

Growth & Trust



Servis

SERVICE INDUSTRIES LIMITED

About Cover Concept



The journey of life presents itself with challenges, opportunities and actions. In the various phases of our existence we learn to move on, test our strength, face the wrath of realities and gain insight to our vulnerabilities; to stand tall, proud and unafraid.

This is a fruit of the right mindset that is greatly influenced by relations of love and trust that we make and value. These associations play a vital role in nurturing our personalities, fulfilling its needs and helping us plant our feet firmly in the ground to avoid going astray.

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Our History



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

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

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

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

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

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

To Our Shareholders

In a year that challenged our company and our industry, the people of Service Industries Limited displayed great discipline and resolve. We believe our company has emerged even stronger and better prepared for the future. And more than ever, we are focussed on the relationships with customers that will drive our future growth.







Our Vision

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

Our Mission

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

Company Information

Board of Directors

Chaudhry Ahmed Javed
Chairman

Mr. Omar Saeed
Chief Executive

Mr. M Ijaz Butt

Mr. Arif Saeed

Mr. Hassan Javed

Mr. Riaz Ahmed

Mr. Shaukat Ellahi Shaikh

Mr. Muhammad Amin

Mr. Manzoor Ahmed
(NIT Nominee)

Advisor

Ch. Ahmad Saeed

Company Secretary

Mr. Sultan Anwar

Chief Financial Officer

Mr. Muhammad Usman Amjad

Audit Committee

Mr. Manzoor Ahmed
Chairman

Mr. Hassan Javed
Member

Mr. Riaz Ahmed
Member

Mr. Muhammad Amin
Member

Human Resource & Remuneration Committee:

Mr. Riaz Ahmed
Chairman

Mr. Arif Saeed
Member

Mr. Muhammad Amin
Member

Auditors

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

Legal Advisor

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

Registered Office

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

Shares Registrar

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

Karachi & Lahore Stock Exchange Symbol SRVI

Factories

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

Web Presence

www.servisgroup.com

Bankers

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

Management Team (Footwear Division)

Mr. Jawwad Faisal
Chief Commercial Officer

Mr. Muhammad Usman Amjad
Chief Financial Officer

Mr. Ghulam Mohammad
General Manager - Gujrat Plant

Mr. Muhammad Sohail Akhtar Chaudhry
General Manager Sales

Mr. Hassan Ehsan
Head of Exports

Mr. Hyder Usman Chaudry
Head of Human Resource

Management Team (Tyre and Tube Division)

Mr. Jawwad Faisal
Chief Commercial Officer

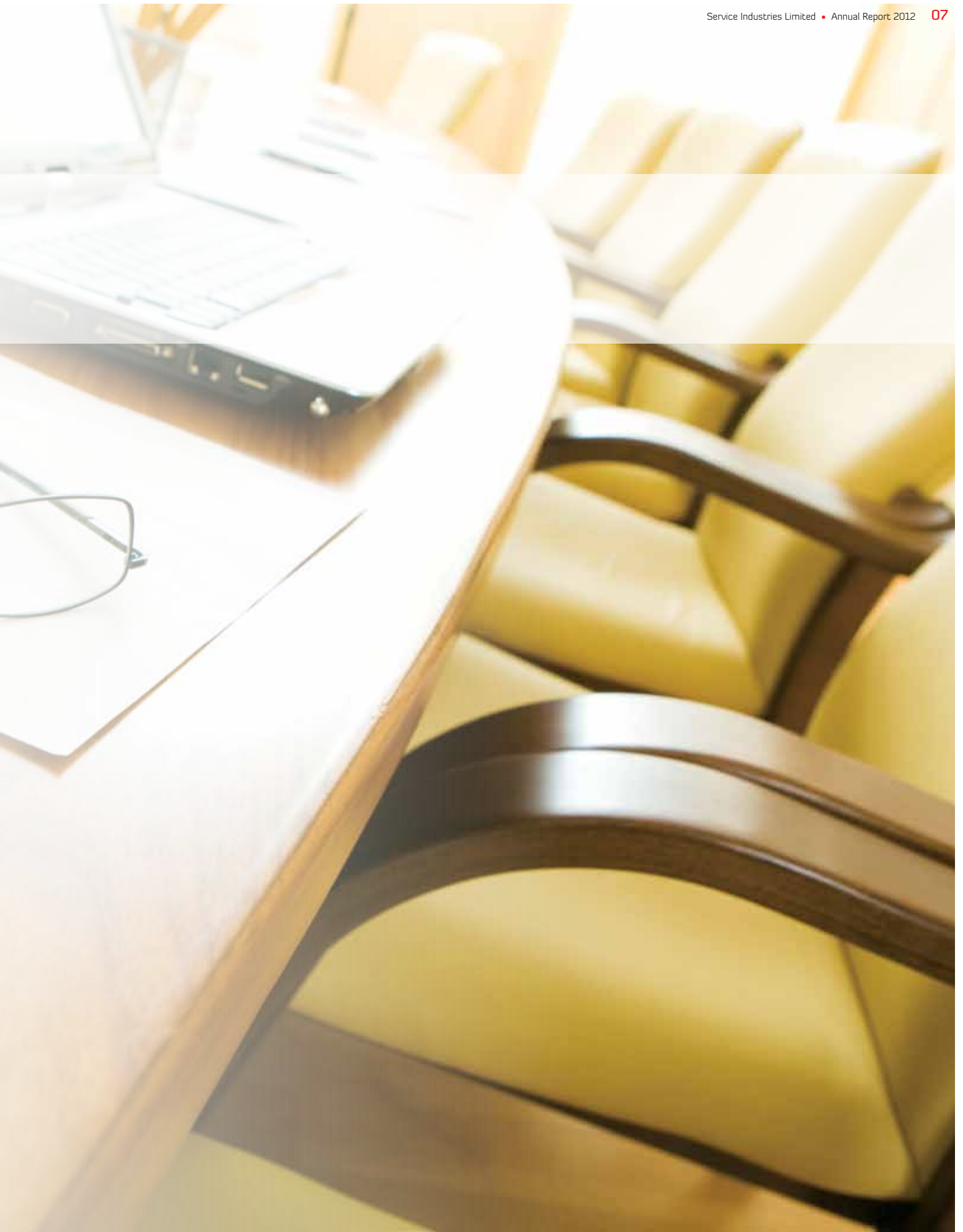
Mr. Muhammad Usman Amjad
Chief Financial Officer

