note 24.1)	2,691	-
		266,728	205,142

		2020 Amount Rupees in thousand	2019 Amount
32.1	The names of donees to whom donation amount exceeds Rupees 5.952 million (2019: Rupees 4.971 million) are as follows:		
	Service Foundation (Note 32.1.1)	32,156	7,096
	Shalamar Hospital (Note 32.1.2)	12,177	12,962
	Kidney Centre Gujrat (Note 32.1.3)	-	11,000
	The Citizens Foundation (Note 32.1.4)	-	5,600
	Wise Education Society (Note 32.1.4)	-	5,000
		49,031	45,002
32.1.1	Mr. Chaudhry Ahmed Javed, Chairman, Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed, Director and Mr. Hassan Javed, Director are members of Board of Governors.		
32.1.2	Mr. Omar Saeed is Trustee.		
32.1.3	Mr. Omar Saeed, Director and Mr. Hassan Javed, Director are members of Board of Governors.		
32.1.4	There is no interest of any director or his spouse in donees' fund.		
33.	Other Income		
	Income from financial assets		
	Return on bank deposits	10,535	381
	Exchange gain - net	24,290	272,320
	Income from non-financial assets		
	Amortization of deferred income - Government grant (Note 9.1)	19,761	-
	Gain on initial recognition of provision for GIDC	1,786	-
	Gain on termination of leases - net	17,705	-
	Gain on sale of operating fixed assets - net	4,768	-
	Scrap sales and others	46,622	35,595
	Rental income	-	3,906
	Miscellaneous	8,911	-
		134,378	312,202
34.	Finance Cost		
	Mark-up / interest on:		
	- long term financing	374,061	337,485
	- short term borrowings	278,158	449,287
	- loan from Service Global Footwear Limited - subsidiary company	235,985	134,821
	- lease liabilities	171,888	160,867
	- provision for GIDC	591	-
	Bank charges and commission	23,944	41,129
		1,084,627	1,123,589

Notes to the Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
		Rupees in thousand	
35. Taxation			
Current	(Note 35.1)	338,886	337,856
Prior year		-	3,350
Deferred tax		132,275	(154,545)
		471,160	186,661
35.1	The Company has opted for group taxation under section 59AA of the Income Tax Ordinance, 2001 and the provision for current taxation has been made accordingly. Provision for current taxation mainly represents normal tax and final tax under section 154 of the Income Tax Ordinance, 2001. Tax charge reconciliation for the year is not presented being impracticable.		
36. Earnings Per Share - Basic And Diluted			Restated
Profit after taxation attributable to ordinary shareholders (Rupees in thousand)		690,024	886,364
Weighted average number of ordinary shares		23,493,727	23,493,727
Basic earnings per share (Rupees)		29.37	37.73
36.1	There is no dilutive effect on basic earnings per share for the year ended 31 December 2020 and 31 December 2019 as the Company has no potential ordinary shares as on 31 December 2019 and 31 December 2020.		
37. Cash generated from / (used in) operations			
Profit before taxation		1,161,184	1,073,025
Adjustments for non-cash charges and other items:			
Depreciation on operating fixed assets		652,509	660,075
Depreciation on right-of-use-assets		196,744	192,739
Amortization on intangible assets		1,417	1,315
Gain on initial recognition of provision for GIDC		(1,786)	-
Exchange gain - net		(24,290)	(272,320)
Provision for gratuity		38,502	51,970
Finance cost		1,084,627	1,123,589
Provision for workers' profit participation fund		59,992	42,284
Provision for workers' welfare fund		24,680	21,899
Charge of provision for slow moving and obsolete inventory		8,084	86,766
Allowance for expected credit losses		108,026	86,203
Return on bank deposits		(10,535)	(381)
Loss on modification of leases - net		3,546	-
Amortization of deferred income - Government grant		(19,761)	-
Gain on termination of leases - net		(17,705)	-
Share of loss / (profit) in equity accounted investee		48,110	(20,248)
Impairment loss on investment in joint venture		240	-
Impairment loss against advance to joint venture		2,691	-
(Gain) / loss on sale of operating fixed assets - net		(4,768)	5,051
Operating fixed asset written off		8,035	-
Working capital changes		(367,922)	(3,235,970)
		2,951,620	(184,003)

	2020 Amount	2019 Amount
	Rupees in thousand	
37.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	11,840	(125,701)
Stock-in-trade	(630,774)	(1,762,961)
Trade debts	(1,019,778)	(260,105)
Loans and advances	(46,061)	(291,331)
Prepayments	(7,567)	16,141
Other receivables	182,284	28,210
	(1,510,056)	(2,395,747)
Increase / (decrease) in trade and other payables	1,142,134	(840,223)
	(367,922)	(3,235,970)

37.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	2020				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	Rupees in thousand				
Balance as at 01 January 2020	3,477,446	1,513,488	5,078,215	2,406	37,784
Financing obtained	1,248,164	-	7,173,118	-	-
Lease liabilities recognised during the year	-	680,539	-	-	-
Impact of lease modification / termination	-	(282,165)	-	-	-
Repayment of financing / lease liabilities / borrowings	(330,767)	(57,163)	(5,823,866)	-	-
Long term deposits - net	-	-	-	(666)	-
Dividend declared	-	-	-	-	140,963
Dividend paid	-	-	-	-	(140,850)
Deferred income - Government grant - net	(76,759)	-	-	-	-
Balance at 31 December 2020	4,318,084	1,854,699	6,427,467	1,740	37,897

	2019				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	Rupees in thousand				
Balance at 01 January 2019	3,316,880	-	5,633,361	3,243	32,002
Financing / borrowings obtained	1,311,774	-	6,405,465	-	-
Lease liabilities recognized during the year	-	1,587,947	-	-	-
Repayment of financing / lease liabilities / borrowings	(846,800)	(74,459)	(3,853,958)	-	-
Long term deposits - net	-	-	-	(837)	-
Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	(304,408)	-	(3,106,653)	-	-
Dividend declared	-	-	-	-	548,812
Dividend paid	-	-	-	-	(543,030)
Balance at 31 December 2019	3,477,446	1,513,488	5,078,215	2,406	37,784

Notes to the Financial Statements

For the year ended December 31, 2020

38. Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amount charged in the financial statements for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Managerial remuneration	28,375	28,083	27,500	39,584	188,914	181,018
Bonus	27,800	27,900	27,800	39,100	47,213	59,031
Allowances:						
House rent	2,838	2,808	2,750	3,959	44,447	45,982.4
Conveyance	-	-	-	-	36,742	19,119
Medical	-	-	-	-	26,624	23,475
Utilities	2,837	2,808	2,750	3,959	19,720	17,330
Special allowance	-	-	-	-	27,902	20,660
Retirement and other benefits	1,862	2,124	1,805	3,363	15,537	44,842
Total	63,712	63,723	62,605	89,965	407,099	411,457
Number of persons	1	1	1	2	69	67

38.1 The chief executive, executive directors and some of the executives of the Company are provided with Company maintained vehicles in accordance with the Company's policy.

38.2 Aggregate amount charged in these financial statements for meeting fee to directors was Rupees 2.340 million (2019: Rupees 1.951 million).

38.3 No remuneration was paid to non-executive directors of the Company.

39. Transactions with related parties

The related parties comprise subsidiary companies, associated undertakings, joint ventures, employees' gratuity fund trust, employees' provident fund trust and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

			2020	2019
Nature of relationship	Nature of transactions			
Subsidiary Company				
Service Global Footwear Limited	Sale of goods	(Rupees in thousand)	221,248	-
	Expenses charged	(Rupees in thousand)	243,704	-
	Purchase of goods	(Rupees in thousand)	127,767	28,864
	Loan obtained	(Rupees in thousand)	1,715,939	1,670,106
	Loan repaid	(Rupees in thousand)	946,526	1,414,195
	Interest expense	(Rupees in thousand)	235,985	134,821
Service Industries Capital (Private) Limited	Investment made		-	81,319
	Share under group taxation	(Rupees in thousand)	737	-
Service Long March Tyres (Private) Limited	Investment made	(Rupees in thousand)	1,544,033	-
	Service rendered	(Rupees in thousand)	8,911	-
Sub-subsidiary Company				
Service Shoes Lanka (Private) Limited	Sale of goods	(Rupees in thousand)	-	39,832
	Purchase of goods	(Rupees in thousand)	7,386	-
Associated company				
Jomo Technologies (Private) Limited	Sale of goods	(Rupees in thousand)	50,958	-
SBL Trading (Private) Limited	Sale of goods	(Rupees in thousand)	-	51,282
S2 Power Limited	Reimbursement of expenses	(Rupees in thousand)	618	171
Shahid Arif Investment (Private) Limited	Bonus shares issued	(Number of shares)	4,000	5,100
	Cash dividend paid	(Rupees in thousand)	119	431
Service Charitable Trust	Bonus shares issued	(Number of shares)	4,500	5,800
	Cash dividend paid	(Rupees in thousand)	136	492
Post employment benefit plans				
Service Industries Limited Employees				
Gratuity Fund Trust	Company's contribution made	(Rupees in thousand)	38,502	51,970
Service Provident Fund Trust	Company's contribution made	(Rupees in thousand)	94,495	127,310
	Bonus shares issued	(Number of shares)	218,100	279,200
	Cash dividend paid	(Rupees in thousand)	6,544	23,732
Directors				
Cash dividend paid		(Rupees in thousand)	63,119	24,700
Bonus shares issued		(Number of shares)	2,104,000	3,020,900

39.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in Note 38.

39.2 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Notes to the Financial Statements

For the year ended December 31, 2020

Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage Shareholding
		2020	2019	
S2 Power Limited	Common Directorship	Yes	Yes	48.00%
S2 Hydro Limited	Common Directorship	No	No	48.00%
Speed (Private) Limited	Shareholding	No	Yes	21.90%
SBL Trading (Private) Limited	Common directorship	No	Yes	Nil
Service Industries Capital (Private) Limited	Wholly owned subsidiary company	No	No	100.00%
Service Global Footwear Limited	Wholly owned subsidiary company	Yes	Yes	100.00%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (subsidiary of SIL)	Yes	Yes	60.00%
Service Long March Tyres (Private) Limited	Subsidiary Company	Yes	No	51.00%
Jomo Technologies (Private) Limited	Common directorship and associate of Service Industries Capital (Private) Limited (subsidiary company)	Yes	No	Nil
Shahid Arif Investment (Private) Limited	Common Directorship	Yes	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Foundation	Common directorship	Yes	Yes	Nil
Service Charitable Trust	Directors of the Company are Trustees	Yes	Yes	Nil
Shalamar Hospital	Directors of the Company are Trustees	Yes	Yes	Nil
Kidney Centre Gujrat	Directors of the Company are member of Board of Governors	No	Yes	Nil

39.3 Particulars of company incorporated outside Pakistan with whom the Company had entered into transactions or had agreements and / or arrangements in place is as follows:

Name	Country of incorporation	Basis of association	Percentage Shareholding
Service Shoes Lanka (Private) Limited	Sri Lanka	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company)	60%

39.3.1 As on 31 December 2020 and 31 December 2019, disclosures relating to subsidiary of Service Industries Capital (Private) Limited - subsidiary company, incorporated outside Pakistan are as follows:

Particulars	Details
Name of the company	Service Shoes Lanka (Private) Limited
Jurisdiction	Sri lanka
Beneficial owner	Service Industries Capital (Private) Limited
Investment made during the year ended 31 December	2017
Investment in	
Local currency	PKR 62,770,000
Foreign currency	USD 600,000
Terms and conditions of investment	Investment in shares of subsidiary company
Amount of returns received	None
Litigation against investee company	None
Default / breach related to foreign company	None
Gain / (loss) on disposal of investment	Not applicable

40. Plant Capacity

Footwear division

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

Technical rubber products

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

Tyre division

	Installed capacity		Actual production	
	2020	2019	2020	2019
Number of tyres	19,406,624	19,114,360	12,354,363	10,818,708
Number of tubes	54,933,036	52,515,170	41,485,131	39,468,162

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

41. Financial Risk Management

41.1 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 Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. 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, liquidity risk and investment of excess liquidity.

(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 United States Dollar (USD), Euro and Great Britain Pound (GBP). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

Notes to the Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
Cash at banks - USD	1,395	1,395
Cash at banks - EURO	2,693	10,575
Trade debts - USD	1,269,488	1,305,729
Trade debts - EURO	149,351	116,285
Trade debts - GBP	30,805	69,855
Trade and other payables - USD	(1,451,827)	(1,328,567)
Trade and other payables - EURO	(27,845)	(5,131)
Trade and other payables - GBP	-	(9,841)
Net exposure - USD	(180,944)	(21,443)
Net exposure - EURO	124,199	121,729
Net exposure - GBP	30,805	60,014

The following significant exchange rates were applied during the period:

Rupees per US Dollar

Average rate	162.26	151.31
Reporting date rate	160.25	155.35

Rupees per EURO

Average rate	186.11	168.70
Reporting date rate	196.87	173.48

Rupees per GBP

Average rate	208.67	192.34
Reporting date rate	216.97	203.30

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.518 million (2019: Rupees 0.990 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 price risks.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's equity (fair value reserve FVTOCI investment). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and the Company's equity instrument moved according to the historical correlation with the index:

Index	Impact on statement of other comprehensive income (Fair value reserve FVTOCI investment)	
	2020 Amount	2019 Amount
	Rupees in thousand	
PSX 100 (5% increase)	4,571	1,228
PSX 100 (5% decrease)	(4,571)	(1,228)

(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 asset. The Company's interest rate risk arises mainly from long term financing, short term borrowings, term deposit receipts and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

Fixed rate instruments**Financial liabilities**

Long term financing	1,372,374	289,716
Short term borrowings	2,016,475	2,078,345

Financial assets

Term deposit receipts	282,000	-
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Floating rate instruments**Financial assets**

Bank balances - saving accounts	2,246	5,112
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Financial liabilities

Long term financing	2,945,710	3,187,730
Short term borrowings	4,410,992	2,999,870

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 reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 48.562 million (2019: Rupees 40.823 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting the dates were outstanding for the whole year.

(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:

Notes to the Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
Long term investment	91,410	24,550
Long term loans to employees	20,519	26,933
Security deposits	320,684	221,266
Trade debts	3,938,337	3,021,121
Loans and advances	21,546	29,933
Other receivables	9,430	9,439
Bank balances	1,186,969	23,955
	5,588,895	3,357,197

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

	Rating			2020	2019
	Short term	Long term	Agency	Amount	Amount
	Rupees in thousand				
Banks					
Allied Bank Limited	A1+	AAA	PACRA	4,306	4,517
Askari Bank Limited	A1+	AA+	PACRA	84	373
Bank Alfalah Limited	A1+	AA+	JCR-VIS	13,179	85
Bank Al-Habib Limited	A1+	AA+	PACRA	98,441	457
Faysal Bank Limited	A1+	AA	JCR-VIS	396,805	3,274
Habib Bank Limited	A1+	AAA	JCR-VIS	571,036	5,229
MCB Bank Limited	A1+	AAA	PACRA	221	217
MCB Islamic Bank Limited	A1	A	PACRA	82	-
Meezan Bank Limited	A1+	AA+	JCR-VIS	370	1,699
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,063	1,004
Samba Bank Limited	A1	AA	JCR-VIS	60	53
Soneri Bank Limited	A1+	AA-	PACRA	7,506	2,353
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	7,685	1,625
Silk Bank Limited	A2	A-	JCR-VIS	2,840	-
United Bank Limited	A1+	AAA	JCR-VIS	83,291	3,069
				1,186,969	23,955
Long term investment					
TRG Pakistan Limited		Unknown		91,410	24,550
				1,278,379	48,505

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 23.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2020, the Company had Rupees 8,252.533 million (2019: Rupees 4,246.663 million) available borrowing limits from financial institutions and Rupees 1,201.058 million (2019: Rupees 38.503 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2020:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
Rupees in thousand						
Non-derivative financial liabilities:						
Long term financing	4,318,084	4,971,718	862,976	746,454	1,418,283	1,944,005
Long term deposits	1,740	1,740	-	-	-	1,740
Lease liabilities	1,854,699	2,786,964	134,793	148,816	318,495	2,184,860
Short term borrowings	6,427,467	6,813,990	6,620,016	193,974	-	-
Trade and other payables	3,035,299	3,035,299	3,035,299	-	-	-
Unclaimed dividend	37,897	37,897	37,897	-	-	-
Accrued mark-up	105,037	105,037	105,037	-	-	-
	15,780,223	17,752,645	10,796,018	1,089,244	1,736,778	4,130,605

Contractual maturities of financial liabilities as at 31 December 2019:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
Rupees in thousand						
Non-derivative financial liabilities:						
Long term financing	3,477,446	4,631,927	767,544	513,789	1,105,669	2,244,925
Long term deposits	2,406	2,406	-	-	-	2,406
Lease liabilities	1,513,488	2,317,657	118,191	130,347	274,347	1,794,772
Short term borrowings	5,078,215	6,298,157	6,146,299	151,858	-	-
Trade and other payables	2,304,245	2,304,245	2,304,245	-	-	-
Unclaimed dividend	37,784	37,784	37,784	-	-	-
Accrued mark-up	256,471	256,471	256,471	-	-	-
	12,670,055	15,848,647	9,630,534	795,994	1,380,016	4,042,103

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at reporting date. The rates of interest / mark up have been disclosed in note 5, 7 and note 12 to these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2020

41.2 Financial instruments by categories

Assets as per statement of financial position

	2020		2019	
	Rupees in thousand		Rupees in thousand	
	FVTOCI	Amortized cost	FVTOCI	Amortized cost
Long term investment	91,410	-	24,550	-
Long term loans to employees	-	20,519	-	26,933
Security deposits	-	320,684	-	221,266
Trade debts	-	3,938,337	-	3,021,121
Loans and advances	-	21,546	-	29,933
Other receivables	-	9,430	-	9,439
Cash and bank balances	-	1,201,058	-	38,503
	91,410	5,511,574	24,550	3,347,195

	2020	2019
	At Amortized Cost Rupees in thousand	
Liabilities as per statement of financial position		
Long term financing	4,318,084	3,477,446
Long term deposits	1,740	2,406
Lease liabilities	1,854,699	1,513,488
Accrued mark-up	105,037	256,471
Short term borrowings	6,427,467	5,078,215
Unclaimed dividend	37,897	37,784
Trade and other payables	3,035,299	2,304,245
	15,780,223	12,670,055

41.3 Offsetting financial assets and financial liabilities

As on the reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

41.4 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, and short term borrowings obtained by the Company as referred to in note 5 and note 12 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The Company's strategy, remained unchanged from last year. In accordance with the terms of agreement with the lenders of long term finances in connection with deferment of principal amount for twelve months, there is restriction on distribution of dividends by the Company during the relief period.

		2020 Amount Rupees in thousand	2019 Amount
Borrowings	Rupees in thousand	10,745,551	8,555,661
Total equity	Rupees in thousand	7,282,592	5,741,208
Total capital employed		18,028,143	14,296,869
Gearing ratio	Percentage	59.60%	59.84%

42. Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2020	Level 1	Level 2	Level 3	Total
	Rupees in thousand			
Financial assets				
Financial assets at fair value through other comprehensive income	91,410	-	-	91,410
Total financial assets	91,410	-	-	91,410

Recurring fair value measurements At 31 December 2019	Level 1	Level 2	Level 3	Total
	Rupees in thousand			
Financial assets				
Financial assets at fair value through other comprehensive income	24,550	-	-	24,550
Total financial assets	24,550	-	-	24,550

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. Further, there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the Financial Statements

For the year ended December 31, 2020

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

43. Segment Information

The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

Footwear: Purchase, manufacturing and sale of different qualities of footwear.

Tyre: Manufacturing of different qualities of tyres.

Technical Rubber Products: Manufacturing of different qualities of rubber products on specifications.

	←-----Rupees in thousand----->							
	Footwear		Tyre division		Technical rubber products		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019
Sales	5,986,780	9,964,428	17,993,578	15,960,592	462,134	231,181	24,442,492	26,156,201
Profit / (loss) before taxation and unallocated								
Income and expenses	(92,286)	761,505	2,740,308	1,942,235	140,521	61,312	2,788,543	2,765,052
Unallocated income and expenses:							(1,627,359)	(1,692,027)
Taxation							(471,160)	(186,661)
Profit after taxation							690,024	886,364
	Footwear		Tyre division		Technical rubber products		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019
43.1 Reconciliation of reportable segment assets and liabilities								
Total assets for reportable segment	6,994,264	5,947,499	10,080,999	9,121,739	281,408	152,290	17,356,671	15,221,528
Unallocated assets							7,094,547	3,928,292
Total assets as per statement of financial position							24,451,218	19,149,820
Unallocated liabilities							17,168,626	13,408,612
Total liabilities as per statement of financial position							17,168,626	13,408,612

	2020	2019
	Amount	Amount
	Rupees in thousand	

43.2 Geographical information

The Company's revenue from external customers by geographical locations is detailed below:

Europe	1,057,989	3,459,001
United States of America	706,720	833,617
Asia	942,539	1,757,542
Australia	13,593	79,193
Africa	327,898	224,216
Pakistan	21,393,753	19,802,632
	24,442,492	26,156,201

43.3. All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

43.4. Revenue from major customers

The Company's revenue is earned from a large mix of customers.

44. Provident Fund Related Disclosures

As per the Scheme, employees provident fund of Service Industries Limited in the name of Service Provident Fund Trust shall be continued for the benefits of the employees of the Company and Service Global Footwear Limited - subsidiary company.

As at the reporting date, the Service Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan which allows transition period of 3 years ending on 30 June 2021 for bringing the Employees Provident Fund Trust in conformity with the requirements of regulations.

	2020 Amount Rupees in thousand	2019 Amount
NUMBER OF EMPLOYEES		
Number of employees as at 31 December	8,171	7,238
Average number of employees during the year	7,705	9,072

46. Events after the Reporting Period

46.1 The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2020 of Rupees 15 per share (i.e. 150%) along with issuance of bonus shares in proportion of 100 ordinary shares for every 100 ordinary shares held by the members (i.e. 100%) at their meeting held on March 31, 2021. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

46.2 On 26 January 2021 there was a fire outbreak in a finished good warehouse of footwear division of the Company. For the Company's 31 December 2020 financial statements, fire outbreak and related impacts are considered non-adjusting events, consequently there is no impact on these financial statements. Estimated loss of destroyed stock-in-trade and warehouse building is secured against insurance. Company has launched insurance claim amounting to Rupees 51.000 million. Further no reduction in useful life of the warehouse building is estimated by the Company.

47. Impact of Covid-19 (Corona Virus)

The pandemic of COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 23 March 2020, the Government of the Punjab and the Government of Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from 20 March 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations gradually from 01 April 2020 and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity. The lockdown caused disruptions in supply chain including supply of goods to the customers resulting in a decline in sales. Now due to significant reduction in outbreak, demand for the Company's goods is fast reverting back to normal levels. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9 'Financial Instruments';
- the net realisable value of inventory under IAS 2, 'Inventories';
- provisions and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and Contingent Assets'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
48. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX		
Description		
Loan / advances obtained as per Islamic mode:		
Loans	1,349,674	1,124,043
Shariah compliant bank deposits / bank balances		
Bank balances	955	3,303
Profit earned from shariah compliant bank deposits / bank balances		
Profit on deposits with banks	3,550	-
Revenue earned from shariah compliant business		
	24,442,492	26,156,201
Gain or dividend earned from shariah compliant investments		
Unrealized gain on remeasurement of investment at FVTOCI	66,860	2,500
Exchange gain earned		
	24,290	272,320
Mark-up paid on Islamic mode of financing		
	79,332	106,990
Profits earned or interest paid on any conventional loan		
Interest on loans	808,872	814,603
Profit earned on deposits with banks	6,985	381

Relationship with shariah compliant banks

Name	Relationship
MCB Islamic Bank Limited	Bank balance and short term borrowings
Meezan Bank Limited	Bank balance, short term borrowings and long term financing
Faysal Bank Limited (Barkat Islami)	Bank balance and short term borrowings
The Bank of Punjab (Taqwa Islamic Banking)	Bank balance and short term borrowings

49. Date of authorization for issue

These financial statements were authorized for issue on March 31, 2021 by the Board of Directors of the Company.

50. Corresponding Figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Entire Muridke Footwear undertaking has been separated from Service Industries Limited with effect from 01 July 2019. Hence, comparative figures are not comparable.

51. General

Figures have been rounded off to nearest thousand of Rupees, except stated otherwise.



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Financial Statements



Product Type	Value
Product Type 3	8%
Product Type 4	3%
Product Type 5	4%
Product Type 6	6%
Product Type 7	7%
Product Type 8	9%
Product Type 9	11%
Product Type 10	14%
Product Type 11	16%
Product Type 12	18%



Group Directors' Report

to the Shareholders

The Directors take pleasure in presenting their Report together with the Consolidated Financial Statements of the Service Industries Limited ("The Holding Company") and its Subsidiary Companies (together referred to as Group) for the year ended December 31, 2020.

The Group comprises of Service Industries Limited, Service Industries Capital (Private) Limited, a wholly owned subsidiary of Service Industries Limited, Service Global Footwear Limited, a wholly owned subsidiary of Service Industries Limited, Service Long March Tyres (Private) Limited, partially owned subsidiary of Service Industries Limited and Service Shoes Lanka (Private) Limited, a partially owned subsidiary company of Service Industries Capital (Private) Limited.

Service Industries Limited

The Director Report providing a commentary on the performance of Service Industries Limited for the year ended December 31, 2020 has been presented separately. Service Industries Limited has annexed its Consolidated Financial Statements along with its Separate Financial Statements, in accordance with the requirements of International Financial Reporting Standards and Companies Act 2017.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is wholly owned subsidiary of the Service Industries Limited. Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 (now the Companies Act 2017) in Pakistan as a company limited by shares on November 10, 2015. The registered office of Service Industries Capital (Private) Limited is situated at Service House, 2-Main Gulberg, Lahore. The main object of Service Industries Capital (Private) Limited is to make investment in new ventures, shares and securities, listed or otherwise, in Pakistan or elsewhere in the world, subject to requirements of applicable law.

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is wholly owned subsidiary of Service Industries Limited.

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited is a Private Limited Company incorporated in Pakistan on January 07, 2020 under Companies Act, 2017 (XIX of 2017). The registered office of the Company is situated at Servis House, 2-Main Gulberg, Lahore. The principle line of business of the Company is to carry on the business of manufacturing, sale, marketing, import and export of all steel radial truck and bus tyres. The shareholding of Service Industries Limited in Service Long March Tyres (Private) Limited is 51%.

Service Shoes Lanka (Private) Limited

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

Clarification to Qualification in Audit Report

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



Omar Saeed

Director

March 31, 2021
Lahore



Arif Saeed

Chief Executive

Auditors' Report To The Members

On Consolidated Financial Statements

To the members of Service Industries Limited

Qualified Opinion

We have audited the annexed consolidated financial statements of Service Industries Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

The financial statements of Service Shoes Lanka (Private) Limited – Subsidiary Company for the year ended 31 December 2020 are unaudited and have been prepared by the management in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities. Hence, total assets of Rupees 253,280,621 as at 31 December 2020 and total turnover and net loss of Rupees 223,255,223 and Rupees 37,423,307 respectively for the year ended 31 December 2020 pertaining to the aforesaid Subsidiary Company have been consolidated without incorporating adjustments necessary to give effect to uniform accounting policies adopted by the Group and disclosures required under accounting and reporting standards as applicable in Pakistan.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the Key audit matters:

Sr. No	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition</p> <p>The Group recognized net sales of Rupees 31,160.011 million for the year ended 31 December 2020.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue from contracts with customers note 2.23 to the consolidated financial statements. - Sales – net note 29 to the consolidated financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; and • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. • We also considered the appropriateness of disclosures in the financial statements.
2	<p>Stock-in-trade</p> <p>As at 31 December 2020, stock-in-trade is stated at Rupees 6,335.260 million.</p> <p>Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 20.82% of total assets of the Group as at 31 December 2020, and the judgment involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Stock-in-trade note 2.20 to the consolidated financial statements. - Stock-in-trade note 22 to the consolidated financial statements. 	<p>Our audit procedures to assess the existence and valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; • Assessing accuracy of inventory ageing reports and adequacy of provisions.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: March 31, 2021

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Consolidated Statement of Financial Position

As at December 31, 2020

	Note	2020 Amount Rupees in thousand	2019 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2019: 100,000,000)			
Ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up share capital	3	234,937	187,950
Reserves	4	8,152,588	6,027,682
Equity attributable to equity holders of the Holding Company		8,387,525	6,215,632
Non-controlling interest		1,451,499	(31,693)
Total equity		9,839,024	6,183,939
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	3,478,292	3,090,252
Long term deposits	6	1,740	2,406
Lease liabilities	7	1,752,383	1,302,055
Employees' retirement benefit	8	259,994	215,979
Deferred liabilities	9	363,958	189,131
		5,856,367	4,799,823
CURRENT LIABILITIES			
Trade and other payables	10	5,218,389	4,006,199
Accrued mark-up	11	65,119	142,320
Short term borrowings	12	7,868,831	6,284,209
Current portion of non-current liabilities	13	1,541,612	947,685
Unclaimed dividend		37,897	37,784
		14,731,848	11,418,197
Total liabilities		20,588,215	16,218,020
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		30,427,239	22,401,959

The annexed notes form an integral part of these consolidated financial statements.



Arif Saeed
(Chief Executive)

	Note	2020 Amount Rupees in thousand	2019 Amount
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	9,566,926	7,268,301
Right-of-use assets	16	1,618,879	1,403,090
Intangible assets	17	39,507	40,790
Long term investments	18	557,757	542,646
Long term loans to employees	19	16,437	25,031
Long term security deposits	20	115,345	96,365
		11,914,851	9,376,223
CURRENT ASSETS			
Stores, spares and loose tools	21	276,788	289,399
Stock-in-trade	22	6,335,260	5,903,758
Trade debts	23	4,633,123	3,617,736
Loans and advances	24	892,136	684,295
Trade deposits and prepayments	25	244,507	152,185
Other receivables	26	1,929,603	2,273,389
Accrued interest	27	5,406	1,426
Cash and bank balances	28	4,195,565	103,548
		18,512,388	13,025,736
TOTAL ASSETS		30,427,239	22,401,959


Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

	Note	2020 Amount Rupees in thousand	2019 Amount
Sales - net	29	31,160,011	30,058,321
Cost of sales	30	(24,852,381)	(24,327,246)
Gross profit		6,307,630	5,731,075
Distribution cost	31	(1,872,870)	(1,994,315)
Administrative expenses	32	(1,514,046)	(1,328,266)
Other expenses	33	(314,116)	(241,086)
		(3,701,032)	(3,563,667)
		2,606,598	2,167,408
Other income	34	376,185	448,410
Profit from operations		2,982,783	2,615,818
Finance cost	35	(999,373)	(1,062,429)
		1,983,410	1,553,389
Share of (loss) / profit in equity accounted investees - net of taxation		(91,509)	33,232
Profit before taxation		1,891,901	1,586,621
Taxation	36	(567,469)	(227,612)
Profit after taxation		1,324,432	1,359,009
Share of profit attributable to:			
Equity holders of the holding company		1,322,475	1,372,058
Non-controlling interest		1,957	(13,049)
		1,324,432	1,359,009
			Restated
Earnings per share - basic and diluted (Rupees)	37	56.29	58.40

The annexed notes form an integral part of these consolidated financial statements.


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)


Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

Note	2020 Amount Rupees in thousand	2019 Amount
Profit after taxation	1,324,432	1,359,009
Other comprehensive income		
Items that will not be reclassify to profit or loss:		
Surplus arising on remeasurement of investment at fair value through other comprehensive income	66,860	2,500
Remeasurements of employees' retirement benefit obligation	(4,012)	11,654
	62,848	14,154
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiary	393	(5,804)
Exchange difference on translation of goodwill	134	4,198
	527	(1,606)
Other comprehensive income for the year	63,375	12,548
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,387,807	1,371,557
Share of total comprehensive income attributable to:		
Equity holders of the holding company	1,385,693	1,386,928
Non-controlling interest	2,114	(15,371)
	1,387,807	1,371,557

The annexed notes form an integral part of these consolidated financial statements.



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to the Equity Holders of the Holding Company											Non-controlling interest	TOTAL Equity	
	Capital Reserves				Revenue Reserves			Sub total	Total Reserves	Shareholders equity				
	Share Capital	Fair value reserve FVTOCI investment	Share premium	Share of reserve held by equity accounted investee	Exchange translation reserve	Reserve pursuant to the Scheme	Sub Total				General reserve			Un-appropriated profit
	120,288	102,730	21,217	44,395	3,785	172,127	1,558,208	3,526,893	5,085,101	5,257,228	5,377,516	(16,322)	5,361,194	
Balance as at 01 January 2019														
Transaction with owners:														
Final dividend for the year ended 31 December 2018 @ Rupees 30 per share	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	(360,862)	-	(360,862)	
Issue of bonus shares for the year ended 31 December 2018 @ 25%	30,072	-	-	-	-	-	-	(30,072)	(30,072)	(30,072)	(30,072)	-	-	
Interim dividend for the year ended 31 December 2019 @ Rupees 12.50 share	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(187,950)	-	(187,950)	
Issue of bonus shares during the year ended 31 December 2019 @ 25%	37,590	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	(37,590)	-	-	
	67,662	-	-	-	-	-	-	(616,474)	(616,474)	(616,474)	(548,812)	-	(548,812)	
Profit for the year	-	-	-	-	-	-	-	1,372,058	1,372,058	1,372,058	1,372,058	(13,049)	1,359,009	
Other comprehensive income for the year	-	2,500	-	-	716	3,216	-	11,654	11,654	14,870	14,870	(2,322)	12,548	
Total comprehensive income for the year	-	2,500	-	-	716	3,216	-	1,383,712	1,383,712	1,386,928	1,386,928	(15,371)	1,371,557	
Balance as at 31 December 2019	187,950	102,730	21,217	44,395	4,501	175,343	1,558,208	4,294,131	5,852,339	6,027,682	6,215,632	(31,693)	6,183,939	
Transactions with owners:														
Final dividend for the year ended 31 December 2019	-	-	-	-	-	-	-	(140,963)	(140,963)	(140,963)	(140,963)	-	(140,963)	
@ Rupees 7.50 per share	46,987	-	-	-	-	-	-	(46,987)	(46,987)	(46,987)	-	-	-	
Issue of bonus shares for the year ended 31 December 2019 @ 25%	46,987	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(140,963)	-	(140,963)	
	46,987	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(140,963)	-	(140,963)	
Reserve arising pursuant to the Scheme of Compromises, Arrangement and Reconstruction between the Holding Company and its members and Service Global Footwear Limited - subsidiary company and its members (the Scheme)	-	-	-	-	-	927,163	-	-	-	927,163	927,163	-	927,163	
Non-controlling interest on investment in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	1,481,078	1,481,078	
Profit for the year	-	-	-	-	-	-	-	1,322,475	1,322,475	1,322,475	1,322,475	1,957	1,324,432	
Other comprehensive income for the year	-	66,860	-	-	370	67,230	-	(4,012)	(4,012)	63,218	63,218	157	63,375	
Total comprehensive income for the year	-	66,860	-	-	370	67,230	-	1,318,463	1,318,463	1,385,693	1,385,693	2,114	1,387,807	
Balance as at 31 December 2020	234,937	102,730	21,217	44,395	4,871	1,169,736	1,558,208	5,424,644	6,982,852	8,152,588	8,387,525	1,451,499	9,839,024	

The annexed notes form an integral part of these consolidated financial statements.



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	Note	2020 Amount Rupees in thousand	2019 Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	3,874,888	2,084,231
Finance cost paid		(1,053,158)	(1,067,026)
Income tax paid		(390,692)	(296,996)
Workers' profit participation fund paid		(54,275)	(46,735)
Workers' welfare fund paid		(5,139)	(6,624)
Employees' retirement benefits paid		(17,593)	(12,166)
Long term loans to employees - net		7,620	(6,344)
Security deposits - net		(103,161)	(84,679)
Net cash generated from operating activities		2,258,490	563,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(2,197,002)	(941,867)
Intangible asset acquired		-	(1,441)
Long term investments made		(40,000)	-
Loan to associated company		-	(50,000)
Return on bank deposits received		75,650	1,426
Proceeds from sale of operating fixed assets		25,894	11,855
Net cash used in investing activities		(2,135,458)	(980,027)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,508,004	1,450,506
Repayment of long term financing		(406,433)	(940,882)
Repayment of lease liabilities		(57,163)	(74,459)
Long term deposits - net		(666)	(837)
Short term borrowings - net		1,584,622	561,579
Share capital issued to non-controlling interest		1,470,000	-
Share deposit money received from non-controlling interest		11,078	-
Dividend paid		(140,850)	(543,030)
Net cash from financing activities		3,968,592	452,877
Effects of exchange rate changes on cash and cash equivalents		393	(5,804)
Net increase in cash and cash equivalents		4,092,017	30,707
Cash and cash equivalents at the beginning of the year		103,548	72,841
Cash and cash equivalents at the end of the year		4,195,565	103,548

The annexed notes form an integral part of these consolidated financial statements.



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1 The company and its operations

The Group consists of:

Holding Company

- Service Industries Limited

Subsidiary Companies

- Service Global Footwear Limited
- Service Industries Capital (Private) Limited
- Service Shoes Lanka (Private) Limited
- Service Long March Tyres (Private) Limited

Service Industries Limited was incorporated as a private limited company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017), converted into a public limited company on 23 September 1959 and got listed on 27 June 1970. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. Geographical location and addresses of all business units are as follows:

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Registered and Head Office	Servis House, 2 – Main Gulberg, Lahore
Karachi office	Adamjee House, 10th Floor, I.I. Chundrigar Road, Karachi.
Factory site	G.T. Road, Gujrat.
Retail Outlets	
Shoe Box M.M. Alam Road	R-2, M.M. Alam Road, Gulberg II, Lahore.
Shoe Box Mall Road 1	Near Urban Sole, Mall Road, Lahore.
Shoe Box Mall Road 2	Shoe Box, Dinga Singh Building, 46- Mall Road, Lahore.
Shoe Box Baghban Pura	17-A, Main G.T Road, Lahore.
Shoe Box Allama Iqbal Town	Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore.
Shoe Box Karim Block	23-Karim Block, Allama Iqbal Town, Lahore.
Shoe Box DHAY Block	133-Y, Block, Phase 3, DHA, Lahore.
Shoe Box Gujranwala 1	400-C, College Chowk, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 2	751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujrat	Hassan Chowk, Kacheri Road, Gujrat.
Shoe Box Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Faisalabad 1	Harian Wala Chowk, D-Ground, Faisalabad.
Shoe Box Faisalabad 2	584-B, Chen One Road, Peoples Colony 1, Faisalabad.
Shoe Box Burewala	Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala.
Shoe Box Bahawalpur 1	Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur.
Shoe Box Bahawalpur 2	Railway Road, Bahawalpur.
Shoe Box Mandi Baha-ud-Din	Kacheri Road, Mandi Baha-ud-Din.
Shoe Box Multan 1	Zain Tower, 10-A Gulgshat Colony, Multan.
Shoe Box Multan 2	499-A Vehari Road, Mumtazabad, Multan.
Shoe Box Multan 3	Property No. 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt.
Shoe Box Multan 4	Property No. 12, Block Y, Street 100, New Multan.
Shoe Box Rahim Yar Khan	Shahi Road, Rahim Yar Khan.
Shoe Box Rawalpindi 1	Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi.

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Shoe Box Rawalpindi 2	Shop No. 67 & 67A, Bank Road, Rawalpindi.
Shoe Box Rawalpindi 3	Property No. 11-C, Main PWD Rawalpindi.
Shoe Box Sargodha 1	City Tower, City Road, Sargodha.
Shoe Box Sargodha 2	03, Jinnah Park, University Road, Sargodha.
Shoe Box Sialkot	Darman Wala Chowk, Trunk Bazar, Opposite Bata Shoes, Sialkot.
Shoe Box Sahiwal	Near Metro Shoes, Girls College Road, Sahiwal.
Shoe Box Peshawar 1	University Road, Peshawar.
Shoe Box Peshawar 2	Saddar Road, Peshawar.
Shoe Box Peshawar 3	17-C, Saddar Road, Peshawar Cantt.
Shoe Box Khanewal	Property No. 6-7, Block No. 12, Jamia Masjid Road, Khanewal.
Shoe Box Okara	Property No. B1-2r/169, M.A. Jinnah Road, Okara.
Shoe Box Daska	Shoe Box, College Road, Near Borjan, Daska.
Shoe Box Bahawalnagar	Shoe Box, Plot No. 6, Block No. 20, City Chowk, Bahawalnagar.
Shoe Box Chakwal	Al-Fateh Plaza, Talagang Road, Near GPO, Chakwal.
Shoe Box Karachi 1	B-61, Block H, Sector 2, North Nazimabad, Karachi.
Shoe Box Karachi 2	250/1 Deh Okewari, Block No. 19, Rashid Minhas Road, Gulistan-E-Jauhar, Karachi.
Shoe Box Karachi 3	House No. 5/117 A, Model Colony, Karachi.
Shoe Box Sheikhupura	Batti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhupura.
Factory Outlet Vehari	143-C, Club Road, Vehari.
Factory Outlet Muridke	10-KM, Sheikhupura Road, Muridke.
Factory Outlet Gujrat	Servis Factory, Main G.T. Road, Gujrat.
Factory Outlet Township	Shop No. 5-A-1, Al-Madina Road, Township, Lahore.
Shoe Box Franchise	Al-Hafeez Center, 26-A, Model Town, Lahore.
KLARA Warehouses	
Lahore	26-KM, Multan Road, Opposite Maraka Telephone Exchange, Lahore.
Lahore	19-A, Main Ravi Road, Near Kasur Pura Stop, Yadgar, Lahore.
Rawalpindi	Near Bagar Dhair, Tippu Sultan Masjid I-J-P Road, Rawalpindi.
Faisalabad	Jhang Road, Opposite Nayab Energy Gate, Faisalabad.
Bahawalpur	6-A, Adil Town, Dubai Mehal Road, Near City School, Bahawalpur.