Mr. Muhammad Ejaz
Country Manager Sales & Marketing

Mr. Ghulam Ahmad Cheema
General Manager

Mr. Ghazanfar Ali
Chief Technical Manager

Mr. Hyder Usman Chaudry
Head of Human Resource



Value Chain Stakeholder



Mr. Jürgen Cölsch
Managing Partner - Caprice



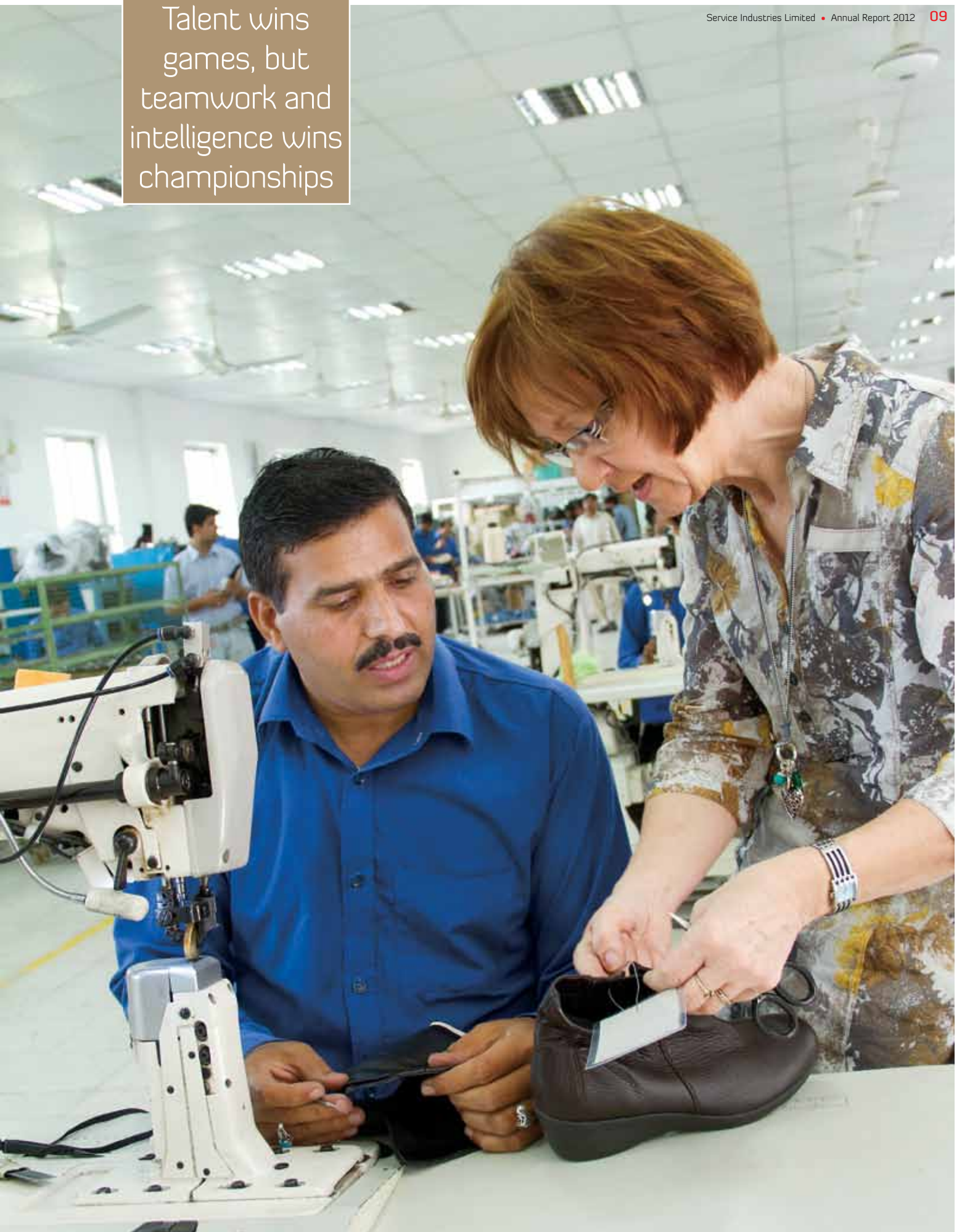
“Together we achieve more than the sum of an individual’s work”

Customer: **Caprice**

“Years of practice and close adherence to standards shaped into beauty, utility and excellence”

13 years ago, Caprice, started working with Service Industries Limited, Lahore, Pakistan. Caprice demanded and continue to demand a very high standard of quality, both cosmetically as well as intrinsically. I must say that all along this period of time, Service Industries Limited responded in enthused manner. With the help and cooperation of our designers and shoe technicians they met extremely high quality standard required in European Union. They adopted new techniques and technology. They brought in production latest and state of art machinery and trained in cooperation with our team on spot their manpower to a level which is comparable with advanced countries in the world. we have built together a complete new state of the art quality and development center to guarantee the quality standards for the future. Today Service Industries Limited is one of the largest partner suppliers of shoes to our company. Our team works hand in hand with their team. I compliment the management and technical team of Service Industries Limited for their success. Both Caprice and Service preserve their core values and purposes in their business strategies and operating practices while meeting new challenges in the changing world of shoe world. I am sure that our relationship with Service, Pakistan will continue to remain strong for infinite time.

Talent wins
games, but
teamwork and
intelligence wins
championships



Value Chain Stakeholder



Mr. Haseeb-ur-Rahman
Owner - Rahman Pak Progressive



“Together we achieve more than the sum of an individual’s work”

Tyre distributor: **Rahman Pak Progressive**

“Perseverance, discipline and dedication to craft perfection”

Our family is also known as “Punjabi Saudagran” and has been involved in trading. Our association with trading dates back to the time of our fore fathers. We have had the opportunity to work with a number of local and multinational companies as their distributors. Our relationship with Service Industries Limited commenced in 1973 and since then there was no looking back. We have witnessed them expand as industry market leaders in the tyre division and enjoyed our fair share of success with this affiliation.

In the early days of our association with Service Industries Limited, the tyre business was a minor segment. Under the courageous leadership of the organization, Service Industries Limited has attained the pinnacle of success and today is considered to be the market leader in this segment. We have found the management at Service Industries Limited to be utterly professional with the ability to seize opportunity at the right time. But most importantly, we have found Service Industries Limited to be a value driven organization.

It is our firm belief that their fierce inclination towards ethics played a pivotal role in their success. We are fortunate to be a part of Service Industries' current growth and future progress InshaAllah.