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is wholly owned subsidiary of Service Industries Limited. Geographical location and addresses of all business units are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Offices, Manufacturing unit, and Retail outlet	Addresses
Registered office and Head office	Servis House, 2 – Main Gulberg, Lahore
Factory site	10 - KM, Muridke – Sheikhpura Road, Lahore
Factory outlet	10 - KM, Muridke – Sheikhpura Road, Lahore

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is a private limited company incorporated in Pakistan on 10 November 2015 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). Its registered office and head office is situated at Servis House, 2-Main Gulberg, Lahore. The principal objects of the Company are to hold investments in subsidiaries / joint ventures and other companies, entities and organizations, listed or otherwise in Pakistan or elsewhere in the world subject to all the applicable laws and procedures but not to act as an investment company. It is wholly owned subsidiary of Service Industries Limited.

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited was incorporated as a private limited Company on 07 January 2020 in Pakistan under the Companies Act, 2017. Its registered office is situated at Servis House, 2 – Main Gulberg, Lahore. The principal activities of the Company are to carry on business of manufacturing, sale, marketing, import and export of all steel radial truck, bus, light truck and off the road tyres. It is a subsidiary of Service Industries Limited. Ownership interest held by non-controlling interest in Service Long March Tyres (Private) Limited – Subsidiary Company is 49%.

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on 16 July 2015 under the provisions of the Companies Act No. 07 of 2007 in Sri Lanka. The registered office of the Company is located at No. 143 / 17, Sri Wickrema Mawatha, Colombo and the principal place of business is located at Katunayake, Sri Lanka. It is subsidiary of Service Industries Capital (Private) Limited which is wholly owned subsidiary of Service Industries Limited. Ownership interest held by non-controlling interest in Service Shoes Lanka (Private) Limited – Subsidiary Company is 40% (2019: 40%).

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

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

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

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

b) Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

c) Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgments were exercised in application of accounting policies are as follows:

i) Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management. Further, the Group reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

ii) Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

iii) Taxation

In making the estimates for income tax currently payable, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

iv) Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the consolidated statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

v) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

vi) Impairment of investments in equity method accounted for associated companies

In making an estimate of recoverable amount of investments in equity method accounted for associated companies, the management considers future cash flows.

vii) Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Group

Following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 January 2020:

- IAS 1 (Amendments) 'Presentation of Financial Statements' and IAS 8 (Amendments) 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IASB's (Revised) 'Conceptual Framework'
- IFRS 3 (Amendments) 'Business Combination'
- Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'

The above mentioned accounting amendments to published approved accounting standards did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

e) Standards and amendments to published approved accounting standards that are effective in current year but not relevant to the Group

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Group

Following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2021 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022. :

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 1 January 2021. The changes made relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The above amendments and improvements do not have a material impact on the consolidated financial statements.

g) Standards and amendments to published approved accounting standards that are not yet effective and not considered relevant to the Group

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 January 2021 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The assets and liabilities of Subsidiary Companies have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Companies.

Intragroup balances and transactions have been eliminated.

Non-controlling interest are that part of net results of the operations and of net assets of Subsidiary Companies attributable to interest which are not owned by the Holding Company. Non-controlling interest are presented as separate item in the consolidated financial statements.

b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in equity method accounted for associates are tested for impairment in accordance with the provision of IAS 36 'Impairment of Assets'.

c) Translations of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in preparing the Group's financial statements are translated in functional currency of the Group. Statement of financial position items are translated at the exchange rate at the reporting date and statement of profit and loss items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange translation reserve in consolidated reserves.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2.3 Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. Figures are rounded off to the nearest thousand of Pak Rupees.

2.4 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to consolidated statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.5 Employees' retirement benefits

i) Contributory provident fund

There is an approved contributory provident fund for employees of Service Industries Limited – Holding Company and Service Global Footwear Limited – Subsidiary Company. Equal monthly contributions are made both by the employees and Service Industries Limited – Holding Company and Service Global Footwear Limited – Subsidiary Company to the fund in accordance with the fund rules. The contributions to the fund are charged to consolidated statement of profit or loss.

There is contributory provident fund scheme for employees of Service Long March Tyres (Private) Limited – Subsidiary Company. Equal monthly contributions are made both by the employees and the Company.

Registration of provident fund trust of Service Long March Tyres (Private) Limited – Subsidiary Company is in process, and separate bank account of the provident fund trust will be opened shortly. Hence, disclosure relating to provident fund of Service Long March Tyres (Private) Limited – Subsidiary Company as required by the Companies Act, 2017 has not been given in these consolidated financial statements, being impracticable.

ii) Defined benefit plan

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Service Industries Limited – Holding Company and Service Global Footwear Limited – Subsidiary Company recognize gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii) Compensated absences

Service Industries Limited – Holding Company and Service Global Footwear Limited – Subsidiary Company provides for liability in respect of employees' compensated absences in the period in which these are earned.

2.6 Taxation

Current

a) Group companies other than Service Shoes Lanka (Private) Limited – Subsidiary Company

Securities Exchange Commission of Pakistan (SECP) has designated the Holding Company and its wholly-owned subsidiaries Service Global Footwear Limited and Service Industries Capital (Private) Limited as a "Group" for the purpose of group taxation under Section 59AA of the Income Tax Ordinance, 2001. Provision of current taxation is made accordingly.

Provision for current tax for group taxation under Section 59AA of the Income Tax Ordinance, 2001 and Service Long March Tyres (Private) Limited – Subsidiary Company is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

b) Service Shoes Lanka (Private) Limited – Subsidiary Company

Provision for current tax is computed in accordance with the tax legislation enforce in the country where the income is taxable.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets 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 is calculated at the 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 reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.7 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

2.8 Borrowing costs

Interest, mark-up and other charges on finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such finances. All other interest, mark-up and other charges are recognized in consolidated statement of profit or loss.

2.9 Fixed assets

Fixed assets except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

Depreciation

Depreciation on operating fixed assets except for leasehold improvements, leasehold land and operating fixed assets of Service Shoes Lanka (Private) Limited – Subsidiary Company is charged to the consolidated statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives. Depreciation on leasehold improvements is charged to the consolidated statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives or shorter of lease term, depreciation on leasehold land is charged to the consolidated statement of profit or loss over the lease period using straight-line method and depreciation on operating fixed assets of Service Shoes Lanka (Private) Limited – Subsidiary Company is charged to the consolidated statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial period-end and adjusted if impact on depreciation is significant.

De-recognition

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the consolidated statement of profit or loss in the year the asset is de-recognized.

2.10 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

2.11 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to consolidated statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.12 Intangible assets

Intangible assets other than goodwill

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Any impairment is recognized immediately through the consolidated statement of profit or loss and is not subsequently reversed.

Negative goodwill is recognized directly in consolidated statement of profit or loss in the year of acquisition.

2.13 Ijarah transactions

Ujrah (lease) payments are recognized as expenses in consolidated statement of profit or loss on a straight-line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit even if the payments are not on that basis.

2.14 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the consolidated statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

2.15 Financial liabilities - classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.16 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.17 De-recognition

a) Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

b) Financial liabilities

The Company shall derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.18 Offsetting of financial instruments

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

2.19 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the consolidated statement of profit or loss.

2.20 Inventories

Inventories, except for stock-in-transit and waste stock, are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores, spares and loose tools

Usable stores, spare parts and loose tools are valued principally at cost using first-in-first-out (FIFO) cost formula, while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

- | | |
|--|---|
| (i) For raw materials: | First-in-first-out (FIFO) cost formula |
| (ii) For work-in-process and finished goods: | Direct material, labour and appropriate manufacturing overheads |
| (iii) Finished goods purchased for resale: | Moving average |

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stocks are valued at net realizable value.

Net realizable 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 a sale.

2.21 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

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For the year ended December 31, 2020

2.22 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.23 Revenue from contracts with customers

i) Revenue recognition

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(b) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

(d) Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

(e) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

ii) Contract assets

Contract assets arise when the Group performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

iii) Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

iv) Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

v) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

vi) Contract liabilities

Contract liability is the obligation of the Group to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract.

vii) Refund liabilities

Refund liabilities are recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Group does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

2.24 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.25 Provisions

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

2.26 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year.

2.27 Contingent assets

Contingent assets are disclosed when the Group has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized until their realization becomes certain.

2.28 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the consolidated financial statements.

2.29 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

2.31 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has following reportable business segments. Footwear (Purchase, manufacturing and sale of different qualities of footwear), Tyre (Manufacturing of different qualities of tyres and tubes) and Technical rubber products (Manufacturing of different qualities of rubber products on specifications).

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

2.32 Dividend and other appropriations

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. Issued, Subscribed and Paid-Up Share Capital

	2020	2019	2020	2019
	Number of shares		Rupees in thousand	
Ordinary shares of Rupees 10 each fully paid in cash	3,183,190	3,183,190	31,832	31,832
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	20,310,537	15,611,792	203,105	156,118
	23,493,727	18,794,982	234,937	187,950

3.1 Movement during the year

	2020	2019	2020	2019
	Number of shares		Rupees in thousand	
At 01 January	18,794,982	12,028,789	187,950	120,288
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	4,698,745	6,766,193	46,987	67,662
	23,493,727	18,794,982	234,937	187,950

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

	2020	2019
	Number of shares	
3.3 Ordinary shares of the Company held by associated company / associated undertaking:		
Shahid Arif Investments (Private) Limited - associated company	19,812	15,850
Service Charitable Trust	22,628	18,103
Service Provident Fund Trust	1,090,637	872,510

		2020 Amount	2019 Amount
Rupees in thousand			
4. RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Capital gains		102,730	102,730
Fair value reserve FVTOCI investment	(Note 4.1)	69,360	2,500
Share premium	(Note 4.2)	21,217	21,217
Share of reserve held by equity accounted investee		44,395	44,395
Exchange translation reserve		4,871	4,501
Reserve pursuant to the scheme		927,163	-
		1,169,736	175,343
Revenue reserves			
General reserve		1,558,208	1,558,208
Unappropriated profits		5,424,644	4,294,131
		6,982,852	5,852,339
		8,152,588	6,027,682

- 4.1** This represents the unrealized gain on re-measurement of investment at fair value through other comprehensive income and is not available for distribution. Reconciliation of fair value reserve is as under:

Balance at 01 January	2,500	-
Fair value adjustment during the year	66,860	2,500
Balance at 31 December	69,360	2,500

- 4.2** This reserve can be utilized by the Holding Company only for the purposes specified in section 81 of the Companies Act, 2017.

5. LONG TERM FINANCING

From banking companies - secured			
Long term loans	(Note 5.1)	4,567,370	3,556,504
Long term musharaka	(Note 5.2)	270,000	270,000
		4,837,370	3,826,504
Current portion shown under current liabilities	(Note 13)		
Long term loans		(1,299,078)	(676,252)
Long term musharaka		(60,000)	(60,000)
		(1,359,078)	(736,252)
		3,478,292	3,090,252

5.1 Long term loans

LENDER	RATE OF MARK-UP PER ANNUM		NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	2020	2019				
Service Industries Limited - Holding Company						
Allied Bank Limited	35,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 19 September 2015 and ended on 19 March 2020.	Half yearly	Half yearly	First joint pari passu charge of Rupees 1,400,000 million on fixed assets (plant and machinery) of the Holding Company.
Allied Bank Limited (Note 5.3)	25,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 18 March 2016 and ending on 18 September 2021.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	270,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 20 June 2018 and ending on 20 December 2023.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	150,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2023.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	560,000	6-month KIBOR + 0.14%	Ten equal half yearly instalments commenced on 30 December 2018 and ending on 30 June 2024.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 2,067,000 million over plant and machinery of the Holding Company with 25% margin.
MCB Bank Limited (Note 5.3)	400,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commenced on 27 June 2019 and ending on 27 December 2024.	Half yearly	Half yearly	
Habib Bank Limited (Note 5.3)	10,830	SBP rate for LTF + 0.50%	Nintey four unequal quarterly instalments commenced on 14 June 2019 and ending on 30 April 2028.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 640,000 million on all present and future fixed assets of the Holding Company.
Habib Bank Limited (Note 5.3)	191,039	SBP rate for LTF + 0.50%	Sixteen equal quarterly instalments commenced on 22 September 2019 and ending on 22 June 2024.	-	Quarterly	
Allied Bank Limited (Note 5.3)	250,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 29 December 2019 and ending on 29 June 2025.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 667,000 million over all present and future plant and machinery of the Holding Company with 25% margin.
Allied Bank Limited (Note 5.3)	130,917	SBP rate for LTF + 0.25%	Two hundred and sixty seven unequal instalments commencing on 5 April 2021 and ending on 15 May 2031.	-	Quarterly	
	20,710	6-months KIBOR + 0.25%		Half yearly	Quarterly	
	151,627					
Allied Bank Limited (Note 5.4)	1,039,588	SBP rate for salaries and wages + 0.50%	Eight equal quarterly instalments commencing on 27 February 2021 and ending on 27 November 2022.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 562,500 million over all present and future current assets of the Holding Company and first joint pari passu hypothecation charge of Rupees 337,500 million on plant and machinery of the Holding Company with 25% margin.
MCB Bank Limited	1,000,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commencing on 11 June 2021 and ending on 11 December 2025.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 1,333,330 million over plant and machinery of the Holding Company with 25% margin.

LENDER	2020	2019	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Service Global Footwear Limited - Subsidiary Company							
Habib Bank Limited (Note 5.3)	105,806	110,894	SBP rate for LTF + 0.50%	Three hundred and six unequal instalments commenced on 22 June 2019 and ending on 6 August 2028.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 226,000 million on all present and future fixed assets (excluding land and building) of Service Global Footwear Limited - Subsidiary Company with 25% margin.
Habib Bank Limited	57,943	66,527	SBP rate for LTF + 0.50%	Thirty nine equal quarterly instalments commenced on 6 January 2018 and ending on 6 July 2027.	-	Quarterly	
Allied Bank Limited	21,870	24,521	SBP rate for LTF + 0.25%	Four hundred unequal instalments commenced on 7 April 2019 and ending on 17 December 2030.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 467,000 million on all present and future fixed assets (excluding land and building) of Service Global Footwear Limited - Subsidiary Company.
	43,205	5,432	3-months KIBOR + 0.25%		Quarterly	Quarterly	
Allied Bank Limited (Note 5.3)	83,455	106,860	SBP rate for LTF + 0.25%	One hundred and eighty unequal instalments commencing on 15 November 2021 and ending on 28 November 2030.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 180,000 million on present and future current assets of Service Global Footwear Limited - Subsidiary Company and first joint pari passu charge of Rupees 108,000 million on plant and machinery of Service Global Footwear Limited - Subsidiary Company with 25% margin.
	5,959	34,824	6-months KIBOR + 0.25%		Half yearly	Quarterly	
Allied Bank Limited (Note 5.4)	201,048	-	SBP rate + 0.50%	Eight equal quarterly instalments commencing on 6 February 2021 and ending on 6 November 2022.	-	Quarterly	
	89,414	141,684					
	4,567,370	3,556,504					
5.2 Long term musharaka							
Service Industries Limited - Holding Company Meezan Bank Limited (Note 5.3)	270,000	270,000	6-month KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 November 2019 and ending on 18 May 2025.	Half yearly Half yearly	half yearly Half yearly	Exclusive charge of Rupees 365,578 million over plant and machinery of the Holding Company with 15% margin and ranking charge over present and future fixed assets (including land and building) of the Holding Company with 20% margin.
	270,000	270,000					
5.3 Repayment period of these loans / musharaka includes deferment of repayment of principal loan amount by one year in accordance with State Bank of Pakistan BPRD Circular Letter No. 13 of 2020 dated 26 March 2020.							
5.4 These loan are obtained by the Group Companies under SBP Refinance Scheme for payment of wages and salaries to workers. These are recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate ranging from 7.71% to 7.87% per annum.							

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
Rupees in thousand			
6. LONG TERM DEPOSITS			
These represent deposits of dealers and others, who have permitted the utilization of such money by the Company in pursuance of section 217 of the Companies Act, 2017.			
7. Lease liabilities			
Total lease liabilities	(Note 7.1)	1,854,699	1,513,488
Current portion shown under current liabilities	(Note 13)	(102,316)	(211,433)
		1,752,383	1,302,055
7.1 Reconciliation of lease liabilities			
At 01 January		1,513,488	-
Recognition on initial application of IFRS 16		-	1,350,879
Additions during the year		680,539	237,068
Interest on lease liabilities	(Note 35)	171,888	160,867
Impact of lease modification / termination		(282,165)	-
Payments made during the year		(229,051)	(235,326)
At 31 December		1,854,699	1,513,488
7.2	Implicit rates against lease liabilities range from 8.05% to 14.56% (2019: 12.04%) per annum.		
8. Employees' Retirement Benefit			
Service Shoes Lanka (Private) Limited - Subsidiary Company	(Note 8.1)	7,275	3,754
Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company	(Note 8.2)	252,719	212,225
		259,994	215,979
8.1	Defined benefit obligation of Service Shoes Lanka (Private) Limited - Subsidiary Company resulting from employees services is not calculated on the basis of actuarial valuation in accordance with the requirements of IAS-19 'Employee Benefits'.		
8.2	Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company		
The latest actuarial valuation of the Fund as at 31 December 2020 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:			
8.3	The amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligations		351,912	301,421
Fair value of plan assets		(99,193)	(89,196)
Net defined benefit obligation		252,719	212,225

	2020 Amount	2019 Amount
	Rupees in thousand	
8.4 Movement in the present value of net defined benefit obligation		
Net liability at 01 January	212,225	180,446
Current service cost	31,199	29,920
Past service cost	-	2,358
Net interest on defined benefit obligation	22,876	27,075
Net remeasurements for the year	4,012	(11,654)
Contributions made during the year	(17,593)	(15,920)
Net liability 31 December	252,719	212,225
8.5 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at 01 January	301,421	262,604
Current service cost	31,199	29,920
Past service cost	-	2,358
Interest cost	32,910	37,899
Benefits paid during the year	(17,593)	(14,647)
Benefits due but not paid	(185)	-
Remeasurements on obligation:		
Actuarial gains from changes in financial assumptions	(1,044)	(1,239)
Experience adjustments	5,204	(15,474)
Present value of defined benefit obligation at 31 December	351,912	301,421
8.6 Movement in the fair value of the plan assets		
Fair value of plan assets at 01 January	89,196	82,158
Interest income on plan assets	10,034	10,824
Contributions made during the year	17,593	15,920
Benefits paid during the year	(17,593)	(14,647)
Benefits due but not paid	(185)	-
Return on plan assets, excluding interest income	42	-
Remeasurements on fair value of plan assets	106	(5,059)
Fair value of plan assets at 31 December	99,193	89,196
8.6.1 The major categories of total plan assets of the Fund are as follows:		
Mutual funds	98,815	88,788
Bank balances	563	408
Total plan assets	99,378	89,196

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount			
	Rupees in thousand				
8.7	Amounts recognized in the consolidated statement of profit or loss				
Current service cost	31,199	29,920			
Past service cost	-	2,358			
Interest cost	32,910	37,899			
Interest income on plan assets	(10,034)	(10,824)			
Net expense charged in the consolidated statement of profit or loss	54,075	59,353			
8.8	Charge for the year has been allocated as follows:				
Cost of sales	(Note 30) 30,298	27,317			
Distribution cost	(Note 31) 4,515	15,459			
Administrative expenses	(Note 32) 19,262	16,577			
	54,075	59,353			
8.9	Remeasurements charged to consolidated statement of comprehensive income				
Experience adjustments	(5,204)	15,474			
Return on plan assets excluding interest income	148	(5,059)			
Actuarial loss from changes in financial assumptions	1,044	1,239			
Total remeasurements charged to consolidated statement of comprehensive income	(4,012)	11,654			
8.10	Comparison of present value of defined benefit obligation and the fair value of plan assets for five years is as follows:				
	2020	2019	2018	2017	2016
	-----Rupees in thousand-----				
Present value of defined benefit obligation	351,912	301,421	262,604	213,626	186,612
Fair value of the plan assets	(99,193)	(89,196)	(82,158)	(85,177)	(101,576)
Deficit in the plan	252,719	212,225	180,446	128,449	85,036
Remeasurement loss / (gain) on obligation	4,160	(16,713)	17,171	24,124	7,997
Remeasurement gain / (loss) on plan assets	148	(5,059)	(10,099)	(16,202)	15,733
8.11	Principal actuarial assumptions used:		2020	2019	
Discount rate used for interest cost	% per annum	11.25	13.25 -14.25		
Discount rate used for year end obligation	% per annum	9.75	11.25		
Expected rate of salary increase	% per annum	8.75	10.25		
8.12	Sensitivity analysis for actuarial assumptions:				
The sensitivity of the defined benefit obligation to changes in the weighted principal assumption at the reporting date:					

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees in thousand	
Discount rate	100	318,811	381,137
Future salary increase	100	381,576	317,918

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

8.13 Mortality was assumed to be based on SLIC 2001-2005 ultimate mortality rates, set back one year.

8.14 The average duration of the benefit obligation is 8 years to 9.8 years.

8.15 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
Rupees in thousand					
14,814	20,619	111,275	265,913	2,334,265	2,746,886

8.16 Estimated charge to consolidated statement of profit or loss for the year ending on 31 December 2021 will be Rupees 53.995 million.

	2020 Amount	2019 Amount
	Rupees in thousand	

9. Deferred Liabilities

Deferred income - Government grant	(Note 9.1)	23,733	-
Provision for Gas Infrastructure Development Cess (GIDC)	(Note 9.2)	7,403	-
Deferred income tax liability - net	(Note 9.3)	332,822	189,131
		363,958	189,131

9.1 Deferred income - Government grant

Recognized during the year		113,531	-
Amortized during the year	(Note 34)	(22,826)	-
		90,705	-
Current portion shown under current liabilities	(Note 13)	(66,972)	-
		23,733	-

The State Bank of Pakistan (SBP), through its Circular No. 06 of 2020 dated 10 April 2020 has introduced a temporary refinance scheme for payment of wages and salaries to the workers and employees of business concerns (the Refinance Scheme). The refinance scheme is funded by SBP. Borrowers can obtain loans from the banks and ease their cash flow constraints to avoid layoffs. One of the key feature of the refinance scheme is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company has obtained this loan as disclosed in note 5 to these consolidated financial statements. In accordance with IFRS 9 'Financial Instruments' loan obtained under the refinance scheme was initially recognized at its fair value which is the present value of loan proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the consolidated statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
9.2 Provision for Gas Infrastructure Development Cess (GIDC)		
Provision for GIDC at 31 December	20,649	-
Current portion shown under current liabilities (Note 13)	(13,246)	-
	7,403	-
9.3 Deferred income tax liability - net		
The deferred income tax liability / (asset) originated due to timing differences relating to:		
Taxable temporary differences:		
Accelerated tax depreciation	591,423	503,473
Investment in associate	34,806	19,605
Others	111	-
	626,340	523,078
Deductible temporary differences		
Allowance for expected credit losses	(63,793)	(37,230)
Provision for slow moving and obsolete stores	(6,281)	(5,871)
Provision for slow moving and obsolete stock in trade	(15,394)	(25,326)
Minimum tax carry forward	(208,050)	(265,520)
	(293,518)	(333,947)
Deferred income tax liability - net	332,822	189,131
10. Trade and other payables		
Trade creditors	3,152,940	2,293,590
Accrued liabilities	1,320,675	1,214,049
Letters of credit	202,091	180,220
Advances from customers	343,772	212,765
Provident fund payable	38,612	36,593
Provision for service warranties	33,453	23,177
Workers' profit participation fund (Note 10.1)	26,252	(8,322)
Workers' welfare fund (Note 10.2)	71,293	34,724
Income tax deducted at source	9,823	5,977
Others	19,478	13,426
	5,218,389	4,006,199
10.1 Workers' profit participation fund		
Balance at 01 January	(8,322)	(23,147)
Impact of adjustment due to adoption of IFRS 15	-	(3,716)
Allocation for the year (Note 33)	88,849	65,276
	80,527	38,413
Payments made during the year	(54,275)	(46,735)
Balance at 31 December	26,252	(8,322)

		2020 Amount	2019 Amount
Rupees in thousand			
10.2 Workers' welfare fund			
Balance at 01 January		34,724	8,302
Provision for the year	(Note 33)	41,708	33,046
		76,432	41,348
Payments during the year		(5,139)	(6,624)
Balance at 31 December		71,293	34,724
11. Accrued mark-up			
Long term financing		16,714	27,805
Short term borrowings		48,405	114,515
		65,119	142,320
12. Short term Borrowings			
From banking companies - secured			
Local banks			
Short term running finances	(Notes 12.1 and 12.2)	1,658,294	854,992
Export refinance	(Notes 12.1 and 12.3)	6,112,839	5,009,352
Import loans	(Notes 12.1 and 12.4)	-	303,512
		7,771,133	6,167,856
Foreign bank			
Short term running finance	(Note 12.5)	97,698	116,353
		7,868,831	6,284,209

12.1 These short term borrowings are obtained from banking companies under mark-up arrangements and are secured by hypothecation of present and future current assets, joint pari passu charge over plant and machinery of the Group Companies and cross corporate guarantees of the Holding Company. These form part of total credit facilities of Rupees 13,980.000 million (2019: Rupees 10,740 million).

12.2 The rates of mark-up range from 7.28% to 14.56% (2019: 10.75% to 14.86%) per annum..

12.3 The rates of mark-up range from 2.20% to 3.00% (2019: 2.20% to 3.00%) per annum.

12.4 The rates of mark-up range from 2.4% to 3.75% (2019: 2.4% to 3.75%) per annum.

12.5 This facility is obtained from MCB Bank Limited, Sri Lanka. This facility carries mark-up at the rate of LIBOR + 3% (2019: LIBOR + 3%) per annum and is secured by way of lien over export purchase orders.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
		Rupees in thousand	
13. Current portion of non-current liabilities			
Long term financing	(Notes 5)	1,359,078	736,252
Lease liabilities	(Note 7)	102,316	211,433
Deferred income - Government grant	(Note 9.1)	66,972	-
Provision for GIDC	(Note 9.2)	13,246	-
		1,541,612	947,685

14. Contingencies and Commitments

14.1 Contingencies

14.1.1 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Holding Company for failure to pay leviable sales tax and income tax of Rupees 18.630 million and Rupees 4.108 million respectively at import of tyre cord fabrics during the period from August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of SRO 509 (1)/2007 dated 09 June 2007. The case has been remanded back by the Appellate Tribunal Inland Revenue (ATIR), Lahore to the Commissioner Inland Revenue Appeals [CIR (Appeals)], Lahore, which is still pending. According to legal counsel, the Holding Company has a good arguable case and there is likelihood that the same will be decided in its favour.

14.1.2 Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Holding Company. In the first case the alleged amount recoverable by the PESSI is Rupees 4.804 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 1.982 million is recoverable by the Holding Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Holding Company by the Director General Recovery PESSI, Lahore. In the third case, Rupees 31.807 million is recoverable by PESSI. This case was decided in the favour of the Holding Company in the year 2013, however, the case is re-opened in the year 2014. The Holding Company has filed an appeal before Social Security Court, Lahore against the aforesaid cases. During the pendency of the matter PESSI sent a recovery notice for the same amount. The Holding Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel, the Holding Company has strong legal grounds for its success.

14.1.3 Deputy Commissioner Inland Revenue (DCIR) initiated a case against the Holding Company after post sales tax refund audit in which demand of Rupees 27.922 million was raised. The Holding Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.650 million. The Holding Company had further filed an appeal before ATIR against said points. The management of the Holding Company is confident that decision will be in favour of the Holding Company. Hence, no provision has been made in these consolidated financial statements.

14.1.4 DCIR initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.707 million was created. The Holding Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10.000 million and remanded back certain charges to the tune of 172.707 million. The Holding Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. The management of the Holding Company is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.

14.1.5 CIR initiated income tax audit for the year 2014 in which a demand of Rupees 123.412 million was created. The Holding Company filed an appeal before CIR (Appeals) who remitted back the proceedings to the department for de-novo consideration in its order dated 29 October 2020. The Holding Company has filed an appeal before ATIR against said points. The management of the Holding Company is confident that decision will be in favour of the Holding Company. Hence, no provision has been made in these consolidated financial statements.

14.1.6 The Holding Company received show cause notice dated 14 December 2018 for which detailed reply was furnished to Assistant Commissioner Unit-07 Sindh Revenue Board (SRB). Taxation officer subsequently passed assessment order under section 47 read with section 44 of the Sindh Sales Tax on Services Act, 2011 demanding sales tax amounting to Rupees 30.572 million. Aggrieved with impugned order, the Holding Company has preferred an appeal to the Commissioner Appeals SRB, which is pending adjudication. Based on merits of the case and advice of the tax advisor, no provision against this demand has been recognized in these consolidated financial statements.

- 14.1.7** Honourable Lahore High Court has allowed a petition filed by the Holding Company against show-cause notice issued by DCIR amounting to Rupees 13.076 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision of Honourable Lahore High Court in Honourable Supreme Court of Pakistan which is pending for hearing. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.8** DCIR conducted income tax audit for the year 2011 in which a demand of Rupees 19.605 million was created. The Holding Company filed an appeal before CIR (Appeals) who confirmed the demand of Rupees 12.989 million and remanded back certain charges amounting to Rupees 6.616 million in its order dated 07 August 2020. The Holding Company has filed an appeal before ATIR against said points. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.9** The Group has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The learned single judge of Honourable Lahore High Court has dismissed the writ petition of Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company, therefore intra-court appeal has been filled. Consequently, Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company has claimed input sales tax on packing material of Rupees 58.123 million in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.
- 14.1.10** Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court, Lahore has passed order against 'Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company and 'Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company being aggrieved with the order has preferred Intra Court Appeal before the Honourable Lahore High Court, Lahore. 'Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company has claimed input sales tax of Rupees 21.784 million on such goods in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favourable outcome of its appeal.
- 14.1.11** DCIR initiated income tax cases of tax years 2006 and 2008. A demand of Rupees 12.774 million and Rupees 68.406 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Holding Company without discussing the merits of the cases. The Holding Company has filed appeal with ATIR which is pending for hearing. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.12** CIR passed an order regarding CREST discrepancies of sales tax for an amount of Rupees 10.324 million. The Holding Company filed an appeal with ATIR which is pending for hearing. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.13** Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 1,686.555 million (2019: Rupees 950.008 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- 14.1.14** Guarantees issued in ordinary course of business of the holding company through banks are of Rupees 958.318 million (2019: Rupees 879.505 million).

14.2 Commitments

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

14.2.1 Contracts for capital expenditure are approximately of Rupees 12,396.763 million (2019: Rupees 88.215 million).

14.2.2 Letters of credit other than capital expenditure are of Rupees 2,786.092 million (2019: Rupees 515.023 million).

14.2.3 Vehicles are obtained under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of four years. Ijarah rentals are payable on half yearly and monthly basis. Future Ujrah payments under Ijarah are as follows:

	2020	2019
	Amount	Amount
	Rupees in thousand	
Not later than one year	65,435	70,917
Later than one year and not later than five years	106,257	109,932
	171,692	180,849

15. FIXED ASSETS

Operating fixed assets	(Note 15.1)	8,708,099	7,016,077
Capital work-in-progress	(Note 15.2)	858,827	252,224
		9,566,926	7,268,301

15.1 Reconciliations of carrying amounts of operating fixed assets at the beginning and at the end of the year are as follows:

Description	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
	←-----Rupees in thousand----->									
At 31 December 2018										
Cost	6,551	49,279	7,071	1,616,179	5,491,492	60,367	50,180	1,369,120	307,375	8,957,614
Currency retranslation	473	7,489	-	-	9,850	482	2,688	2,288	-	23,270
	7,024	56,768	7,071	1,616,179	5,501,342	60,849	52,868	1,371,408	307,375	8,980,884
Accumulated depreciation	(195)	(3,811)	-	(488,917)	(1,926,640)	(30,314)	(23,426)	(578,951)	(69,399)	(3,121,653)
Currency retranslation	(116)	(4,952)	-	-	(7,866)	(431)	(2,397)	(1,560)	-	(17,322)
	(311)	(8,763)	-	(488,917)	(1,934,506)	(30,745)	(25,823)	(580,511)	(69,399)	(3,138,975)
Net book value	6,713	48,005	7,071	1,127,262	3,566,836	30,104	27,045	790,897	237,976	5,841,909
Year ended 31 December 2019										
Opening net book value	6,713	48,005	7,071	1,127,262	3,566,836	30,104	27,045	790,897	237,976	5,841,909
Additions	-	-	-	428,636	1,241,827	9,787	7,399	183,172	24,436	1,895,257
Disposals / written off:										
Cost	-	-	(655)	-	(9,388)	(13)	(2,426)	(4,289)	(14,514)	(31,285)
Accumulated depreciation	-	-	(655)	-	7,982	13	1,583	1,932	2,915	14,425
	-	-	(655)	-	(1,406)	-	(843)	(2,357)	(11,599)	(16,860)
Depreciation	(159)	(3,748)	-	(128,251)	(436,938)	(3,780)	(5,885)	(109,054)	(30,579)	(718,394)
Currency retranslation	829	5,885	-	-	4,625	138	547	2,141	-	14,165
Closing net book value	7,383	50,142	6,416	1,427,647	4,374,944	36,249	28,263	864,799	220,234	7,016,077
At 31 December 2019										
Cost	7,024	56,768	6,416	2,044,815	6,733,781	70,623	57,841	1,550,291	317,297	10,844,856
Currency retranslation	870	7,029	-	-	6,527	252	1,210	2,642	-	18,530
	7,894	63,797	6,416	2,044,815	6,740,308	70,875	59,051	1,552,933	317,297	10,863,386
Accumulated depreciation	(470)	(12,511)	-	(617,168)	(2,363,462)	(34,512)	(30,125)	(687,633)	(97,063)	(3,842,944)
Currency retranslation	(41)	(1,144)	-	-	(1,902)	(114)	(663)	(501)	-	(4,365)
	(511)	(13,655)	-	(617,168)	(2,365,364)	(34,626)	(30,788)	(688,134)	(97,063)	(3,847,309)
Net book value	7,383	50,142	6,416	1,427,647	4,374,944	36,249	28,263	864,799	220,234	7,016,077

Description	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
	←-----Rupees in thousand----->									
At 31 December 2020										
Opening net book value	7,383	50,142	6,416	1,427,647	4,374,944	36,249	28,263	864,799	220,234	7,016,077
Additions	789,114	-	135,661	71,383	379,913	7,401	49,929	98,615	61,897	1,593,913
Completion date adjustment under the Scheme	-	-	245,975	237,430	443,758	-	-	-	-	927,163
Disposals / written off:										
Cost	-	-	-	-	(12,441)	(610)	(10,566)	(6,655)	(23,758)	(56,030)
Accumulated depreciation	-	-	-	-	10,466	138	4,021	7,128	8,418	30,171
Depreciation	(4,136)	(2,726)	-	(146,956)	(480,231)	(4,334)	(12,959)	(116,850)	(35,707)	(803,899)
Currency retranslation	30	225	-	-	253	13	85	98	-	704
Closing net book value	792,391	47,641	388,052	1,589,504	4,716,662	38,857	58,773	845,135	231,084	8,708,099
At 31 December 2020										
Cost	797,008	63,797	388,052	2,353,628	7,551,538	77,666	98,414	1,642,893	355,436	13,328,432
Currency retranslation	(120)	224	-	-	207	8	124	47	-	490
Accumulated depreciation	(4,647)	(16,381)	-	(764,124)	(2,835,129)	(38,822)	(39,726)	(797,856)	(124,352)	(4,621,037)
Currency retranslation	150	1	-	-	46	5	(39)	51	-	214
	(4,497)	(16,380)	-	(764,124)	(2,835,083)	(38,817)	(39,765)	(797,805)	(124,352)	(4,620,823)
Net book value	792,391	47,641	388,052	1,589,504	4,716,662	38,857	58,773	845,135	231,084	8,708,099
Annual rate of depreciation (%)	1.22-2	05	-	5-10	10	5-20	5-20	5-30	10	-

15.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed / written off during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
<-----Rupees in thousand----->							
Leasehold improvements							
Wapda Town Shop	14,220	6,185	8,035	-	(8,035)	Written off	-
Peshawar Shop	8,377	1,995	6,382	7,271	889	Insurance claim	Jubilee General Insurance Company Limited, Lahore.
Vehicles							
Mercedes-Benz IEC-14-6719	2,225	734	1,491	6,109	4,618	Negotiation	Mr. Arif Saeed, Company's Director
Mercedes-Benz IED-14-6010	2,229	915	1,314	1,314	-	Negotiation	Mr. Ahmad Javed, Company's Director
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	28,979	20,342	8,637	11,200	2,563		
	56,030	30,171	25,859	25,894	35		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
		Rupees in thousand	
15.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	(Note 30)	714,820	651,892
Distribution cost	(Note 31)	48,255	41,134
Administrative expenses	(Note 32)	36,606	25,368
Capital work-in-progress - unallocated expenses	(Note 15.2.2)	4,218	-
		803,899	718,394

15.1.3 Particulars of immovable properties are as follows:

Head office and manufacturing units	Address	Area of land Sq. Feet
Head office	2 - Main Gulberg, Lahore.	29,842
Manufacturing unit		
Gujrat factory and residential colony	G.T. Road, Gujrat.	2,038,608
Muridke factory and residential colony	10 - KM, Muridke - Sheikhpura Road, Muridke.	1,346,930
Manufacturing unit	60-B, Ring Road, Phase 2, Export Processing Zone (EPZ), Katunayake, Sri Lanka.	44,475
		3,430,013
Land		
Freehold land	Hadbast Manga Otar, Raiwind, Lahore.	255,915
Leasehold land	Sindh Industrial Trading Estates Area, Nooriabad District, Jamshoro.	2,178,000
		2,433,915

15.2 Capital work-in-progress

Civil works		487,923	-
Advance for purchase of land		-	40,355
Building		161,691	70,144
Plant and machinery		101,465	122,171
Furniture and fixtures		1,246	380
Service equipment		46,225	19,174
Advance against purchase of vehicle		3,728	-
Unallocated Expenses	(Note 15.2.2)	56,549	-
		858,827	252,224

15.2.1 Reconciliation of capital work-in-progress

Balance at 01 January		252,224	1,219,779
Additions during the year		1,393,252	913,292
Transferred during the year		(786,649)	(1,880,847)
Balance at 31 December		858,827	252,224

		2020 Amount	2019 Amount
Rupees in thousand			
15.2.2 Unallocated expenses			
Salaries, wages and other benefits	(Note 15.2.3)	24,527	-
Legal and professional charges		496	-
Rent, rates and taxes		2,420	-
Fuel and power		781	-
Travelling and conveyance		2,803	-
Consultancy charges		17,322	-
Communication expenses		158	-
Vehicles running expenses		160	-
Printing and stationery		212	-
Safety and security expenses		1,942	-
Depreciation on operating fixed assets	(Note 15.1.2)	4,218	-
Miscellaneous		1,510	-
		56,549	-

15.2.3 Salaries, wages and other benefits include Rupees 0.222 million in respect of provident fund contribution by the Subsidiary Company.

16. Right-of-use assets

Reconciliation of carrying amount of right-of-use assets

Balance at 01 January		1,403,090	-
Recognition on initial application of IFRS 16		-	1,358,761
Additions during the year		680,539	237,068
Impact of lease modification / termination		(268,006)	-
Deperation for the year	(Note 16.2)	(196,744)	(192,739)
Balance at 31 December		1,618,879	1,403,090

16.1 Lease of buildings

The Holding Company obtained buildings on lease for godowns and shops. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease periods range from six to fifteen years.

There are certain leases of buildings with lease term of twelve months or less. As per IFRS-16, recognition exemption of 'short-term lease' and 'lease of low value assets' has been applied.

There is no impairment against right-of-use assets.