Together
every thing is
possible



BICYCLE TYRES
BICYCLE TYRES



Value Chain Stakeholder



Mr. Klaus Freese
Managing Director - DESMA



“Together we achieve more than the sum of an individual’s work”

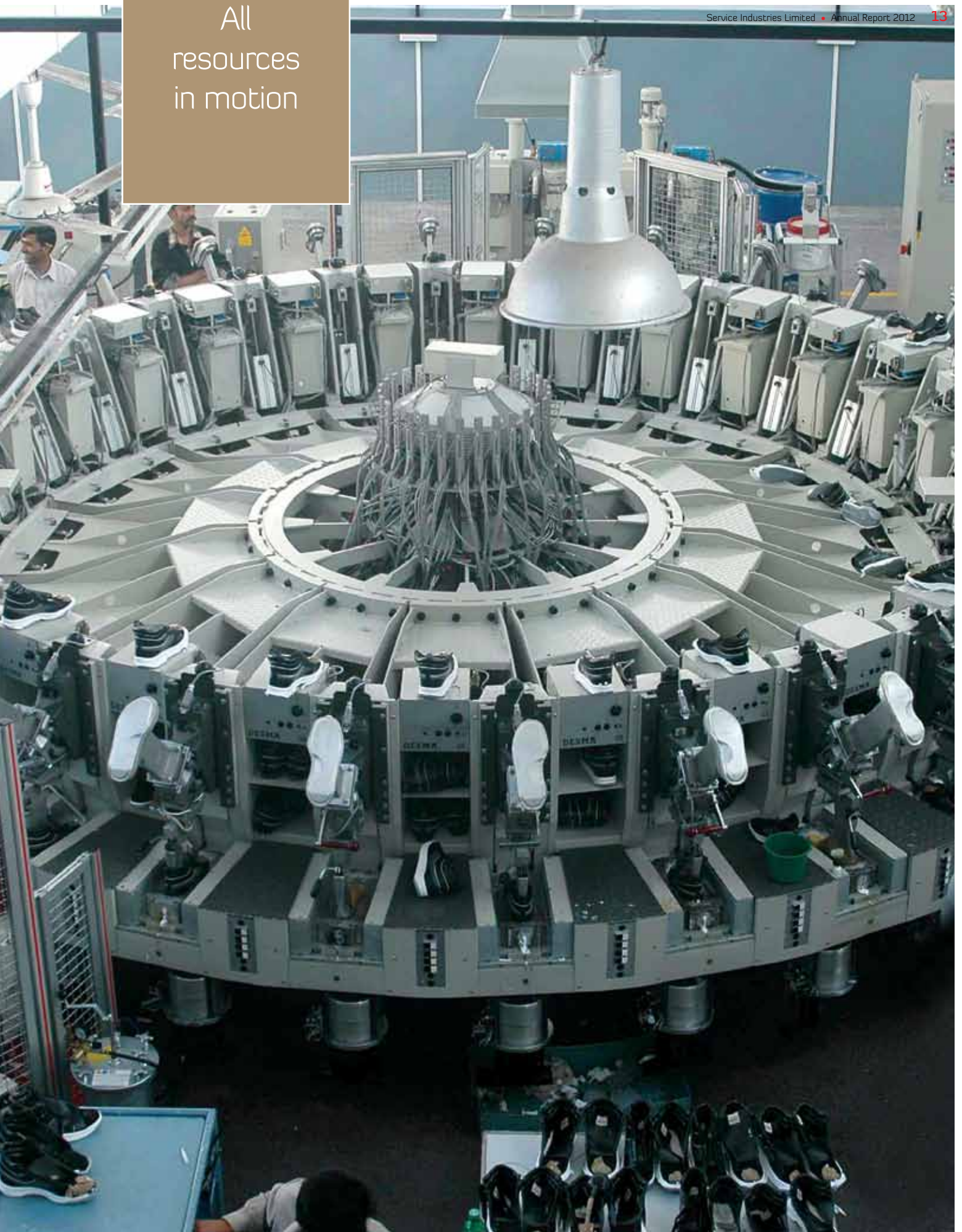
Supplier: **DESMA**

“Growth through investment in Technology”

Service Industries Limited has grown phenomenally from a domestic player to now where a major part of its manufacturing capacity is sold to International footwear brands and retailers. The company is greatly skilled in extensive variety of types of shoe constructions with help of a well-equipped design and development center.

We at DESMA are very proud of the fact that at the heart of Service Industries’ growth are no less than six DESMA injection machines, an obvious choice for the company so determined to invest in the very best in technology. It is their focus on adoption of new technology that has kept them strong in highly competitive landscape of global footwear industry. DESMA hopes to continue to be a trust worthy and reliable partner in future growth of this highly innovative company.

All
resources
in motion



Value Chain Stakeholder



Mr. Sultan Anwar



“Together we achieve more than the sum of an individual’s work”

Employee: **Mr. Sultan Anwar**

“Earning respect by respecting others”

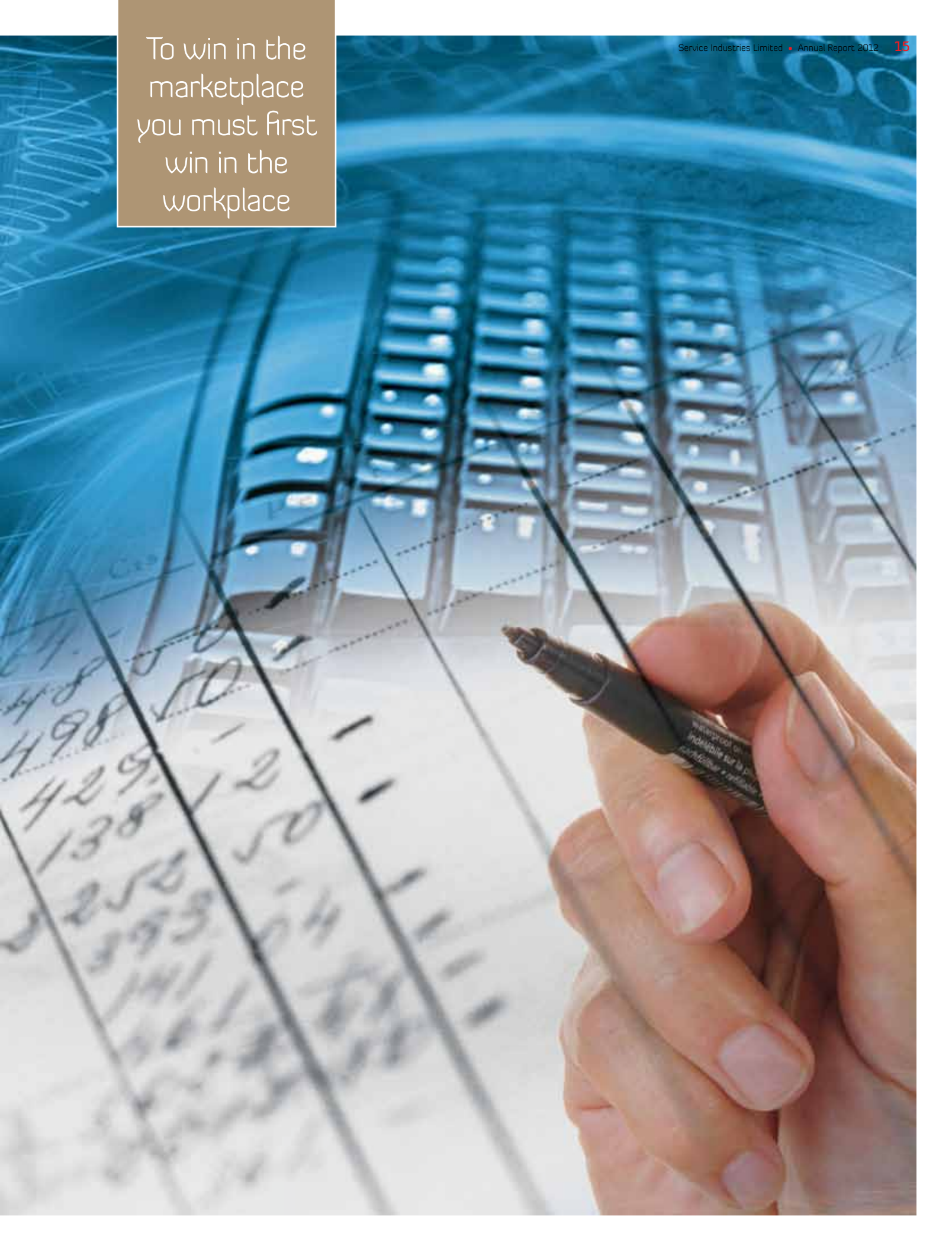
I have had the honor to serve Service Industries Limited for the longest period of time. My association with the company dates back to 1962. It has been more than five decades, so it would be fair to say that I have spent almost a lifetime at Service Industries Limited.