16.2 The depreciation charge for the year has been allocated as follows:

Cost of sales	(Note 30)	11,227	-
Distribution cost	(Note 31)	185,517	192,739
		196,744	192,739

17. Intangible Assets

Computer softwares	(Note 17.1)	1,271	2,688
Goodwill	(Note 17.2)	38,236	38,102
Balance at the end of the year		39,507	40,790

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
17.1 Computer software		
Cost		
At 01 January	44,916	43,475
Additions during the year	-	1,441
At 31 December	44,916	44,916
Amortization		
At 01 January	(42,228)	(40,913)
Charge for the year	(1,417)	(1,315)
	(43,645)	(42,228)
Net book value at 31 December	1,271	2,688

17.1.1 Intangible assets - computer software has been amortized at the rate of 33.33% per annum.

17.1.2 Amortization on intangible assets - computer software has been allocated as follows:

		2020	2019
Distribution cost	(Note 31)	833	853
Administrative expenses	(Note 32)	584	462
		1,417	1,315

17.2 Goodwill

At 01 January	38,102	33,904
Effect of movements in exchange rates	134	4,198
At 31 December	38,236	38,102

17.2.1 This represents goodwill arising on acquisition of Service Shoes Lanka (Private) Limited - Subsidiary Company.

18. Long term investments

Investment in associate (with significant influence) - under equity method	(Note 18.1)	466,107	517,616
Investment in joint ventures - at cost	(Note 18.2)	240	480
Other investment - at FVTOCI	(Note 18.3)	91,410	24,550
		557,757	542,646

Speed (Private) Limited		Jomo Technologies (Private) Limited		Total	
2020	2019	2020	2019	2020	2019
Rupees in thousand					

18.1 Cost of investment	342,526	342,526	40,000	-	382,526	342,526
Share of post acquisition reserve						
As at the beginning of the year	175,090	141,858	-	-	175,090	141,858
Adjustment due to adoption of IFRS 16	(58,532)	-	-	-	(58,532)	-
Share of post acquisition (loss) / profit for the year	(20,478)	33,232	(12,499)	-	(32,977)	33,232
	96,080	175,090	(12,499)	-	83,581	175,090
	438,606	517,616	27,501	-	466,107	517,616

18.1.1 Summary of financial information of associates
as per un-audited financial statements for the year:

Current assets	1,419,662	1,373,164	219,922	-
Non-current assets	632,026	269,050	75,120	-
Current liabilities	482,089	412,281	178,806	-
Non-current liabilities	561,319	1,970	2,399	-
Revenue - net for the year	1,803,053	2,298,065	53,493	-
Expenses for the year	1,859,990	2,205,659	144,222	-
(Loss) / profit for the year	(56,937)	92,406	(90,729)	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive (loss) / income for the year	(56,937)	92,406	(90,729)	-
Adjustment due to adoption of IFRS 16	(162,746)	-	-	-
Net assets of the associates	1,008,280	1,227,963	113,837	-
Percentage of holding	35.97%	35.97%	19.55%	-
Share in net assets of associates	362,683	441,693	22,259	-
18.1.2 Breakup value per share (Rupees)	1,374	1,674	0.56	-
18.1.3 Reconciliation to carrying amount:				
Share in net assets of associates	362,683	441,693	22,259	-
Add: Goodwill	75,923	75,923	5,242	-
Carrying value of investments in associates	438,606	517,616	27,501	-

18.1.4 The registered office of Speed (Private) Limited is situated at Office No. 1, First Floor, Service Club Extension Building, Mereweather Road, Karachi. Speed (Private) Limited is primarily engaged in business of distribution of international brands of footwear, apparel, watches, bags, sunglasses etc.

18.1.5 The registered office of Jomo Technologies (Private) Limited is situated at Servis House, 2-Main Gulberg, Lahore. Jomo Technologies (Private) Limited is primarily engaged in business of online marketing and sales of consumer goods and other goods.

		2020	2019
		Amount	Amount
		Rupees in thousand	
18.2 Investment in joint ventures - at cost			
S2 Power Limited			
24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each		240	240
S2 Hydro Limited			
24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each		240	240
		480	480
Impairment loss recognized against investment in S2 Power Limited	(Note 33)	(240)	-
		240	480
18.3 Other investment - at FVTOCI			
TRG Pakistan Limited			
1,000,000 (2019: 1,000,000) fully paid ordinary shares of Rupees 10 each		22,050	22,050
Fair value adjustment		69,360	2,500
		91,410	24,550

Notes to the Consolidated Financial Statements

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		2020 Amount	2019 Amount
Rupees in thousand			
19. Long term loans to employees			
Considered good:			
Executives	(Notes 19.1, 19.2 and 19.3)	28,230	35,919
Other employees	(Note 19.3)	4,462	4,393
		32,692	40,312
Current portion shown under current assets	(Note 24)		
Executives		(14,438)	(14,738)
Other employees		(1,817)	(543)
		(16,255)	(15,281)
		16,437	25,031
19.1 Reconciliation of carrying amount of loans to executives:			
Balance as at 01 January		35,919	27,286
Disbursements during the year		9,500	25,155
Repayments during the year		(17,189)	(16,522)
Balance as at 31 December		28,230	35,919
19.2	Maximum aggregate balance due from executives at the end of any month during the year was Rupees 35.526 million (2019: Rupees 43.025 million).		
19.3	These represent interest free loans to executives and employees for general purposes and house building, which are recoverable in monthly installments over a period of 1 to 7 years and are secured by a charge on the assets purchased and / or amount due to the employees against retirement benefits.		
19.4	The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments' arising in respect of staff loans is not considered material and hence not recognized.		
20. Long Term Security Deposits			
Security deposits against Ijarah		27,503	27,874
Security deposits against right-of-use assets		63,187	53,122
Security deposits - others		31,652	31,175
		122,342	112,171
Current portion shown under current assets	(Note 25)	(6,997)	(15,806)
		115,345	96,365
21. Stores, spares and loose tools			
Machinery spares		63,761	74,036
Stores		235,719	240,454
Loose tools		4,982	4,532
		304,462	319,022
Provision for slow moving and obsolete items	(Note 21.1)	(27,674)	(29,623)
		276,788	289,399

	2020 Amount	2019 Amount
	Rupees in thousand	
21.1 Provision for slow moving and obsolete items		
Balance at 01 January	29,623	24,395
Provision made during the year	2,126	6,756
Reversal of provision during the year	(4,075)	(1,528)
Net (reversal) / charge of provision	(1,949)	5,228
Balance at 31 December	27,674	29,623
22. Stock-In-Trade		
Raw materials (Note 22.1)	2,706,529	2,506,506
Packing materials	90,288	99,340
Work-in-process	700,755	474,140
Finished goods (Note 22.2 and 23.3)		
- Own production	2,154,857	2,181,307
- Purchased	776,083	791,629
	2,930,940	2,972,936
	6,428,512	6,052,922
Provision for slow moving and obsolete items (Note 22.5)	(93,252)	(149,164)
	6,335,260	5,903,758
22.1	These include stock in transit of Rupees 631.835 million (2019: Rupees 626.848 million).	
22.2	These include stock in transit of Rupees 108.318 million (2019: Rupees 187.735 million).	
22.3	Finished goods of Rupees 127.478 million (2019: Rupees 278.600 million) are being carried at net realizable value.	
22.4	The aggregate amount of Rupees 7.876 million (2019: Rupees 66.053 million) has been charged to cost of sales, being the cost of inventory written down during the year.	
22.5 Provision for slow moving and obsolete items		
Balance at 01 January	149,164	130,029
Provision made during the year	73,299	154,210
Reversal of provision during the year	(64,868)	(135,075)
Net charge / (reversal) of provision	8,431	19,135
Stock written off during the year against provision	(64,343)	-
Balance at 31 December	93,252	149,164
23. Trade debts		
Considered good:		
Secured:		
- Against irrevocable letters of credit	704,473	365,276
Unsecured:		
- Related party (Note 23.1, 23.2 and 23.3)	94,539	-
- Others (Note 23.4)	4,087,013	3,424,237
	4,181,552	3,424,237
	4,886,025	3,789,513
Allowance for expected credit losses (Note 23.5)	(252,902)	(171,777)
	4,633,123	3,617,736

Notes to the Consolidated Financial Statements

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	2020 Amount Rupees in thousand	2019 Amount
23.1 This represents amounts due from following related parties:		
Jomo Technologies (Private) Limited - associated company	94,539	-
23.2 The maximum aggregate amount receivable from related party at the end of any month during the year was as follows:		
Jomo Technologies (Private) Limited	94,539	-
23.3 As at the 31 December 2020, trade debts due from related party amounting to Rupees 77.885 million (2019: Rupees Nil) was past due but not impaired. The ageing analysis of this trade debts is as follows:		
Upto 1 month	31,727	-
1 to 6 months	46,158	-
More than 6 months	-	-
Balance at the end of the year	77,885	-
23.4 As at 31 December 2020, trade debts due from other than related parties of Rupees 959.313 million (2019: Rupees 1,577.425 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:		
Upto 1 month	413,781	665,180
1 to 6 months	274,135	585,384
More than 6 months	271,397	326,861
	959,313	1,577,425
23.5 Allowance for expected credit losses		
Balance at 01 January	171,777	70,929
Impact of adjustment due to adoption of IFRS 9	-	51,358
Recognition of expected credit losses during the year (Note 33)	107,049	88,054
Trade debts written off against expected credit losses (Note 23.6)	(25,924)	(38,564)
Balance at 31 December	252,902	171,777
23.6 During the year, trade debts of Rupees 25.924 million (2019: Rupees 38.564 million) have been written off against allowance for expected credit losses. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.		
24. Loans and advances		
Considered good:		
Advances to staff	5,053	4,288
Current portion of long term loans to employees (Note 19)	16,255	15,281
Advances to suppliers	94,524	124,749
Letters of credit	708,179	464,326
Loan to the associate (Note 24.1)	50,000	50,000
Others (Note 24.2)	18,125	25,651
	892,136	684,295

24.1 This represents loan given to Speed (Private) Limited - associated company for a period ending on 13 November 2021. It is neither past due nor impaired. It carries interest at the rate of 3 months KIBOR + 0.50% (2019: 3 months KIBOR + 0.50%) per annum. The maximum aggregate amount due from the associate at the end of any month during the year was Rupees 50.000 million (2019: 50.000 million).

	2020	2019
	Amount	Amount
	Rupees in thousand	
24.2 These include amount due from following related parties:		
S2 Power Limited - joint venture	2,691	2,073
S2 Hydro Limited - joint venture	11,476	11,476
	14,167	13,549
Impairment loss against advance to S2 Power Limited - joint venture (Note 33)	(2,691)	-
	11,476	13,549
24.2.1 The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:		
S2 Power Limited - joint venture	2,691	2,073
S2 Hydro Limited - joint venture	11,476	11,476
SBL Trading (Private) Limited - associated company	-	94
25. Trade deposits and prepayments		
Security deposits	208,752	115,762
Prepayments	28,758	20,617
Current portion of long term security deposits (Note 20)	6,997	15,806
	244,507	152,185
26. Other Receivables		
Considered good:		
Duty draw back	237,548	460,237
Custom duty rebate	402,052	220,248
Advance income tax (Note 26.1)	802,940	836,026
Sales tax	459,918	730,178
Others	27,145	26,700
	1,929,603	2,273,389
26.1 Advance income tax - net		
Advance income tax	1,341,485	1,243,890
Provision for taxation	(538,545)	(407,864)
	802,940	836,026
27. Accrued Interest		
On term deposit receipts	4,189	634
Receivable from associate (Note 27.1)	1,217	792
	5,406	1,426
27.1 This represents interest accrued on loan given to Speed (Private) Limited - associated company. It is neither past due nor impaired. The maximum aggregate amount receivable at the end of any month during the year was Rupees 4.002 million (2019: 0.792 million).		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
Rupees in thousand			
28. Cash and bank balances			
With banks:			
On current accounts			
Local currency		995,063	25,449
Foreign currency	(Note 28.1)	9,771	2,096
		1,004,834	27,545
On saving accounts			
Local currency	(Note 28.2)	19,352	5,841
Foreign currency	(Note 28.3)	220	5,808
		19,572	11,649
		1,024,406	39,194
Term deposit receipts	(Note 28.4)	3,156,623	49,500
		4,181,029	88,694
Cash in transit		5,135	2,178
Cash in hand		9,401	12,676
		4,195,565	103,548

28.1 These include USD 56,061 (2019: USD 1,395), EURO 2,692.62 (2019: EURO 10,575.25) and LKR 2,671,423 (2019: LKR 632,828).

28.2 Rates of profit on saving accounts range from 5.50% to 12.02% (2019: 8.25% to 11.40%) per annum.

28.3 This represents USD 1,373 (2019: USD 37,490), and rate of profit on foreign currency account ranges from 0.50% to 1.35% (2019: 1.36% to 1.60%) per annum.

28.4 Effective interest rates on term deposit receipts range from 5.10% to 13.65% (2019: 8.85% to 13.65%) per annum. Maturity period of these term deposit receipts is from 4 days to 3 months (2019: 3 months).

29. Sales-net

Export sales		9,873,219	10,152,992
Discounts, commissions etc.		(190,093)	(246,622)
		9,683,126	9,906,370
Local sales		27,171,834	24,520,374
Sales tax		(4,348,552)	(3,314,813)
Discounts, commissions etc.		(1,521,230)	(1,306,998)
		21,302,052	19,898,563
Duty draw back	(Note 29.2)	174,833	253,388
		31,160,011	30,058,321

	2020 Amount	2019 Amount
	Rupees in thousand	
29.1 Sales of footwear - net		
Export sales	8,181,748	8,607,812
Local sales	4,347,718	5,005,348
Duty draw back	174,833	253,388
	12,704,299	13,866,548
Sales of tyres - net		
Export sales	1,501,378	1,298,558
Local sales	16,492,200	14,662,034
	17,993,578	15,960,592
Sales of technical rubber products - net		
Local sales	462,134	231,181
	31,160,011	30,058,321

29.2 Service Global footwear Limited - Subsidiary Company achieved growth of more than 10% in its export sales for the period from 01 July 2019 to 31 March 2020. In view of the impacts of COVID-19 (Corona Virus), Service Global footwear Limited - Subsidiary Company could not maintain more than 10% growth in its export sales for the twelve months from 01 July 2019 to 30 June 2020. However, Service Global footwear Limited - Subsidiary Company through Pakistan Footwear Manufacturers Association has represented before Advisor for Commerce and Investment, Ministry of Commerce, Government of Pakistan to allow drawback of the remaining 50% of the rate of drawback that was conditional upon Service Global footwear Limited - Subsidiary Company achieving an increase of 10% or more in exports during the financial year 2019-20 under the Local Taxes and Levies Drawback (Non-Textile) Order, 2018 based on achievement of more than 10% growth in exports till the spread of COVID-19. The management of Service Global footwear Limited - Subsidiary Company through Pakistan Footwear Manufacturers Association is actively pursuing its request and are hopeful of a favorable outcome. In case the request of Service Global footwear Limited - Subsidiary Company is granted by the Government, Service Global Footwear Limited - Subsidiary Company shall be entitled to a further drawback of Rupees 89.887 million.

30. Cost of sales

Raw materials consumed	(Note 30.1)	15,442,531	15,484,029
Processing charges		8,328	-
Salaries, wages and other benefits	(Note 30.2)	3,711,615	3,551,956
Stores and spares consumed		398,118	321,194
Packing materials consumed		791,206	829,229
Fuel and power		1,024,230	1,040,460
Insurance		31,053	26,775
Travelling		15,610	26,878
Repair and maintenance		213,212	195,445
Entertainment		5,414	5,775
Rent, rates and taxes		1,600	-
Depreciation on operating fixed assets	(Note 15.1.2)	714,820	651,892
Depreciation on right-of-use-aset	(Note 16.2)	11,227	-
Provision for slow moving and obsolete inventory		6,482	24,363
Other manufacturing charges		126,661	221,544
		22,502,107	22,379,540

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
Work-in-process		
Opening stock	474,140	423,069
Closing stock	(700,755)	(474,140)
	(226,615)	(51,071)
Cost of goods manufactured	22,275,492	22,328,469
Finished goods		
Opening stock	2,972,936	2,195,903
Purchases during the year	2,534,893	2,775,810
Closing stock	(2,930,940)	(2,972,936)
	2,576,889	1,998,777
	24,852,381	24,327,246

30.1 Raw materials consumed

Opening stock	2,506,506	1,545,085
Purchases during the year	15,642,554	16,445,450
Closing stock	(2,706,529)	(2,506,506)
Raw materials consumed during the year	(Note 30.3) 15,442,531	15,484,029

30.2 Salaries, wages and other benefits include Rupees 123.919 million (2019: Rupees 126.735 million) and Rupees 30.298 million (2019: Rupees 27.317 million) in respect of provident fund contribution and gratuity fund contribution.

30.3 Custom duty rebate for the year amounting to Rupees 164.338 million (2019: Rupees 143.749 million) has been adjusted against raw materials consumed.

31. Distribution Cost

Salaries and other benefits	(Note 31.1)	415,557	358,155
Freight and insurance		502,904	551,598
Advertisement and publicity		268,237	349,464
Entertainment		9,558	15,334
Samples		180,456	180,789
Depreciation on operating fixed assets	(Note 15.1.2)	48,255	41,134
Depreciation on right-of-use-assets	(Note 16.2)	185,517	192,739
Amortization on intangible assets	(Note 17.1.2)	833	853
Rent, rates and taxes	(Note 31.2 and 31.3)	33,161	7,542
Postage and courier		81,584	78,467
Fuel and power		44,493	44,294
Travelling and conveyance		54,578	86,408
Others		47,737	87,538
		1,872,870	1,994,315

31.1 Salaries and other benefits include Rupees 11.773 million (2019: Rupees 9.622 million) and Rupees 4.515 million (2019: Rupees 15.459 million) in respect of provident fund contribution and gratuity fund contribution.

31.2 These include rent expense of Rupees 20.651 million (2019: Rupees Nil) relating to shops not classified as lease due to sale based rent.

31.3 These include rent expense of Rupees 1.141 million (2019: Rupees 1.038 million) relating to leases of low value assets.

		2020 Amount Rupees in thousand	2019 Amount
32. Administrative Expenses			
Salaries and other benefits	(Note 32.1)	1,038,618	899,725
Communication		20,554	23,516
Printing and stationery		10,820	12,412
Travelling and conveyance		23,202	55,544
Entertainment		27,276	28,651
Vehicles' running		23,671	33,614
Insurance		6,236	4,423
Rent, rates and taxes	(Note 32.2)	25,264	21,874
Fuel and power		22,815	26,628
Repairs and maintenance		14,023	15,613
Auditor's remuneration	(Note 32.3)	7,311	6,221
Legal and professional		81,066	41,996
Incorporation expenses		-	156
Fee and subscription		24,970	3,507
Depreciation on operating fixed assets	(Note 15.1.2)	36,606	25,368
Amortization on intangible assets	(Note 17.1.2)	584	462
Ijarah rentals		65,080	66,056
Computer running expenses		17,759	12,987
Advertisement		16	348
General expenses		68,175	49,165
		1,514,046	1,328,266
32.1	Salaries and other benefits include Rupees 26.007 million (2019: Rupees 21.598 million) and Rupees 19.262 million (2019: Rupees 16.577 million) in respect of provident fund contribution and gratuity fund contribution.		
32.2	This includes rent expense of Rupees 6.116 million (2019: Rupees 5.560 million) and Rupees 2.555 million (2019: Rupees 0.913 million) relating to short term leases and leases of low value assets respectively.		
32.3 Auditor's remuneration:			
Audit fee		4,559	3,577
Special audit fee		1,150	1,695
Half yearly review		737	670
Other certification services		325	75
Reimbursable expenses		540	204
		7,311	6,221
33. Other Expenses			
Donations	(Note 33.1)	61,998	49,705
Workers' profit participation fund	(Note 10.1)	88,849	65,276
Workers' welfare fund	(Note 10.2)	41,708	33,046
Loss on modification of leases - net		3,546	-
Operating fixed asset written off	(Note 15.1.1)	8,035	-
Loss on sale of operating fixed assets		-	5,005
Allowance for expected credit losses	(Note 23.5)	107,049	88,054
Impairment loss recognized on investment in S2 Power Limited - joint venture	(Note 18.2)	240	-
Impairment loss against advance to S2 Power Limited - joint venture	(Note 24.2)	2,691	-
		314,116	241,086

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

		2020 Amount	2019 Amount
Rupees in thousand			
33.1	The names of donees to whom donation amount exceeds Rupees 6.200 million (2019: Rupees 4.970 million) are as follows:		
	Service Foundation (Note 33.1.1)	32,156	7,096
	Shalamar Hospital (Note 33.1.2)	12,177	12,962
	Kidney Centre Gujrat (Note 33.1.3)	-	11,000
	The Citizens Foundation (Note 33.1.4)	-	5,600
	Wise Education Society (Note 33.1.4)	-	5,000
		49,031	45,002

33.1.1 Mr. Chaudhry Ahmed Javed, Chairman of the Holding Company, Mr. Arif Saeed, Chief Executive of the Holding Company, Mr. Omar Saeed, Director of the Holding Company and Mr. Hassan Javed, Director of the Holding Company are members of Board of Governors.

33.1.2 Mr. Omar Saeed of the Holding Company is a Trustee.

33.1.3 Mr. Omar Saeed and Mr. Hassan Javed, Directors of the Holding Company are members of Board of Governors.

33.1.4 There is no interest of any director or his spouse in donees' fund.

34. Other Income

Income from financial assets

Return on bank deposits		74,494	2,326
Interest on loan to the associate		5,136	792
Exchange gain - net		193,819	402,192

Income from non-financial assets

Amortization of deferred income - Government grant	(Note 9.1)	22,826	-
Gain on initial recognition of provision for GIDC		1,786	-
Gain on termination of leases - net		17,705	-
Gain on sale of operating fixed assets - net		8,070	-
Scrap sales and others		52,349	39,194
Rental income		-	3,906

376,185 448,410

35. Finance Cost

Mark-up / interest on:			
- long term financing		389,130	344,632
- short term borrowings		379,346	495,757
- lease liabilities	(Note 7.1)	171,888	160,867
- provision for GIDC		591	-
Bank charges and commission		58,418	61,173

999,373 1,062,429

		2020 Amount	2019 Amount
		Rupees in thousand	
36. Taxation			
Current	(Note 36.1)	424,839	376,313
Prior year		(1,061)	3,350
Deferred tax		143,691	(152,051)
		567,469	227,612
36.1	Except for Service Shoes Lanka (Private) Limited – Subsidiary Company, provision for current income tax is made in accordance with the relevant provisions of the Income Tax Ordinance, 2001. Provision for current tax relating to Service Shoes Lanka (Private) Limited – Subsidiary Company is computed in accordance with the tax legislation enforce in Sri Lanka.		
37. Earnings Per Share - Basic And Diluted			
There is no dilutive effect on the basic earnings per share which is based on:			
Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)		1,322,475	1,372,058
Weighted average number of ordinary shares of the Holding Company (Numbers)		23,493,727	23,493,727
Basic earnings per share (Rupees)		56.29	58.40
38. Cash Generated from Operations			
Profit before taxation		1,891,901	1,586,621
Adjustments for non-cash charges and other items:			
Depreciation		799,681	718,394
Depreciation on right-of-use-assets		196,744	192,739
Amortization on intangible assets		1,417	1,315
Gain on initial recognition of provision for GIDC		(1,786)	-
Exchange gain - net		(193,819)	(402,192)
Provision for gratuity		57,596	59,353
Finance cost		999,374	1,062,429
Provision for workers' profit participation fund		88,849	65,276
Provision for workers' welfare fund		41,708	33,046
Charge of provision for slow moving and obsolete inventory		6,482	24,363
Allowance for expected credit losses		107,049	88,054
Return on bank deposits, term deposit receipts and loan to associate		(79,630)	(3,118)
Loss on modification of leases		3,546	-
Amortization of deferred income - Government grant		(22,826)	-
Gain on termination of leases		(17,705)	-
Share of loss / (profit) in equity accounted investees		91,509	(33,232)
Impairment loss on investment in joint venture		240	-
Impairment loss against advance to joint venture		2,691	-
(Gain) / loss on sale of operating fixed assets - net		(8,070)	5,005
Operating fixed asset written off		8,035	-
Working capital changes		(98,098)	(1,313,822)
	(Note 38.1)	3,874,888	2,084,231

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
38.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	14,560	(134,468)
Stock-in-trade	(439,933)	(1,800,741)
Trade debts	(928,617)	(256,158)
Loans and advances	(209,558)	(153,002)
Trade deposits and prepayments	(8,141)	18,174
Other receivables	310,700	(171,813)
	(1,260,989)	(2,498,008)
Increase / (decrease) in trade and other payables	1,162,891	1,184,186
	(98,098)	(1,313,822)

38.2 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	2020				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	Rupees in thousand				
Balance as at 01 January 2020	3,826,504	1,513,488	6,284,209	2,406	37,784
Financing / borrowings obtained	1,508,004	-	7,398,523	-	-
Lease liabilities recognised during the year	-	680,539	-	-	-
Impact of lease modification / termination	-	(282,165)	-	-	-
Repayment of financing / lease liabilities / short term borrowings	(406,433)	(57,163)	(5,813,901)	-	-
Long term deposits - net	-	-	-	(666)	-
Dividend declared	-	-	-	-	140,963
Dividend paid	-	-	-	-	(140,850)
Deferred income - Government grant	(90,705)	-	-	-	-
Balance at 31 December 2020	4,837,370	1,854,699	7,868,831	1,740	37,897

	2019				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	Rupees in thousand				
Balance as at 01 January 2019	3,316,880	-	5,722,630	3,243	32,002
Financing / borrowings obtained	1,450,506	-	2,825,750	-	-
Lease liabilities recognised during the year	-	1,587,947	-	-	-
Repayment of financing / lease liabilities / short term borrowings	(940,882)	(74,459)	(2,264,171)	-	-
Long term deposits - net	-	-	-	(837)	-
Dividend declared	-	-	-	-	548,812
Dividend paid	-	-	-	-	(543,030)
Balance at 31 December 2019	3,826,504	1,513,488	6,284,209	2,406	37,784

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

39. Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees in thousand					
Managerial remuneration	28,375	28,083	27,500	39,584	188,914	181,018
Bonus	27,800	27,900	27,800	39,100	47,213	59,031
Allowances:						
House rent	2,838	2,808	2,750	3,959	44,447	45,982
Conveyance	-	-	-	-	36,742	19,119
Medical	-	-	-	-	26,624	23,475
Utilities	2,837	2,808	2,750	3,959	19,720	17,330
Special allowance	-	-	-	-	27,902	20,660
Retirement and other benefits	1,862	2,124	1,805	3,363	15,537	44,842
Total	63,712	63,723	62,605	89,965	407,099	411,456
Number of persons	1	1	1	2	69	67

39.1 The chief executive officer, executive directors and some of the executives of the Holding Company are provided with Company maintained vehicles in accordance with the Holding Company's policy.

39.2 Aggregate amount charged in these consolidated financial statements for meeting fee to directors of the Holding Company was Rupees 2.340 million (2019: Rupees 1.951 million).

39.3 No remuneration was paid to non-executive directors of the Holding Company.

40. Transactions with related parties

The related parties comprise associated undertakings, employees' gratuity fund trust, employees' provident fund trust and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

			2020	2019
Associated company				
Jomo Technologies (Private) Limited	Sale of goods	(Rupees in thousand)	80,802	-
	Investment made	(Rupees in thousand)	40,000	-
SBL Trading (Private) Limited	Sale of goods	(Rupees in thousand)	-	51,282
Speed (Private) Limited	Loan given	(Rupees in thousand)	-	50,000
	Interest charged	(Rupees in thousand)	5,136	792
S2 Power Limited	Reimbursement of expenses	(Rupees in thousand)	618	171
Chaoyang Long March Tyre Co. Ltd	Share deposit money received	(Rupees in thousand)	1,331,078	-
	Share capital issued against share deposit money	(Rupees in thousand)	1,320,000	-
Mr. Shabir Ahmad of Myco Corporation	Share deposit money received	(Rupees in thousand)	150,000	-
	Share capital issued against share deposit money	(Rupees in thousand)	150,000	-
Shahid Arif Investment (Private) Limited	Bonus shares issued	(Number of shares)	4,000	5,100
	Cash dividend paid	(Rupees in thousand)	119	431
Service Charitable Trust	Bonus shares issued	(Number of shares)	4,500	5,800
	Cash dividend paid	(Rupees in thousand)	136	492
Post employment benefit plans				
Service Industries Limited Employees				
Gratuity Fund Trust	Company's contribution made	(Rupees in thousand)	54,074	59,353
Service Provident Fund Trust	Company's contribution made	(Rupees in thousand)	161,699	157,955
	Bonus shares issued	(Number of shares)	218,100	279,200
	Cash dividend paid	(Rupees in thousand)	6,544	23,732
Directors				
	Bonus shares issued	(Number of shares)	2,104,000	3,020,900
	Cash dividend paid	(Rupees in thousand)	63,119	24,700

40.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives of the Holding Company is disclosed in note 39.

40.2 Following are the related parties with whom the Group had entered into transactions or have arrangements / agreements in place:

Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage Shareholding
		2020	2019	
S2 Power Limited	Common directorship and shareholding	Yes	Yes	48.00%
S2 Hydro Limited	Common directorship and shareholding	No	No	48.00%
Speed (Private) Limited	Common directorship and shareholding	Yes	Yes	35.97%
Jomo Technologies (Private) Limited	Common directorship and shareholding	Yes	No	19.55%
SBL Trading (Private) Limited	Common directorship	No	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Foundation	Common directorship	Yes	Yes	Nil
Service Charitable Trust	Directors of the Holding Company are Trustees	Yes	Yes	Nil
Shahid Arif Investment (Private) Limited	Common directorship and shareholding	Yes	Yes	Nil
Shalamar Hospital	Directors of the Holding Company are Trustees	Yes	Yes	Nil
Kidney Centre Gujrat	Directors of the Holding Company are member of Board of Governors	No	Yes	Nil
Chaoyang Long March Tyre Co. Ltd	Common directorship of Subsidiary Company	Yes	No	Nil
Mr. Shabir Ahmad of Myco Corporation	Common directorship of Subsidiary Company	Yes	No	Nil

41. As on 31 December 2020 and 31 December 2019, disclosures relating to Subsidiary incorporated outside Pakistan:

Particulars	Details
Name of the company	Service Shoes Lanka (Private) Limited
Jurisdiction	Sri Lanka
Beneficial owner	Service Industries Capital (Private) Limited - Wholly owned subsidiary of the Holding Company
Investment made during the year ended 31 December	2017
Investment in:	
Local currency	PKR 62,770,000
Foreign currency	USD 600,000
Terms and conditions of investment	Investment in shares of the Service Shoes Lanka (Private) Limited
Amount of returns received	None
Litigation against investee company	None
Default / breach related to foreign company	None
Gain / (loss) on disposal of investment	Not applicable

Notes to the Consolidated Financial Statements

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42. Plant Capacity

Footwear division

Due to the nature of the business, production capacity is not determinable.

Technical rubber products

Due to the nature of the business, production capacity is not determinable.

Tyre division

	Installed capacity		Actual production	
	2020	2019	2020	2019
Number of tyres	19,406,624	19,114,360	12,354,363	10,818,708
Number of tubes	54,933,036	52,515,170	41,485,131	39,468,162

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

43. Non-Controlling Interest (NCI)

Set out below is summarized un-audited financial information for Subsidiary Companies that have non-controlling interest that are material to the Group. The amount disclosed for the Subsidiary Companies are before inter-company elimination:

Service Shoes Lanka (Private) Limited		Service Long March Tyres (Private) Limited		Total	
2020	2019	2020	2019	2020	2019
Rupees in thousand					

Summarized statement of financial position

Non-current assets	107,400	121,808	1,384,497	-	1,491,897	121,808
Current assets	145,880	133,914	1,938,199	-	2,084,079	133,914
Non-current liabilities	(7,386)	(3,754)	(187)	-	(7,573)	(3,754)
Current liabilities	(364,081)	(333,126)	(276,888)	-	(640,969)	(333,126)
Share deposit money related to non-controlling interest	-	-	(11,078)	-	(11,078)	-
Net assets without share deposit money	(118,187)	(81,158)	3,034,543	-	2,916,356	(81,158)
Non-controlling interest	(46,505)	(31,693)	1,486,926	-	1,440,421	(31,693)
Share deposit money	-	-	11,078	-	11,078	-
Accumulated non-controlling interest	(46,505)	(31,693)	1,498,004	-	1,451,499	(31,693)

Service Shoes Lanka (Private) Limited		Service Long March Tyres (Private) Limited		Total	
2020	2019	2020	2019	2020	2019

Rupees in thousand

Summarized statement of comprehensive income

Revenue	223,255	369,330	59,107	-	282,362	369,330
Loss / (profit) for the year	(37,423)	(32,622)	34,542	-	(2,881)	(32,622)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss) / profit	(37,423)	(32,622)	34,542	-	(2,881)	(32,622)
Profit / (loss) allocated to non-controlling interest	(14,969)	(13,049)	16,926	-	1,957	(13,049)

Summarized statement cash flows

Cash generated from operating activities	21,459	4,039	25,193	-	46,652	4,039
Cash flows from / (used in) investing activities	2,350	(23,874)	(1,327,846)	-	(1,325,496)	(23,874)
Cash flows (used in) / from financing activities	(18,655)	27,084	3,011,078	-	2,992,423	27,084
Net increase in cash and cash equivalents	5,154	7,249	1,708,425	-	1,713,579	7,249

44. Financial Risk Management**44.1 Financial risk factors**

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance departments of the Holding Company and Subsidiary Companies under the policies approved by their respective Board of Directors. The Holding Company and Subsidiary Companies' finance departments evaluates and hedge financial risks. The Board of each Group Company 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, liquidity risk and investment of excess liquidity.

(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 Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro, Sri Lankan Rupees (LKR) and Great Britain Pound (GBP). Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

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For the year ended December 31, 2020

	2020 Amount	2019 Amount
	Rupees in thousand	
Cash at banks - USD	57,434	38,885
Cash at banks - EURO	2,693	10,575
Cash at banks - LKR	2,671,423	45,207
Trade debts - USD	3,660,782	2,899,140
Trade debts - EURO	2,749,504	3,323,412
Trade debts - GBP	47,506	179,803
Trade debts - LKR	5,889,015	46,133,846
Trade and other payables - USD	(2,198,557)	(2,239,877)
Trade and other payables - EURO	(180,619)	(214,667)
Trade and other payables - GBP	-	(9,841)
Trade and other payables - LKR	(243,226,962)	(197,995,841)
Net exposure - USD	1,519,659	698,148
Net exposure - EURO	2,571,578	3,119,320
Net exposure - GBP	47,506	169,962
Net exposure - LKR	(234,666,524)	(151,816,788)

The following significant exchange rates were applied during the period:

Rupees per US Dollar

Average rate	162.26	150.81
Reporting date rate	160.25	154.85

Rupees per EURO

Average rate	186.11	168.70
Reporting date rate	196.87	173.48

Rupees per GBP

Average rate	208.67	192.34
Reporting date rate	216.97	203.30

Rupees per LKR

Average rate	0.87	0.84
Reporting date rate	0.86	0.85

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP and LKR with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 27.777 million (2019: Rupees 24.860 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 Group is not exposed to commodity price risks.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Group's equity (fair value reserve FVTOCI investment). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and the Group's equity instrument moved according to the historical correlation with the index:

Index	Impact on statement of other comprehensive income (Fair value reserve FVTOCI investment)	
	2020 Amount	2019 Amount
	Rupees in thousand	
PSX 100 (5% increase)	4,571	1,228
PSX 100 (5% decrease)	(4,571)	(1,228)

(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 Group's interest rate risk arises mainly from long term financing, short term borrowings, loan to associate, term deposit receipts and bank balances. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

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

Fixed rate instruments**Financial asset**

Term deposit receipts	3,156,623	49,500
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Financial liabilities

Long term financing	1,842,496	598,518
Short term borrowings	6,112,839	5,312,864

Floating rate instruments**Financial assets**

Bank balances - saving accounts	19,572	11,649
Loan to associate	50,000	50,000

Financial liabilities

Long term financing	2,994,874	3,227,986
Short term borrowings	1,755,992	971,345

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Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 31.386 million (2019: Rupees 42.568 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting the dates were outstanding for the whole year.

(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:

	2020 Amount	2019 Amount
	Rupees in thousand	
Long term investment	91,410	24,550
Long term loans to employees	32,692	40,312
Security deposits	331,094	227,933
Trade debts	4,633,123	3,617,736
Loans and advances	73,178	79,939
Accrued interest	5,406	1,426
Other receivables	27,145	26,700
Bank balances	4,181,029	88,694
	9,375,077	4,107,290

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

	Rating			2020	2019
	Short term	Long term	Agency	Amount	Amount
Banks	Rupees in thousand				
Allied Bank Limited	A1+	AAA	PACRA	6,130	4,517
Askari Bank Limited	A1+	AA+	PACRA	85	373
Bank Alfalah Limited	A1+	AA+	PACRA	13,800	85
Bank Al-Habib Limited	A1+	AA+	PACRA	106,678	457
Faysal Bank Limited	A1+	AA	PACRA	399,266	3,274
Habib Bank Limited	A-1+	AAA	JCR-VIS	740,209	5,229
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	10	-
MCB Bank Limited	A1+	AAA	PACRA	1,542,452	590
MCB Islamic Bank Limited	A1+	A	PACRA	102	-
Meezan Bank Limited	A-1+	AA+	JCR-VIS	1,225,220	9,894
National Bank of Pakistan	A1+	AAA	PACRA	1,064	1,047
Samba Bank Limited	A-1	AA	JCR-VIS	68	53
Soneri Bank Limited	A1+	AA-	PACRA	24,581	2,353
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	8,673	1,625
United Bank Limited	A-1+	AAA	JCR-VIS	83,302	3,121
Silk Bank Limited	A2	A-	JCR-VIS	2,840	-
SME Bank Limited	B	CCC	PACRA	15,021	50,229
MCB Bank Limited - Sri Lanka		[SL] A+	ICRA Lanka	11,528	5,847
				4,181,029	88,694
Long term investment					
TRG Pakistan Limited		Unknown		91,410	24,550
				4,272,439	113,244

The Group's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 23.

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly the credit risk is minimal.

(c) Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2020, the Group had Rupees 6,111.169 million (2019: Rupees 4,688.497 million) available borrowing limits from financial institutions and Rupees 4,195.565 million (2019: Rupees 103.548 million) cash and bank balances. The management believes the liquidity risk to be low.

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Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2020:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
Non-derivative financial liabilities:						
Long term financing	4,837,370	5,557,798	936,260	823,697	1,576,663	2,221,178
Long term deposits	1,740	1,740	-	-	-	1,740
Lease liabilities	1,854,699	2,786,964	134,793	148,816	318,495	2,184,860
Short term borrowings	7,868,831	8,152,964	8,010,395	142,569	-	-
Trade and other payables	4,728,637	4,728,637	4,728,637	-	-	-
Unclaimed dividend	37,897	37,897	37,897	-	-	-
Accrued mark-up	65,119	65,119	65,119	-	-	-
	19,394,293	21,331,119	13,913,101	1,115,082	1,895,158	4,407,778

Contractual maturities of financial liabilities as at 31 December 2019:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
Non-derivative financial liabilities:						
Long term financing	3,826,504	5,053,305	791,575	537,019	1,161,050	2,563,661
Long term deposits	2,406	2,406	-	-	-	2,406
Lease liabilities	1,513,488	2,317,657	118,191	130,347	274,347	1,794,772
Short term borrowings	6,284,209	7,586,603	7,393,350	193,253	-	-
Trade and other payables	3,724,462	3,724,462	3,724,462	-	-	-
Unclaimed dividend	37,784	37,784	37,784	-	-	-
Accrued mark-up	142,320	142,320	142,320	-	-	-
	15,531,173	18,864,537	12,207,682	860,619	1,435,397	4,360,839

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at reporting date. The rates of interest / mark up have been disclosed in note 5, note 7 and note 12 to these financial statements.

44.2 Financial instruments by categories

Assets as per statement of financial position

	2020		2019	
	Rupees in thousand		Rupees in thousand	
	FVTOCI	Amortized cost	FVTOCI	Amortized cost
Long term investment	91,410	-	24,550	-
Long term loans to employees	-	32,692	-	40,312
Security deposits	-	331,094	-	227,933
Trade debts	-	4,633,123	-	3,617,736
Loans and advances	-	73,178	-	79,939
Accrued interest	-	5,406	-	1,426
Other receivables	-	27,145	-	26,700
Cash and bank balances	-	4,195,565	-	103,548
	91,410	9,298,203	24,550	4,097,594

	2020	2019
	At Amortized Cost	
	Rupees in thousand	
Liabilities as per statement of financial position		
Long term financing	4,837,370	3,826,504
Long term deposits	1,740	2,406
Lease liabilities	1,854,699	1,513,488
Short term borrowings	7,868,831	6,284,209
Trade and other payables	4,728,637	3,724,462
Unclaimed dividend	37,897	37,784
Accrued mark-up	65,119	142,320
	19,394,293	15,388,853

44.3 Offsetting financial assets and financial liabilities

As on the reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

44.4 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, and short term borrowings obtained by the Group as referred to in note 5 and note 12 respectively. Total capital employed includes 'total equity' as shown in the consolidated statement of financial position plus 'borrowings'. The Group's strategy, remained unchanged from last year. In accordance with the terms of agreement with the lenders of long term finances in connection with deferment of principal amount for twelve months, there is restriction on distribution of dividends and repayment of loans to related parties by the Group during the relief period.

		2020	2019
		Amount	Amount
Borrowings	Rupees in thousand	12,706,201	10,110,713
Total equity	Rupees in thousand	9,839,024	6,183,939
Total capital employed		22,545,225	16,294,652
Gearing ratio	Percentage	56.36%	62.05%

45. Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Recurring fair value measurements At 31 December 2020	Level 1	Level 2	Level 3	Total
Rupees in thousand				
Financial assets				
Financial assets at fair value through other comprehensive income	91,410	-	-	91,410
Total financial assets	91,410	-	-	91,410

Recurring fair value measurements At 31 December 2019	Level 1	Level 2	Level 3	Total
Rupees in thousand				
Financial assets				
Financial assets at fair value through other comprehensive income	24,550	-	-	24,550
Total financial assets	24,550	-	-	24,550

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

46. Segment Information

The Group has three reportable segments. The following summary describes the operation in each of the Group's reportable segments:

Footwear: Purchase, manufacturing and sale of different qualities of footwear.