In these 50 years I have seen Service Industries Limited grow into a company worth 12 Billion from having a turnover of only a few Lacs, producing a wide range of products, being the largest exporter of footwear in the country and winning export awards for the tyre segment. The rate of the organization’s growth has been phenomenal.

All along, I have personally grown in my career through these years. I started my career at Service Industries Limited as an accountant and acquired my professional degree from the Institute of ICMA, while on job in 1977, to become Cost and Management Accountant. In 1981, I was promoted as Chief Accountant/CFO of the company and that is the position on which I retired.

In my opinion the primary reason for the organization’s success has been the sincere and untiring efforts of the employees and the management. I have no doubts in stating that the organization will continue on its path of growth and reward all stakeholders fairly.

To win in the marketplace you must first win in the workplace



Corporate Social Responsibility (CSR)



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

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

1. **Corporate Philanthropy**
2. **Community Investment**
3. **Other areas environmental protection, industrial relation etc.**

Excellence is
both our skill
and attitude



Corporate Social Responsibility (CSR)



1. Corporate Philanthropy

“At Service Industries Limited we stride the path of advancement while remaining accountable for our actions and taking a moral responsibility to do, what we say we will.”

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

a) Chaudhry Nazar Muhammad, Mohammad Hussain Memorial Society Hospital

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

- Operation Theater
- Laboratory
- X-ray
- Ultrasound

Approximately 36,000 patients were treated in the year 2012 in this hospital which offers free surgical care to the patients residing in Gandhra and its neighboring villages.

b) Service Free dispensary

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

- Ultrasound
- X-ray
- Laboratory

Approximately 57,000 patients received free medication and consultation in the year 2012 from here.

c) Dar-ul-Kafala

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

- Recreational activities
- Events and gatherings
- Healthcare
- Meals

d) Service High School for Boys

Established in Gujrat this school serves as an educational institute for the underprivileged students in the area. A total of 256 students are enrolled in this school.

e) Bagh-e-Rehmat

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



Corporate Social Responsibility (CSR)



2. Community Investment

a) Shalamar Hospital

This hospital was established in 1982 in Lahore, with the help of the contribution made by the founders of our company, Chaudhry Nazar Mohammad and Chaudhry Mohammad Hussain. It is owned by the Businessman Hospital Trust (BHT) which strives to provide health care services to patients belonging to varying income groups with special emphasis to those who belong to lower and middle income groups. In 2012 a donation of PKR 12.4 m was made by Service Industries Limited to this medical facility.

Service Industries Limited also donates PKR 6 m to other organizations, entities and NGOs, like;

- Lahore Businessmen Association for Rehabilitation of Disabled – LABARD;
- Thalassemia Society of Pakistan;
- Pakistan Society for the Rehabilitation of the Disabled – PSRD
- Abbasi Education Society;
- UCH Hospital;
- Kaghan Memorial Trust;
- Mukhtar Mai Women's Organization;

b) PEN- Progressive Education Network

Service Industries Limited sponsors five schools in Gujrat that are managed by PEN.

3. Other Areas

a) Industrial Relations

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

b) Employment of females and Special Persons

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

c) Occupational Safety and Health

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

d) Business Ethics and Anti-Corruption Measures

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



“ 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.”

e) Consumer Protection Measures

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

f) Contribution to National Exchequer

During the year 2012 the company contributed PKR 542 million towards national exchequer on account of taxes, duties and levies.

Notice of Annual General Meeting



Notice is hereby given that the 56th Annual General Meeting of Shareholders of Service Industries Limited will be held on Tuesday, April 30, 2013 at 10:00 a.m. at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on March 26, 2012.
2. To receive, consider and adopt the Audited Accounts of the Company and the Directors' and Auditors' Reports thereon for the year ended December 31, 2012.
3. To approve the final cash dividend of Rs. 750/- per share (75%) for the year ended December 31, 2012.
4. To appoint Auditors and to fix their remuneration. Retiring Auditors M/s. S.M. Masood & Company, Chartered Accountants, being eligible have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

By order of the Board

Date: April 1, 2013
Place: Lahore

Sultan Anwar
Company Secretary



NOTES:

1. The Share Transfer Books of the Company will remain closed from April 23, 2013 to April 30, 2013 (both days inclusive). Transfers received in order by our Company's Shares Registrar M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, The Mall, Lahore by the close of business on April 22, 2013 will be considered in time for entitlement of dividend.
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the Company at Servis House, 2-Main Gulberg, Lahore not later than 48 hours before the time fixed for the meeting.
4. Shareholders are requested to notify to the Company's Shares Registrar any change in their addresses immediately.
5. Members who have not yet submitted photocopy of their computerized national identity cards to the Company are requested to send the same at the earliest.
6. CDC account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

Board of Directors



Chaudhry Ahmed Javed
Chairman



Mr. Omar Saeed
Chief Executive Officer



Mr. M. Ejaz Butt
Director



Mr. Arif Saeed
Director



Mr. Hassan Javed
Director



Mr. Riaz Ahmed
Director



Mr. Shaukat Ellahi Shaikh
Director



Mr. Muhammad Amin
Director



Mr. Manzoor Ahmed
Director (NIT Nominee)

The house
of great
deeds and
thoughts



Group Executive Committee



Mr. Omar Saeed

Chief Executive Officer

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



Mr. Arif Saeed

Director

Mr. Arif Saeed graduated from Oxford University. He is the Director of Service Industries Limited. He served Dar Es Salam Textile Mills Limited as Chief Executive Officer from 1992 to 2006. Mr. Saeed also served Lahore Stock Exchange and All Pakistan Textile Mills Association as Chairman and was also on the board of Sui Northern Gas Pipelines Limited. He is the Vice Chairman of Punjab Daanish Schools and Center of Excellence Authority and is also on the boards of Saif Textile Mills Limited, Punjab Social Security and Health Management Company, Punjab Industrial Estates Development and Management Company and Competitiveness Support Fund.