Tyre: Manufacturing of different qualities of tyres.

Technical Rubber Products: Manufacturing of different qualities of rubber products on specifications.

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

	Footwear		Tyre division		Technical rubber products		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019
Sales	12,704,299	13,866,548	17,993,578	15,960,592	462,134	231,181	31,160,011	30,058,321
Profit before taxation and unallocated Income and expenses	411,747	1,390,261	2,789,266	1,942,235	140,521	61,312	3,341,534	3,393,808
Unallocated income and expenses:							(1,449,633)	(1,807,187)
Taxation							(567,469)	(227,612)
Profit after taxation							1,324,432	1,359,009

	Footwear		Tyre division		Technical rubber products		Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019
46.1 Reconciliation of reportable segment assets and liabilities								
Total assets for reportable segment	14,565,025	8,782,272	13,403,695	9,121,739	281,408	152,290	28,250,128	18,056,301
Unallocated assets							2,177,111	4,345,658
Total assets as per statement of financial position							30,427,239	22,401,959
Unallocated liabilities							20,588,215	16,218,020
Total liabilities as per statement of financial position							20,588,215	16,218,020

2020 2019
Amount Amount
Rupees in thousand

46.2 Geographical information

The Group's revenue from external customers by geographical locations is detailed below:

Europe	6,771,266	6,586,466
United States of America	1,260,392	1,119,017
Asia	1,312,166	2,144,227
Australia	186,237	85,832
Africa	327,898	224,216
Pakistan	21,302,052	19,898,563
	31,160,011	30,058,321

46.3. Significant non-current assets of the Group as at reporting dates are located and operating in Pakistan.

46.4. Revenue from major customers

The Group's revenue is earned from a large mix of customers.

47. Provident Fund Related Disclosures

As per the Scheme, employees provident fund of the Holding Company in the name of Service Provident Fund Trust shall be continued for the benefits of the employees of the Holding Company and Service Global Footwear Limited.

As at the reporting date, the Service Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan which allows transition period of 3 years ending on 30 June 2021 for bringing the Employees Provident Fund Trust in conformity with the requirements of regulations.

Notes to the Consolidated Financial Statements

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	2020	2019
48. NUMBER OF EMPLOYEES		
Number of employees as at 31 December	12,220	12,585
Average number of employees during the year	12,064	14,095
49. Events after the Reporting Period		
49.1	The Board of Directors of the Holding Company has proposed final cash dividend for the year ended 31 December 2020 of Rupees 15 per share (i.e. 150%) along with issuance of bonus shares in proportion of 100 ordinary shares for every 100 ordinary shares held by the members (i.e. 100%) at their meeting held on March 31, 2021. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.	
49.2	On 26 January 2021 there was a fire outbreak in a finished good warehouse of footwear division of the Holding Company. For these consolidated financial statements, fire outbreak and related impacts are considered non-adjusting events, consequently there is no impact on these consolidated financial statements. Estimated loss of destroyed stock-in-trade and warehouse building is secured against insurance. Holding Company has launched insurance claim amounting to Rupees 51.000 million. Further, no reduction in useful life of the warehouse building is estimated by the Holding Company.	
50. DATE OF AUTHORIZATION FOR ISSUE	These consolidated financial statements were authorized for issue on March 31, 2021 by the Board of Directors.	
51. CORRESPONDING FIGURES	Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.	
52. GENERAL	Figures have been rounded off to nearest thousand of Rupees, except stated otherwise.	



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Pattern of Shareholding

As at December 31, 2020

Number of Shareholders	Shareholding		Total Shares held
	From	To	
609	1	100	19,906
449	101	500	117,719
233	501	1,000	181,598
348	1,001	5,000	724,603
60	5,001	10,000	449,268
16	10,001	15,000	197,948
11	15,001	20,000	201,281
6	20,001	25,000	134,935
1	25,001	30,000	27,950
4	30,001	35,000	129,368
4	35,001	40,000	148,050
1	40,001	45,000	40,266
2	45,001	50,000	100,000
1	55,001	60,000	57,450
1	70,001	75,000	73,625
1	75,001	80,000	79,750
1	80,001	85,000	81,250
1	90,001	95,000	91,015
2	115,001	120,000	234,451
2	150,001	155,000	307,686
1	155,001	160,000	156,250
1	160,001	165,000	161,096
1	185,001	190,000	185,422
1	200,001	205,000	203,218
1	220,001	225,000	221,346
3	265,001	270,000	797,880
1	300,001	305,000	300,337
1	1,025,001	1,030,000	1,027,907
1	1,030,001	1,035,000	1,031,132
1	1,090,001	1,095,000	1,090,637
1	1,260,001	1,265,000	1,260,783
1	1,390,001	1,395,000	1,391,250
2	2,380,001	2,385,000	4,765,823
1	2,970,001	2,975,000	2,970,265
1	4,530,001	4,535,000	4,532,262
1,771			23,493,727

Pattern of Shareholding

As at December 31, 2020

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	9	10,519,912	44.7775
Associated Companies, undertakings and related Parties	3	1,133,076	4.8229
NIT and ICP	5	3,349,686	14.2578
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,393,093	5.9296
Insurance Companies	1	4,471	0.0190
Modarabas and Mutual Funds	20	400,856	1.7062
General Public			
a. Local	1,662	5,929,798	25.2399
b. Foreign	5	86,560	0.3684
Others (to be specified)			
1- Joint Stock Companies	32	280,299	1.1931
2- Pension Funds	8	341,047	1.4517
3- Others	24	54,929	0.2338
	1,771	23,493,727	100.0000
Shareholders holding 10% or more	4	12,268,350	52.2197

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares held	Percentage
Associated Companies, undertakings and related parties		
M/S SHAHID ARIF INVESTMENTS (PRIVATE) LIMITED	19,812	0.0843
TRUSTEE - SERVICE PROVIDENT FUND TRUST (CDC)	1,090,637	4.6422
M/S SERVICE CHARITABLE TRUST	22,627	0.0963
Mutual Funds		
CDC - TRUSTEE ABL STOCK FUND (CDC)	22,000	0.0936
CDC - TRUSTEE AKD INDEX TRACKER FUND (CDC)	2,265	0.0096
CDC - TRUSTEE APF-EQUITY SUB FUND (CDC)	9,218	0.0392
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	116,093	0.4941
CDC - TRUSTEE HBL - STOCK FUND (CDC)	12,200	0.0519
CDC - TRUSTEE HBL EQUITY FUND (CDC)	11,500	0.0489
CDC - TRUSTEE HBL MULTI - ASSET FUND (CDC)	1,000	0.0043
CDC - TRUSTEE HBL PF EQUITY SUB FUND (CDC)	1,500	0.0064
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND (CDC)	866	0.0037
CDC - TRUSTEE MCB PAKISTAN STOCK FUND (CDC)	33,503	0.1426
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND (CDC)	16	0.0001
CDC - TRUSTEE PICIC GROWTH FUND (CDC)	9,800	0.0417
CDC - TRUSTEE PICIC INVESTMENT FUND (CDC)	7,450	0.0317
CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	8,587	0.0366
CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	1,112	0.0047
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	21,531	0.0916
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	73,625	0.3134
CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	6,150	0.0262
MC FSL - TRUSTEE JS GROWTH FUND (CDC)	27,950	0.1190
Directors and their spouses and minor children		
CHAUDHRY AHMED JAVED (CDC)	1,031,132	4.3890
MR. ARIF SAEED (CDC)	2,382,911	10.1428
MR. OMAR SAEED (CDC)	2,382,912	10.1428
MR. HASSAN JAVED (CDC)	4,532,262	19.2914
MR. OSMAN SAIFULLAH KHAN (CDC)	195	0.0008
MR. RIAZ AHMED (CDC)	5,000	0.0213
MR. MUHAMMAD AMIN (CDC)	77	0.0003
MRS. AYESHA NAWAED	1	0.0000
MRS. FATIMA SAEED W/O MR. ARIF SAEED (CDC)	185,422	0.7892

Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	1,773,101	7.5471
Shareholders holding five percent or more voting rights		
MR. HASSAN JAVED (CDC)	4,532,262	19.2914
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	2,970,265	12.6428
MR. OMAR SAEED (CDC)	2,382,912	10.1428
MR. ARIF SAEED (CDC)	2,382,911	10.1428
NATIONAL BANK OF PAKISTAN (CDC)	1,393,093	5.9296
MRS. SHAHIDA NAEEM (CDC)	1,260,783	5.3665

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

Name	Purchase	Sale	Bonus	Gift in	Gift out
Mr. Arif Saeed - Director	-	-	464,643	59,696	-
Mr. Omar Saeed - Director	3,000	-	488,521	-	59,696
Chaudhry Ahmed Javed - Director	-	-	206,226	-	-
Mr. Hassan Javed - Director	2,750	-	906,452	-	-
Mr. Osman Saifullah Khan - Director	-	-	39	-	-
Mr. Riaz Ahmed - Director	-	3,031	1,000	-	-
Mr. Muhammad Amin - Director	-	-	15	-	-
Mrs. Fatima Saeed - Spouse of Director	-	-	37,084	-	-

Form of Proxy

64th Annual General Meeting

I/We _____ of _____
_____ being a member(s) of Service Industries Limited and holder of _____ Ordinary Shares hereby appoint
Mr. / Mrs. / Miss _____ of _____
or failing him / her _____ of _____ as my/our proxy in my / our absence to attend and vote for me / us on my /
our behalf at the 64th Annual General Meeting of the Company to be held on April 28, 2021 at 11:00 a.m. through video link facility and / or at any adjournment
thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _____ day of _____ 2021
in the presence of _____

Signed this _____ day of _____ 2021

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

Signature on Fifty - Rupees
Revenue Stamp

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

Important:

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

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

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



**AFFIX
CORRECT
POSTAGE**

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

پراکسی فارم

چونٹھواں سالانہ اجلاس عام

میں / ہم _____ سروس انڈسٹریز لمیٹڈ کے ممبر کی حیثیت سے اور حال
عمومی حصص، محترم / محترمہ _____ کو یا ان کی غیر حاضری کی صورت میں محترم / محترمہ
کو اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے 64 ویں سالانہ اجلاس عام جو کہ مورخہ 28 اپریل 2021
صبح 11 بجے بذریعہ وڈیو لنک سہولت منعقد ہو رہا ہے، میں شرکت / حق رائے دہی استعمال کر سکیں۔

گواہ نمبر 1

نام _____ دستخط _____ مورخہ _____

گواہ نمبر 2

نام _____ دستخط _____ مورخہ _____

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	اکاؤنٹ نمبر	پارٹنر شپ آئی ڈی

پچاس روپے مالیت کی
ریونیونٹکٹ پر دستخط کریں۔

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

اہم ہدایات:

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

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

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



**AFFIX
CORRECT
POSTAGE**

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

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اعتراف

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

ہم بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین شکریہ ادا کرتے ہیں۔ کہ انہوں نے ہم پر بھروسہ کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

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

منجانب بورڈ



عارف سعید

چیف ایگزیکٹو



عمر سعید

ڈائریکٹر

مورخہ 31 مارچ 2021

لاہور

بورڈ آف ڈائریکٹرز کے اجلاس

اس سال 5 بورڈ میٹنگز ہوئیں۔ ممبران کی حاضری مندرجہ ذیل ہے۔

حاضری	ڈائریکٹرز
0/5	جناب احمد جاوید
5/5	جناب عارف سعید
5/5	جناب عمر سعید
5/5	جناب حسن جاوید
2/5	جناب عثمان سیف اللہ خان
2/2	جناب رحمان نسیم (ریٹائرڈ)
5/5	جناب ریاض احمد
5/5	جناب محمد امین*
3/3	محترمہ عائشہ نوید (منتخب شدہ)
5/5	جناب شاہد حسین جتوئی

* 31 دسمبر 2020 کو مالی سال کے اختتام پذیر ہونے کے بعد، کمپنی کے نان ایگزیکٹو ڈائریکٹر جناب محمد امین کا 08 فروری 2021 کو انتقال ہو گیا تھا۔ چنانچہ، بورڈ آف ڈائریکٹرز میں عارضی طور پر ایک آسامی خالی ہو گئی تھی جو کہ مقررہ وقت کے اندر پوری کر لی گئی ہے۔

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

بورڈ آف ڈائریکٹرز میں تبدیلیاں

اس سال کے دوران، ڈائریکٹرز کا انتخاب 04 اگست 2020 کو غیر معمولی اجلاس میں ہوا۔ مندرجہ ذیل نو ڈائریکٹرز تین سال کی اگلی مدت کے لئے منتخب ہوئے۔

1. جناب احمد جاوید
2. جناب عارف سعید
3. جناب عمر سعید
4. جناب حسن جاوید
5. جناب شاہد حسین جتوئی
6. جناب ریاض احمد
7. جناب محمد امین
8. جناب عثمان سیف اللہ خان
9. محترمہ عائشہ نوید

بورڈ نے جناب عارف سعید کو دوبارہ تین سال کی مدت کے لئے کمپنی کا چیف ایگزیکٹو مقرر کیا ہے۔

انتظامیہ کمیٹی

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

بیرونی آڈیٹرز

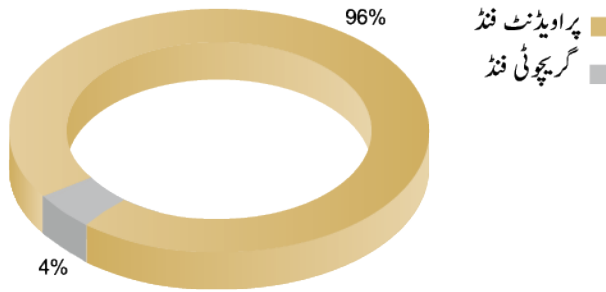
موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اپنی اہلیت کی بنیاد پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز 31 دسمبر 2021 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹرز کے طور پر ان کی دوبارہ تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کرتے ہیں۔

ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

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

31 دسمبر 2019	31 دسمبر 2020	
(روپے لاکھ میں)	(روپے لاکھ میں)	پروایڈنٹ فنڈ
1,523	1,790	
64	71	گریجویٹ فنڈ

سرمایہ کاری کی قدر



حصص یافتگان کی تفصیل

31 دسمبر 2020 کی حصص یافتگان کی تفصیل اس سالانہ رپورٹ میں درج کی گئی ہے۔ کمپنی کے حصص میں اگر کسی ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ، ان کی بیویاں یا چھوٹے بچوں نے خرید و فروخت کی ہے تو وہ بھی اس رپورٹ میں درج کر دی گئی ہے۔

بیلنس شیٹ کے بعد تبدیلیاں

31 دسمبر 2020 کے بعد اس سالانہ رپورٹ تک کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو سوائے حتیٰ ڈیویڈنڈ 15 روپے فی شیئر بمعہ 100 فیصد بونس شیئر جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔ اور جیسا کہ 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی بیانات میں درج کیا گیا ہے اور خاص طور پر نوٹ نمبر 46.2 میں ہے جس میں کے کردنا وبا سے پیدا ہونے والی مشکلات اور خطرات کا ذکر ہے اور کمپنی کے کئے گئے مخصوص اقدامات پر روشنی ڈالی گئی ہے۔

آڈٹ کمیٹی

آڈٹ کمیٹی اس وقت تین اراکین پر مشتمل ہے جس میں سے دو انڈیپنڈنٹ ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو ڈائریکٹر ہے۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط لسٹنگ قوانین (کارپورٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو اس کی تعمیل کرنے کا حکم دیا گیا ہے۔

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

ممبران	حاضری
جناب عثمان سیف اللہ خان - چیئرمین	2/2
جناب ریاض احمد - ممبر	4/4
جناب محمد امین - ممبر (مرحوم)	4/4
جناب محمد نعیم خان [جناب محمد امین (مرحوم) کی جگہ تقرری 31 مارچ 2021 کو کی گئی]	

ہیومن ریسورس اور ریٹائرمنٹ کمیٹی

یہ کمیٹی تین اراکین پر مشتمل ہے جن میں سے ایک نان ایگزیکٹو ڈائریکٹر، ایک انڈیپنڈنٹ ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر ہیں۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ کمیٹی ایگزیکٹوز کے معاوضے، انکی کارکردگی کے جائزے اور جانشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

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

ممبران	حاضری
محترمہ عائشہ نوید - چیئرمین	2/2
جناب عارف سعید - ممبر	2/2
جناب ریاض احمد - ممبر	2/2

مستند اندرونی مالی کنٹرولز

کمیٹی نے اندرونی اور مالی کنٹرول کا انتہائی موثر نظام اختیار کیا ہوا ہے جو کہ کمیٹی کے اثاثہ جات کی حفاظت کو یقینی بناتا ہے، دھوکہ دہی کی شناخت کرتا ہے، اس سے بچاتا ہے اور متعلقہ قوانین کی پاسداری کو یقینی بناتا ہے۔ اندرونی آڈٹ کا شعبہ جو کہ بورڈ نے ترتیب دیا ہے۔ اندرونی کنٹرول کے نظام کی مناسب وقفہ سے نظر ثانی اور نگرانی کرتا ہے۔ آڈٹ کمیٹی وضع کردہ اصولوں کے مطابق اندرونی کنٹرول کے نظام پر سہ ماہی نظر ثانی کرتی ہے۔

ڈائریکٹرز کا معاوضہ

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

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

بورڈ اور کمیٹیوں کی ساخت

لسٹڈ کمپنیوں کے چلانے کے قواعد و ضوابط کی شق نمبر (i,ii,iii) (2) 34 (کارپورٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے تحت بورڈ اور کمیٹیوں کی ساخت کمپلائنس کے بیان میں سیریل نمبر 1، 2 اور 12 میں درج ہے۔ جو کہ اس سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

ڈائریکٹر کا انتقال پر ملا

اس سال کے دوران جناب محمد امین، کمیٹی کے ایک نان ایگزیکٹو ڈائریکٹر کا 08 فروری 2021 کو انتقال ہو گیا۔ وہ 2012 سے 08 فروری 2021 تک کمیٹی کے ڈائریکٹر رہے۔ جناب محمد امین متاثر کن رہنما تھے، عمدہ بصیرت کے حامل، جن میں شاندار کاروباری ذہانت اور لوگوں کے لئے انتہائی شفیق تھے۔ ان کی زبردست قیادت کی بدولت کمیٹی کئی سال تک کامیابی اور نمو حاصل کرتی رہی۔ ان کی انسان دوستی کی کوششوں نے ہم سب کے لئے ایک متاثر کن مثال قائم کی۔ ان کے ساتھ کام کرنے والوں نے انکی بے مثال محنت کا مشاہدہ کیا اور ان لوگوں کو اعزاز حاصل ہے کہ انہیں ایک ایسی قابل احترام، دلکش اور شاندار شخصیت سے سیکھنے کا موقع ملا۔ بورڈ آف ڈائریکٹرز اور پوری کمیٹی ان کے اہل خانہ سے دلی تعزیت کرتے ہیں۔ ہماری دعا ہے اللہ تعالیٰ جناب محمد امین کو جنت الفردوس میں اعلیٰ مقام عطا فرمائے، اور انہیں ابدی سکون نصیب ہو۔ آمین، ہم ان کے کردار اور اقدار کو اپنی سرگرمیوں میں زندہ رکھنے اور آگے بڑھانے کے لئے پرعزم ہیں۔

کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام اخلاقی اور قانونی ضوابط پر پراتنے بلکہ اس سے بھی آگے بڑھنے کیلئے پرعزم ہے۔ بورڈ نے لگاتار بہتری کیلئے ایک طریقہ کار تشکیل کر دیا ہے جو کہ لگاتار موجودہ طریقوں کو چیلنج کرتا رہتا ہے اور یہ اس بات کا تقاضا کرتا ہے کہ کمپنی میں وقت کے ساتھ ساتھ تبدیلی آئے اور جب مناسب مواقع آئیں تو کمپنی اُس کیلئے تیار ہو۔ چنانچہ کمپنی مارکیٹ میں دستیاب بہترین ملازمین حاصل کرے اور اُن کو وہ مہارت اور مواقع دے جس سے وہ اعلیٰ اہداف کو حاصل کرنے والے بن جائیں۔ کمپنی لگاتار اپنی مصنوعات کی اقسام کا جائزہ لیتی رہتی ہے تاکہ معاشرے کے سب سے اہم مسئلہ کا حل نکال سکے، یعنی اپنے حصص یافتگان کے لیے لگاتار منافع پیدا کرتی رہے۔

آپکی کمپنی اندرونی کنٹرولز اور کام کرنے کے طریقوں کا جائزہ لیتی ہے تاکہ شفاف مالی معلومات فراہم ہو سکے اور قواعد و قوانین سے ہم آہنگی کو یقینی بنایا جاسکے۔ اس طرح ہمیں اپنی پروڈکشن میں قدر بڑھانے کا ہدف بھی حاصل ہوتا ہے۔