Mr. Hassan Javed

Director

Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. He is the Director of Service Industries Limited. Mr. Javed also served the Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than ten years. He is currently the Chairman, Board of Directors of Gujranwala Electricity Supply Company.

Management Team

Shared Services



Mr. Jawwad Faisal
Chief Commercial Officer



Mr. Muhammad Usman Amjad
Chief Financial Officer



Mr. Hyder Usman Chaudry
Head of Human Resource

Footwear Division



Mr. Ghulam Mohammad
General Manager – Gujrat Plant



Mr. Muhammad Sohail Akhtar Chaudhry
General Manager Sales

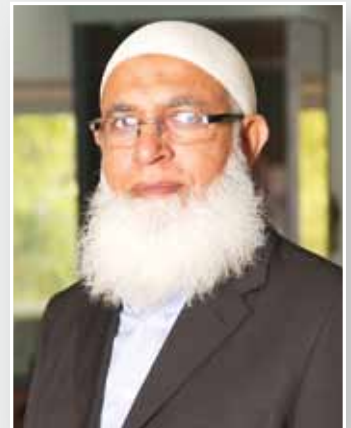


Mr. Hassan Ehsan
Head of Exports

Tyre & Tube Division



Mr. Muhammad Ejaz
Country Manager Sales & Marketing



Mr. Ghulam Ahmed Cheema
General Manager – Tyre tube Div

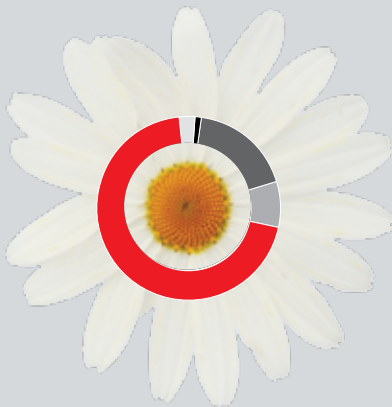


Mr. Ghanzanfar Ali
Chief Technical Manager

Statement of Value Addition and its Distribution

	2012		2011	
	Amount	Percentage	Amount	Percentage
Wealth Generated				
Sales	12,167,267		11,549,029	
Less: Purchased Materials and Services	(9,818,365)		(9,144,364)	
Other Income	58,005		40,570	
Wealth Created	2,406,907		2,445,235	
Wealth Distributed				
Employee Remuneration, Benefits, and Facilities	1,687,048	70.09	1,480,260	60.54
To Government				
Taxation	65,081	2.70	101,251	4.14
Workers Welfare Fund	3,927	0.16	10,911	0.45
To Society				
Donations	18,319	0.76	18,647	0.76
To Lenders of Capital				
Dividend	120,295	5.00	120,288	4.92
Finance Cost	322,151	13.38	237,695	9.72
Retained in Business				
Depreciation	177,114	7.36	158,819	6.50
Amortization	5,926	0.25	4,284	0.18
Retained Profit	7,045	0.29	313,080	12.80
	190,086	7.90	476,183	19.47
	2,406,907	100.00	2,445,235	100.00

Distribution of Wealth - 2012



Distribution of Wealth - 2011



- Employees
- Government
- Society
- To lenders of Capital
- Retained in Business

There is
always
a better
way



Six Years at a Glance

	2012	2011	2010	2009	2008	2007
(Rupees in million)						
Sales	12,167	11,549	9,421	7,680	6,393	4,521
Gross Profit	1,546	1,569	1,293	1,594	1,038	712
Profit Before Tax	192	535	488	936	478	236
Profit After Tax	127	433	328	661	341	161
Share Capital	120	120	120	120	120	120
Share Holder's Equity	2,020	2,013	1,700	1,522	1,042	755
Property, Plant & Equipment	1,649	1,612	1,425	1,024	887	830
Total Assets	6,422	5,639	4,543	3,651	3,342	2,451
Net current assets	974	827	727	820	530	352
Market Value Per Share (Rupees)	167	195	240	266	61	161

Dividend (%)

Cash - Interim	-	25		75		
Cash - Final	75	100	75	125	75	45

Profitability (%)

Gross Profit	12.71	13.59	13.73	20.75	16.24	15.74
Profit Before Tax	1.58	4.63	5.18	12.19	7.48	5.22
Profit After Tax	1.05	3.75	3.48	8.60	5.33	3.57

Return to Shareholders

R.O.E - Before Tax (%)	9.53	26.56	28.71	61.49	45.91	31.28
R.O.E - After Tax (%)	6.30	21.53	19.30	43.42	32.70	21.38
E.P.S - After Tax (Rupees)	10.59	36.03	27.28	54.94	28.32	13.42
Price Earning Ratio	15.78	5.41	8.80	4.84	2.15	12.01

Activity (Times)

Sales To Total Assets	1.89	2.05	2.07	2.10	1.91	1.84
Sales To Fixed Assets	7.38	7.16	6.61	7.50	7.20	5.45
Inventory Turnover Ratio	4.98	5.81	6.04	4.89	5.56	4.85
Interest Coverage Ratio	1.60	3.25	3.75	6.83	3.89	2.57

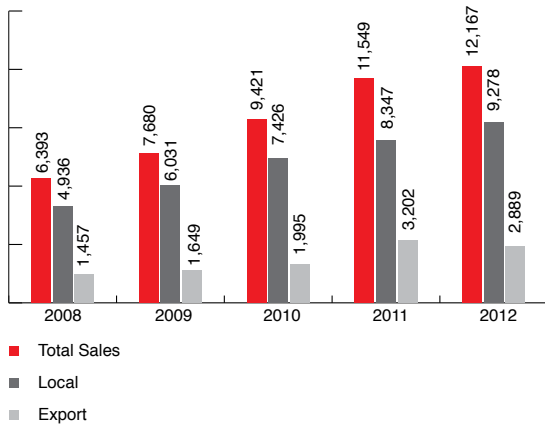
Liquidity/Leverage

Current Ratio (Times)	1.26	1.26	1.31	1.46	1.28	1.28
Break-up Value per Share (Rupees)	167.93	167.34	141.30	126.54	86.60	62.78
Total Liabilities To Equity (Times)	2.18	1.80	1.67	1.40	2.21	2.25
Debt Equity Ratio (Times)	19:81	14:86	16:84	14:86	30:70	39:61