کمپلائنس پر ایک نظر

کمپنی کارپوریٹ گورننس کی اصولوں پر سختی سے عمل پیرا ہے جو کہ سیکورٹیز اور اسپیکنج کمیشن آف پاکستان نے جاری کیے ہیں۔ اسے اس رپورٹ میں لسٹڈ کمپنیوں کے کمپلائنس (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے بیان کی شکل میں مختصراً درج کیا گیا ہے جس کا جائزہ بیرونی آڈیٹرز بھی لے چکے ہیں۔

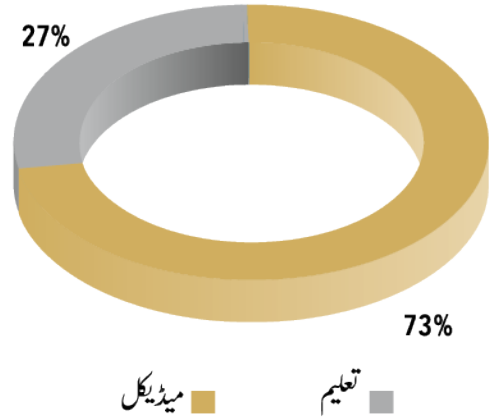
کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کے بیانات

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

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

سال 2019 کے اختتام میں سروس انڈسٹریز لمیٹڈ نے اپنے رفتاری سرگرمیوں کو مستحکم بنیاد پر چلانے کے لئے سروس فاؤنڈیشن کے نام سے ایک خود مختار ادارہ قائم کیا۔ 2020 کے دوران اس نے کام کرنا شروع کر دیا اور کمپنی کی رفتاری معاملات کا نگران اور نفاذ کنندہ بن گیا۔ سروس فاؤنڈیشن، سروس انڈسٹریز لمیٹڈ کی سماجی ذمہ داری کے اہداف کو منظم طریقے سے حاصل کرے گی۔

کارپوریٹ سوشل ذمہ داری میں کنٹریبیوشن



مستقبل پر ایک نظر:

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

مشکل معاشی حالات کے باوجود کمپنی کی انتظامیہ اپنے حصص یافتگان کو اُن کے حصص کی اچھی قدر فراہم کرنے کے لئے پرعزم ہے۔ ہمارے برانڈ کی مضبوطی اور ہماری صلاحیتوں کی بدولت ہم لگاتار جوتوں اور ٹائر دونوں کاروباروں میں سب سے آگے ہیں۔

کرونا کی وبا

موجودہ کرونا اور بڑھتے ہوئے کاروباری مقابلے کے رجحان کے ماحول میں، کمپنی کاروباری تسلسل کو یقینی بنانے کے لئے اپنی کوششیں جاری رکھے گی اور اس کے ساتھ ساتھ عوامی صحت کے تمام رہنما اصولوں پر عمل پیرا ہو کر اپنے ملازمین کی صحت اور تندرستی پر اپنی توجہ مرکوز رکھے گی۔

یہ ٹیم روزانہ کی بنیاد پر صورتحال کا تجزیہ کر رہی ہے اور ہر ممکنہ بچاؤ اقدامات کو نافذ کرنے اور کاروباری سرگرمیوں کے تسلسل کو یقینی بنانے کے لئے فوری اقدامات کر رہی ہے۔ اس وقت کے دوران، آپ کی کمپنی نے معاشی سرگرمی کم ہونے کے باوجود کاروباری کارکردگی کو برقرار رکھنے کی کوشش کی ہے۔

(3) خواتین اور معذور افراد کو ملازمت فراہم کرنا

سروس انڈسٹریز لمیٹڈ اس بات میں فخر محسوس کرتا ہے کہ معاشرے کے ہر فرد کے لیے بلا امتیاز ملازمت فراہم کرتا ہے۔ ہم خواتین اور معذور افراد کو بھی اپنے ہاں ملازم

رکھنے کی حوصلہ افزائی کرتے ہیں۔ سروس انڈسٹریز لمیٹڈ نے خواتین ملازمین کے لیے موافق ماحول فراہم کرنے کے لیے گجرات میں علیحدہ پروڈکشن لائنز قائم کر رکھی ہیں جہاں 170 سے زیادہ خواتین کام کر رہی ہے۔

(4) پیشہ ورانہ حفاظت اور صحت

ہمارے کام کرنے کے طریقے اور ہمارے ملازمین کو محفوظ، صاف ستھرے، چوت اور بیماری سے مبرا ماحول فراہم کرتے ہیں۔ سروس انڈسٹریز لمیٹڈ OHSAS 1800:2007 پیشہ ورانہ حفاظت اور صحت کے نظام سے تصدیق شدہ ہے۔ یہ ایک بین الاقوامی معیار ہے جو کہ صنعتی ماحول میں کام سے متعلقہ صحت اور حفاظت کے خطرات کی شناخت کرنے، ان پر قابو پانے اور ان کو کم کرنے کے لئے رہنمائی فراہم کرتا ہے۔

(5) صارفین کے تحفظ کے اقدامات

سروس انڈسٹریز لمیٹڈ ISO 9001:2008 سے تصدیق شدہ ہے۔ یہ اس بات کو یقینی بناتا ہے کہ بہترین کوالٹی کی مصنوعات صارفین کو لگاتار ملتی رہیں جو کہ تمام قانونی تقاضے بھی پوری کرتی ہوں۔ سروس انڈسٹریز لمیٹڈ سیٹرائیڈ لائونجیز کا بھی 2010 سے رکن ہے یہ ادارہ جو توں اور چمڑے کی مصنوعات کو ٹیسٹ کرتا ہے اور تحقیق کرتا ہے کہ وہ آرام دہ، محفوظ اور پائیدار ہیں۔

(6) کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات

ہم کاروبار کو پوری دیانتداری اور متعلقہ قوانین کی پاسداری کے ساتھ کرنے کے لیے پرعزم ہیں۔ ہمارا اخلاقیات اور کاروبار کرنے کے طریقوں کا بیان یہ کہتا ہے کہ، ”یہ کمپنی کی پالیسی ہے کہ وہ اپنے آپریٹرز کو اعلیٰ ترین اخلاقی اقدار کے مطابق چلائیں تمام قانونی ضابطوں کی تعمیل کریں اور اداروں کے لیے بنائے گئے بہترین معیارات کے مطابق ہوں۔“

(7) قومی محصولات میں ہمارا حصہ

سروس انڈسٹریز لمیٹڈ مختلف محصولات کی مدد میں سالانہ کروڑوں روپے حکومت کو ادا کرتا ہے۔ 2020 میں سروس انڈسٹریز لمیٹڈ نے 1,472 ملین روپے اس مدد میں ادا کئے

کمپنی کی سماجی ذمہ داری

سروس انڈسٹریز لمیٹڈ ایک معاشرتی طور پر باشعور ادارہ ہے۔ ہمارے ہاں خیرات کرنے کی روایت اتنی ہی پرانی ہے جتنا کہ خود کمپنی۔ گزشتہ 5 دہائیوں میں سروس انڈسٹریز لمیٹڈ کی صحت اور تعلیم کے قابل ذکر خیراتی منصوبوں میں حصہ ڈالتی رہی ہے۔

اس سال کیش فلو مثبت 1,247 ملین روپے رہا جبکہ پچھلے سال منفی 1,571 ملین روپے تھا۔ آپریٹنگ کیش فلو مثبت ہونے کی وجہ سرمایہ کا بہتر استعمال ہے۔ سال 2020 میں کمپنی میں 553 ملین روپے کی سرمایہ کاری کی جو کہ 2019 میں 723 ملین روپے تھی جو کہ بنیادی طور پر زرعی اور موٹر سائیکل ٹائر اور ٹیوب بنانے والے پلانٹ کی استعداد بڑھانے کے لیے استعمال ہوئے۔

رسک، غیر ممکنات اور ان سے بچاؤ

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

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

ماحول، صحت اور سیفٹی

سروس انڈسٹریز لمیٹڈ نے اپنے اندرونی اسٹیک ہولڈرز یعنی ملازمین، گاہک اور کمپنی سے متعلقہ حصص یافتگان کے لئے محفوظ، صحت مند اور اخلاقیات پر مبنی ماحول مہیا کرنے کے لیے اقدامات کیے ہیں۔

(1) ایشیا کا پہلا شمسی توانائی سے چلنے والا جو توں کا کارخانہ۔

سروس گلوبل فنڈ وئیر لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کی مکمل ملکیتی ماتحت ادارہ ہے، نے ستمبر 2017 میں، 1 میگاواٹ کے سولر پاور پارک کی تنصیب مکمل کی اور ستمبر 2019 میں اس کی گنجائش 2 میگاواٹ تک بڑھا کر ایشیا میں شمسی توانائی سے چلنے والی فنڈ وئیر کی پہلی فیکٹری بن گئی۔

عالمی سطح پر ماحول دوست مصنوعات کی اہمیت کے تناظر میں سروس گلوبل فنڈ وئیر لمیٹڈ کے اس بروقت اقدام سے سروس گروپ کے گاہکوں کو اپنی مصنوعات کو ماحول دوست کے طور پر تشہیر کرنے سے فائدہ ملے گا۔

(2) صنعتی قواعد کی پاسداری

سروس انڈسٹریز لمیٹڈ بزنس سوشل کپلائنس انسٹیٹیوٹ سے تصدیق شدہ ہے جو کہ انسانی حقوق کے قوانین، ILO کنونشن اور پاکستان کے لیبر قوانین کے مطابق ماحول کو درست رکھنے کی تاکید کرتا ہے۔ علاوہ ازیں سروس انڈسٹریز لمیٹڈ SEDEX Global کا 2015 سے ممبر ہے جو کہ اس بات کی عکاسی کرتا ہے کہ ہم عالمی کاروبار میں، آٹھ ہزار سے زائد ملازمین کو بہترین کام کرنے کا ماحول فراہم کرنے میں اور اخلاقیات پر مبنی کاروباری طریقے پر عمل کرنے کے لئے اور میں بہتری لانے کے لیے پرعزم ہے۔

سروس گلوبل فٹ وئیر لیمنڈ مرید کے جنوری 2019 سے جون 2019 تک کے مالی گوشوارے، سروس انڈسٹریز لیمنڈ کے گوشوارے میں شامل ہیں۔

تصرف

مالیاتی سال 2020 کا تصرف مختصراً مندرجہ ذیل ہے۔	روپے ملین میں
یکم جنوری 2020 پر کل جمع شدہ لیکوٹی	5,741
مالیاتی سال 2020 کی آمدنی	755
2019 کے مالیاتی سال کا 7.5 روپے فی شیئر حتمی ڈیویڈنڈ	(141)
سکیم کی وجہ سے بقیہ لیکوٹی	927
31 دسمبر 2020 پر کل جمع شدہ لیکوٹی	7,282

کمپنی کے بورڈ آف ڈائریکٹرز نے 31 مارچ 2021 کو منعقدہ اپنی میٹنگ میں 15 روپے فی شیئر (2019: 7.50 روپے فی شیئر) کے حتمی نقد منافع بمعہ 100 فیصد بونس شیئرز تجویز کیے ہیں۔

سال کے آپریٹنگ اور مالیاتی اعداد و شمار

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

کمپنی کی کارکردگی کا جائزہ

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

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورت حال، پچھلے سالوں میں کی کارکردگی اور کمپنی پر اثر انداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔ بجٹ بنایا جاتا ہے اور اصل کارکردگی کا بجٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلا تاخیر اصلاح کی جاسکے۔ یہ عمل کمپنی کے دونوں شعبوں کے لیے کیا جاتا ہے۔

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

کیش فلو اور کمیٹیل ایکسپنڈیچر

کمپنی کی بڑے سرمایہ کی ضرورت بنیادی طور پر اندرونی وسائل سے پوری کی جاتی ہے اور کچھ بیرونی سرمایہ پر بھی انحصار کیا جاتا ہے۔ کیش فلو اور سرمایہ کی ضرورت کی مستقل نگرانی کی جاتی ہے۔ کمپنی طویل المیعاد نمو کیلئے لگاتار سرمایہ کاری جاری رکھتی ہے۔

جاری رہا، یہ ہمارے بجٹ کے متوقع نتائج پر بہت زیادہ اثر انداز ہوا۔ کرونا سے مثبت نتائج متوقع نہ تھے اور نتیجتاً 2019 میں فروخت کی نمو منفی رہی جس نے مجموعی طور پر مالی نتائج کو نقصان پہنچایا کیونکہ زیادہ تر اخراجات مقررہ نوعیت کے تھے۔

ریٹیل کاروبار کے لئے، سال 2021 ترقی کا سال ہوگا۔ اس میں ہم نے ملک بھر میں مزید اسٹورز کھولنے کا منصوبہ بنایا ہے۔ یہ اہم منصوبہ سال 2020 میں کی گئی اصلاحات پر مبنی ہے جو کی علاقے کے مناسبت سے مصنوعات فروخت کرنا، فروخت پر مناسب رعایت، جو توں کا کم سے کم سٹاک رکھنا اور بہتر ملی جلی مصنوعات کے ذریعے مجموعی طور پر بہتر منافع کو یقینی بنائے گا۔

اداروں کو فروخت کرنے کے دو شعبے ہیں، فٹ ویئر اور ٹی آر پی۔ یہ کاروبار کرونا کی وجہ سے متاثر نہیں ہوا بلکہ 2020 میں اداروں کو فروخت میں 2019 کے مقابلے میں 70 فیصد اضافہ ہوا۔ نئی مصنوعات کو بھی شامل کیا گیا، جیسا کہ وائر پروف جوتے، جس سے یہ کاروبار اور زیادہ بہتر ہوا۔

فی شیئر آمدنی

اس سال فی شیئر آمدنی 29.37 روپے رہی جو پچھلے سال 37.73 روپے تھی، یہ 8.36 فیصد کمی ظاہر کرتی ہے۔



فی شیئر آمدنی میں کمی کی بنیادی وجہ سروس انڈسٹریز لیمنڈ کے مالی گوشوارے سروس انڈسٹریز لیمنڈ اور سروس گلوبل فٹ وئیر لیمنڈ کے درمیان منظور شدہ سکیم آف کپروماٹرز، اینجمنٹ اور ری کنسٹرکشن کے مطابق تیار کرنا ہے۔ جبکہ

تفصیلات	مالیاتی سال 2020 روپہ ہزاروں	مالیاتی سال 2019 روپہ ہزاروں	فیصد تبدیلی
خالص فروخت	24,442,492	26,156,201	(6.55%)
آپریٹنگ منافع	2,293,921	2,176,366	5.40%
منافع قبل از ٹیکس	1,161,184	1,073,025	8.22%
منافع بعد از ٹیکس	690,024	886,364	(22.15%)

31 دسمبر 2020 کو ختم ہونے والے مالی سال کے سروس گروپ کے مجموعی مالی نتائج درج ذیل ہے۔

تفصیلات	مالیاتی سال 2020 روپہ ہزاروں	مالیاتی سال 2019 روپہ ہزاروں	فیصد تبدیلی
خالص فروخت	31,160,011	30,058,321	3.67%
آپریٹنگ منافع	2,982,783	2,615,818	14.03%
منافع قبل از ٹیکس	1,891,901	1,586,621	19.24%
منافع بعد از ٹیکس	1,324,432	1,359,009	-2.54%

ٹائر ڈویژن

ٹائر ڈویژن سروس انڈسٹریز لمیٹڈ کی آمدنی کا ایک بڑا ذریعہ ہے۔ 2020 میں 2019 کے مقابلے میں بہتر نتائج کے ساتھ 12.74 فیصد نمو کا مظاہرہ کیا ہے۔ یہ کامیابی زبردست نظم و ضبط، مصنوعات کے معیار، رسد کا سلسلہ، مصنوعات کی لاگت پر موثر کنٹرول اور قیمتوں پر کڑی توجہ رکھنے کا نتیجہ ہے۔ خام مال کی قیمتوں میں تیزی سے اضافہ ہو رہا ہے، رسد کے اخراجات کئی گنا بڑھ رہے ہیں، خام مال اور رسد کی کمی ہمارے کاروبار کو 2021 کے آغاز سے ہی متاثر کر رہی ہے۔ ان مشکلات کے باوجود، ہماری ٹائر ڈویژن کی انتظامیہ اپنی ساکھ پر انحصار کرتے ہوئے اپنے کاروباری تناسب کو قائم رکھنے کے لئے پرعزم ہے۔

زرعی ٹائر کی پیداوار کا آغاز 2020 میں ہوا، ہماری مصنوعات کو مارکیٹ میں بہت پذیرائی ملی ہے۔ انتظامیہ ٹیم پورے ملک میں تشہیر کی سرگرمیاں، آگاہی مہم، علاقائی ڈیلر سے مینٹننگ اور اپنی ساکھ کو استعمال کرتے ہوئے مارکیٹ میں اپنی پوزیشن کو مضبوط بنانے پر کام کر رہی ہے۔

فٹ ویئر ڈویژن

جوتوں کی فروخت میں 40 فیصد کمی واقع ہوئی ہے۔ پچھلے سال کی چھ ماہ کی فروخت کے اعداد و شمار میں سروس گلوبل فٹ ویئر لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا مکمل ملکیت میں ماتحت ادارہ ہے کے اعداد و شمار شامل تھے۔ سروس گلوبل فٹ ویئر لمیٹڈ کو 01 جولائی 2019 کو سروس انڈسٹریز لمیٹڈ سے علیحدہ کر دیا گیا ہے۔ سروس گروپ فٹ ویئر کی مجموعی فروخت میں پچھلے سال کے مقابلے میں 10 فیصد کمی واقع ہوئی ہے۔

گزشتہ پورا سال محدود دفتری اوقات سے متاثر ہوا اور طویل لاک ڈاؤن جو مارچ 2020 کے آخر سے مئی 2020 کے شروع تک تقریباً دو مہینوں تک

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کر رہے ہیں۔

ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت تیار کی گئی ہے۔ یہ رپورٹ کمپنی کے سالانہ اجلاس جو کہ مورخہ 28 اپریل 2021 کو منعقد ہوگا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

کرونا کی وبا 2020 میں تیزی سے نمودار ہوئی اور ابھی تک جاری ہے۔ اس وبا کے بڑے پیمانے پر پھیلنے سے مقامی اور عالمی معیشت پر انتہائی منفی اثرات مرتب ہوئے۔ حکومت پنجاب کے مورخہ 23 مارچ 2020 کے نوٹیفیکیشن کے ذریعہ پورے صوبے میں لاک ڈاؤن کا حکم دیا گیا جس میں مخصوص اداروں اور صنعتوں کو چھوٹ دی گئی۔ اس لاک ڈاؤن کی وجہ سے کمپنی کو اپنی سرگرمیوں کو معطل کرنا پڑا جس کی وجہ سے پیداوار اور اخراجات غیر متناسب ہو گئے۔ اس نے کمپنی کے مالی معاملات پر منفی اثر ڈالا کیونکہ پیداوار کم رہی اور اخراجات پہلی سطح پر رہے۔ کرونا کی غیر معمولی اور غیر متوقع عالمی وبا اور پیداوار کی بندش نے کمپنی کی ترقی کی رفتار کو روک دیا۔ چنانچہ کمپنی کی انتظامیہ نے اپنی حکمت عملی تبدیل کی اور ترقی کی بجائے استحکام کی طرف توجہ دی۔

کرونا کے خطرے سے نمٹنے کے لئے، کمپنی کی انتظامیہ نے ایک ٹیم تشکیل دی۔ اس ٹیم نے روزانہ کی بنیاد پر صورتحال کا تجزیہ کیا اور کاروباری کارروائیوں کے تسلسل کو یقینی بنانے کے لئے ہر ممکن احتیاطی تدابیر پر عمل درآمد کے لئے فوری اقدامات اٹھائے۔ ملازمین کی صحت اور حفاظت کو یقینی بنانے اور کرونا سے بچنے کے لئے بھی اقدامات کیے گئے۔

یہ بات قابل اطمینان ہے کہ کمپنی کی انتظامیہ نے شدید مشکلات کے باوجود خاص طور پر ٹائر ڈویژن میں اپنا کاروباری تناسب برقرار رکھتے ہوئے نمایاں کارکردگی کا مظاہرہ کیا ہے۔ کمپنی نے مشکل حالات کے باوجود آمدنی میں اضافے کے ذریعہ بہتر کارکردگی کا مظاہرہ کیا اور گذشتہ سال کے مقابلے میں صحت مند منافع حاصل کیا ہے۔

مالی سال 2019 اور 2020 کی کارکردگی کا موازنہ

31 دسمبر 2020 کو ختم ہونے والے مالی سال کے سروس انڈسٹریز لمیٹڈ کے انفرادی مالی نتائج درج ذیل ہے۔

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