Financial Highlights

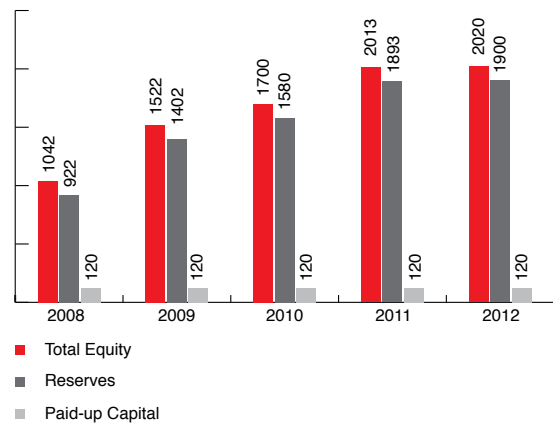
Sales

(Rupees in million)



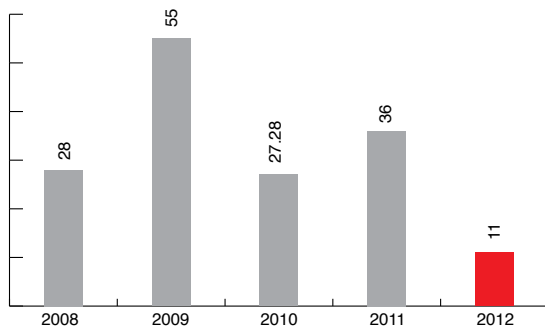
Shareholder's equity

(Rupees in million)



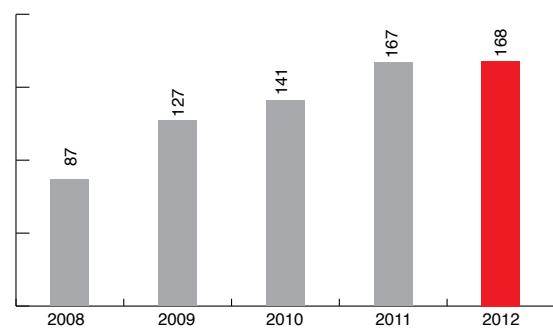
Earnings per share

(In Rupees)



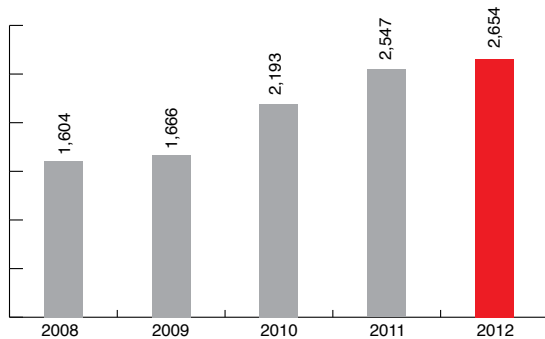
Break-up value per share

(In Rupees)



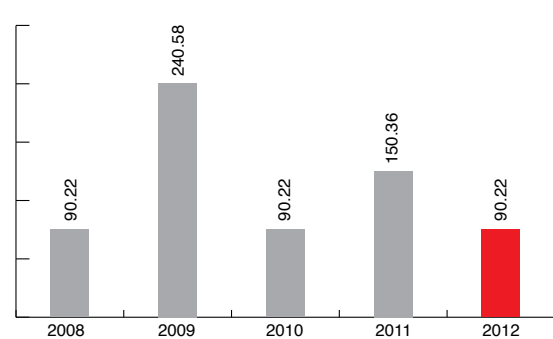
Operating fixed assets

(Rupees in million)



Dividend

(Rupees in million)



Profit and Loss Account

	2012	2011	2010	2009	2008	2007
	(Change from preceding year)					
Horizontal Analysis						
Sales	5.35%	22.58%	22.67%	20.13%	41.41%	17.84%
Cost of Sales	6.42%	22.78%	33.54%	13.66%	40.57%	16.97%
Gross Profit	-1.45%	21.32%	-18.84%	53.51%	45.91%	22.69%
Distribution Cost	69.01%	19.75%	50.31%	19.63%	32.15%	7.15%
Admin & Other Expenses	5.76%	36.21%	12.42%	30.89%	17.88%	19.10%
Finance Cost	35.53%	33.74%	10.79%	-2.89%	9.88%	-3.93%
Other Income	42.98%	106.48%	7.73%	52.85%	90.11%	-31.71%
Total Expenses	30.87%	28.44%	22.48%	17.45%	17.80%	9.01%
Net Profit Before Taxation	-64.01%	9.57%	-47.87%	95.73%	102.47%	64.15%
Provision for Taxation	-35.72%	-36.65%	-41.92%	100.08%	84.10%	62.01%
Net Profit After Tax	-70.62%	32.08%	-50.35%	93.97%	110.97%	65.16%
Vertical Analysis						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	87.29%	86.41%	86.27%	79.25%	83.76%	84.26%
Gross Profit	12.71%	13.59%	13.73%	20.75%	16.24%	15.74%
Distribution Cost	4.48%	2.79%	2.86%	2.33%	2.34%	2.51%
Admin & Other Expenses	4.47%	4.46%	4.01%	4.38%	4.02%	4.82%
Financial Cost	2.65%	2.06%	1.89%	2.09%	2.58%	3.33%
Other Income	-0.48%	-0.35%	-0.21%	-0.24%	-0.19%	-0.14%
Total Expenses	11.13%	8.96%	8.55%	8.56%	8.76%	10.51%
Net Profit Before Taxation	1.58%	4.63%	5.18%	12.19%	7.48%	5.22%
Provision for Taxation	0.53%	0.88%	1.70%	3.58%	2.15%	1.65%
Net Profit After Tax	1.05%	3.75%	3.48%	8.60%	5.33%	3.57%

Directors' Report to the Shareholders



The Board of Directors take pleasure in presenting annual report of your company along with the audited financial statements for the year ended December 31, 2012.



The Economy

Pakistan has been stuck in a low-income low-growth trap that has stunted economic growth in the country for one of the longest stretches of time. However, it has shown signs of modest recovery in 2011-12. The FY 2012 ended with GDP growth of 3.7% against 3.0% last year. On the back of a lower rate of inflation, the State Bank of Pakistan has reduced interest rates by 250bps in 2012.

Current and fiscal deficit soared during the year and the depreciating PKR posed severe threats to ongoing economic stability and growth. A prolonged and worsening energy shortage, an unstable political environment and falling investment levels have made the economic outlook appear weak.

Europe's largest economies continue to have a torrid time, as businesses battle slumping demand. The outlook for Europe, your company's major export market, remains weak. The Euro has been a currency in crisis for the last three quarters of 2012. Against these odds, we have struggled to maintain our profitability despite marginal topline growth in 2012.

Business Review

Financial results of the Company are as follows:-

	2012	2011	Variance
	Rs. in million		%
Sales (Net)	12,167	11,549	5%
Profit before taxation	192	535	-64%
Profit after taxation	127	433	-71%
EPS (Rs)	10.59	36.03	-71%

Despite overall revenue growth of 5% the company's profitability has reduced to 1.6% of sales from a healthy 4.6% of sales last year. This reduction is mainly attributable to reduction in Gross Margins of 1%, investment in marketing of 1% and increase in other costs, mainly financial charges of 1%.

The year 2012 is a good example of benefits of diversification in business. While it was a difficult year for your company's Footwear business, the Tyre and Tube business enjoyed healthy growth in both top and bottom line. In Footwear both domestic and export businesses suffered for a variety of reasons. Weakness in domestic demand in the first half of the year was followed by a weakness in export margins and volumes in the second half of the year.

Footwear

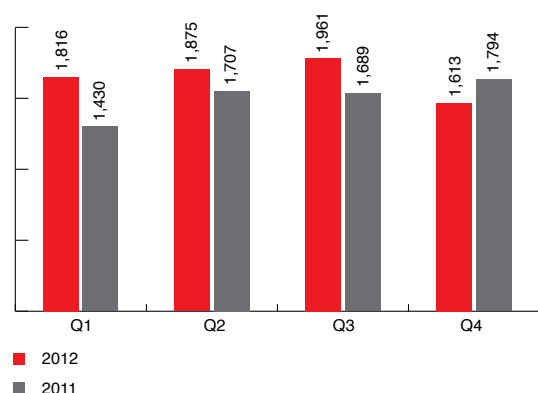
The declining trend on Footwear sales from Q3, 2011 continued till Q3, 2012. This trend started recovering in Q4 where revenue increased by 11% QoQ.

Footwear sales during the year decreased from Rs. 7.27 billion to Rs. 6.62 billion, a decline of 9%. Export revenue declined by 13% whereas domestic revenue was lower by 6% compared to 2011.

Your company was able to recover from quality related problems in 2012. However, lack of price increase from export customers, weakening of Euro against PKR and low productivity at factory level resulted in significant margin pressure in this business. In 2011, your company focused on geographical diversification of its customer base to



Footwear Revenue
(Rupees in million)



Directors' Report to the Shareholders



reduce dependence on Europe. The results of these efforts are quite encouraging as is evident from Q4 growth.

Tyres and Tubes

This segment has been the growth engine of your company during the year 2012. The Tyre and Tube sales increased by 30% from Rs. 4.22 billion in 2011 to Rs. 5.48 billion in 2012.

The growth is mainly attributable to motorcycle tyre and tube business where your company was able to gain market leadership. For the first time your company has launched a nationwide media campaign for its tyre business which was very well received.

The focus on diversification of export markets continues and there is an increase of 26% in export

revenue in 2012 compared to last year. Your company was awarded with "Best Export Performance Award" by Federation of Pakistan Chambers of Commerce and Industry (FPCCI).

We have successfully increased our capacity both for tyres and tubes last year. This enhanced capacity will help meet your company's growth plans in future. The management of your company will keep on investing in capacity wherever it finds opportunities for growth.

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

Future Outlook

Economic activity in the country is expected to remain subdued in the medium-term mainly due to continuing domestic concerns, including large fiscal deficits, high inflation and energy and infrastructure constraints..

We consider 2013 to be a better year for our footwear business where we expect to regain the momentum both in top line and bottom line. The order book is quite healthy for both domestic and export businesses for the first half of the year. Barring any unforeseen events, we expect to return to double digit growth in our footwear business. Recently Pakistan has got the benefit of preferential access to European markets (5% duty waiver in case of footwear) for 75 export items. This will remain in effect till December 31, 2013 and will help boost exports of footwear to this region.

Tyre and Tube business is expected to follow healthy growth pattern. The company will continue focusing on its diversification strategy both in terms of new customers and products and will also continue to identify new markets for exports.

Safety and Environment

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



Audit Committee

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

Human Resources and Remuneration Committee

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

Appropriations for the year 2012

Your Directors have recommended payment of cash dividend @ Rs. 7.50/- per share (75%).

	Rs. in million
Un-appropriated profit brought forward	7.17
Profit for the year 2011	433.37
Interim dividend @ Rs. 2.5 per share 2011	(30.07)
Final dividend @ Rs. 10.0 per share 2011	(120.29)
Transfer to reserve	(200.00)
Net profit after tax for the year 2012	127.34
Total available for appropriation	217.52
Appropriation	
Final dividend @ Rs. 7.50 per share 2012	90.22
Transfer to reserve	-
Un-appropriated profit carried forward	127.30

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended December 31, 2012 have been duly complied with. The Directors confirm the Compliance of Corporate Governance and statement to this effect is annexed.

Statement on Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

Directors' Report to the Shareholders

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years is annexed.
- The Directors, their spouses, minor children, CFO and Company Secretary did not trade in the shares of the Company. The holding of following Directors and their spouses had changed due to mediation by the mediator appointed by the sponsor's family members. Detail is given below:

S.No	Name	No of Shares
1	Mr. Omar Saeed	896,952
2	Mr. Arif Saeed	896,952
3	Chaudhry Ahmed Javed	1,314,655
4	Mr. Hassan Javed	479,316
5	Mrs. Najma Butt w/o Mr. M. Ijaz Butt	375,044
6	Mrs. Fatima Saeed w/o Mr. Arif Saeed	62,484

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

Provident fund	(Un-Audited)	Rs. 719.71 million
Gratuity fund	(Un-Audited)	Rs. 47.75 million
Pension fund	(Un-Audited)	Rs. 57.29 million
- During the year under review six (06) board meetings were held. The attendance of the directors is as follows:

Director's Name	Meetings Attended
Mr. Omar Saeed	6
Chaudhry Ahmed Javed	2
Mr. M Ijaz Butt	3
Mr. Arif Saeed	4
Mr. Hassan Javed	6
Mr. Riaz Ahmad	6
Mr. Manzoor Ahmad	5
Mr. Muhammad Amin	5
Mr. Shaukat Elahi Sheikh	4

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

Auditors

The Auditors, M/s. S.M. MASOOD & CO., Chartered Accountants retire and offer themselves for re-appointment. The Directors, on the recommendation of the Audit Committee propose M/s. S.M. MASOOD & CO., Chartered Accountants, Lahore as auditors for the financial year 2013.

Pattern of Shareholding

The pattern of shareholding as on December 31, 2012 is annexed with this report.

Corporate Social Responsibilities

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

Acknowledgement

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

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

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

For and on behalf of the Board

Date: April 1, 2013
Place: Lahore

Omar Saeed
Chief Executive

Statement of Compliance

with the Code of Corporate Governance

For the year ended December 31, 2012

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

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

1. The company encourages representation of non-executive Directors on its Board. The Board of Directors comprises eight Directors, excluding the Chief Executive Officer (CEO). At present, the Board includes (4) executive Directors and (4) non-executive Directors.
2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this company.
3. All the directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board were filled up by the directors within 30 days after occurring the vacancy.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two Directors namely Mr. Hassan Javed and Mr. Manzoor Ahmed are certified Directors of the Company.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of



the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises on four members, of whom three are non-executive directors and the chairman of the committee is also non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises on three members, of whom two are non-executive directors and the chairman of the committee is also non-executive director.
18. The board has set up an effective internal audit function managed by the qualified and experienced personnel who are conversant with the policies

and procedures of the company and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all the market, participants at once through stock exchange
23. We confirm that all other material principles enshrined in the CCG have been complied.

For and on behalf of the Board

Date: April 1, 2013
Place: Lahore

Omar Saeed
Chief Executive

Review Report to the Members

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of SERVICE INDUSTRIES LIMITED ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit

Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2012.

Date: April 1, 2013
Place: Lahore

S. M. Masood & Co.
Chartered Accountants

Audit Engagement Partner:
S. M. Masood

Auditors' Report to the Members

We have audited the annexed balance sheet of SERVICE INDUSTRIES LIMITED ("the Company") as at December 31, 2012 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. In our opinion:
 - (i) the balance sheet and the profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2012 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: April 1, 2013
Place: Lahore

S. M. Masood & Co.
Chartered Accountants

Audit Engagement Partner:
S. M. Masood

Highlights

Sales Revenue	12,167
Profit after Tax	127
Earnings per Share	10.59
Dividend	7.50
Shareholders' Equity	2,020

Financial Statements

for the year ended December 31, 2012

Balance Sheet

as at December 31, 2012

	Note	2012 (Rupees in '000)	2011
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 20,000,000 (2011: 20,000,000) Ordinary shares of Rs. 10/- each:		200,000	200,000
Paid up share capital	8	120,288	120,288
Reserves	9	1,899,663	1,892,618
		2,019,951	2,012,906
Non-current liabilities			
Long term financing - secured	10	400,215	218,173
Liabilities against assets subject to finance lease	11	-	14,950
Long term deposits	12	2,600	2,620
Deferred liabilities	13	235,794	215,386
		638,609	451,129
Current liabilities			
Trade and other payables	14	1,497,358	1,308,458
Interest and mark up accrued	15	51,581	58,404
Short term borrowings - secured	16	2,087,818	1,601,090
Current portion of:			
long term financing - secured	10	57,508	80,604
liabilities against assets subject to finance lease	11	14,898	11,283
Provision for taxation		53,785	115,461
		3,762,948	3,175,300
Contingencies and commitments	17	-	-
		6,421,508	5,639,335

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

Chaudhry Ahmed Javed
Chairman

Date: April 1, 2013
Place: Lahore

Balance Sheet

as at December 31, 2012

	Note	2012	2011
(Rupees in '000)			
ASSETS			
Non current assets			
Property, plant and equipment	18	1,648,805	1,610,702
Intangible assets	19	11,994	14,651
Long term loans	20	326	376
Long term deposits	21	23,465	11,060
		1,684,590	1,636,789
Current assets			
Stores, spares and loose tools	22	104,370	84,727
Stock in trade	23	2,132,742	1,941,229
Trade debts	24	1,244,889	938,456
Loans and advances	25	230,423	168,858
Trade deposits and prepayments	26	15,128	7,682
Other receivables		14,805	1,258
Tax refunds due from government	27	981,132	848,271
Cash and bank balances	28	13,429	12,065
		4,736,918	4,002,546
		6,421,508	5,639,335

Profit and Loss Account

For the year ended December 31, 2012

	Note	2012 (Rupees in '000)	2011
Sales - net	29	12,167,267	11,549,029
Cost of sales	30	10,620,854	9,979,793
Gross profit		1,546,413	1,569,236
Operating expenses			
Distribution cost	31	545,476	322,751
Administrative expenses	32	511,790	456,471
Other operating expenses	33	32,580	58,270
		1,089,846	837,492
Operating profit before other income		456,567	731,744
Other operating income	35	58,005	40,570
Operating profit		514,572	772,314
Finance cost	34	322,151	237,695
Profit before taxation		192,421	534,619
Taxation	36	65,081	101,251
Profit after taxation		127,340	433,368
Earnings per share - basic and diluted (Rupees)	37	10.59	36.03

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

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 1, 2013
Place: Lahore

Statement of Comprehensive Income

For the year ended December 31, 2012

Note	2012	2011
	(Rupees in '000)	
Profit after taxation	127,340	433,368
Other comprehensive income	-	-
Total Comprehensive Income for the year	127,340	433,368

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

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 1, 2013
Place: Lahore

Cash Flow Statement

For the year ended December 31, 2012

	Note	2012 (Rupees in '000)	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	39	343,569	373,300
Finance cost paid		(328,266)	(219,653)
Ijarah rentals paid		(22,962)	-
Income tax paid		(248,254)	(363,512)
Staff retirement benefits		(6,000)	(9,500)
W.P.P.F and W.W.F paid		(29,420)	(26,205)
Net cash used in operating activities		(291,333)	(245,570)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(275,913)	(375,821)
Proceeds from sale of property, plant and equipment		65,855	22,485
Long term loans		50	1,074
Long term deposits		(12,405)	1,815
Net cash used in investing activities		(222,413)	(350,447)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(11,335)	(10,099)
Short term borrowings		486,728	481,947
Long term financing		158,946	5,752
Dividend paid		(119,209)	(119,209)
Long term deposits		(20)	1,740
Net cash from financing activities		515,110	360,131
Net increase/ (decrease) in cash and cash equivalents		1,364	(235,886)
Cash and cash equivalents at the beginning of the year		12,065	247,951
Cash and cash equivalents at the end of the year	28	13,429	12,065

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

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 1, 2013
Place: Lahore

Statement of Changes in Equity

For the year ended December 31, 2012

	Paid up Share Capital	Capital reserves		Revenue reserves		Total
		Capital gain	Share premium	General reserve	Unappropriated profit	
(Rupees in '000)						
Balance as at December 31, 2010	120,288	102,730	21,217	1,123,208	332,383	1,699,826
Final dividend for the year ended December 31, 2010 @ Rs. 7.50 per share	—	—	—	—	(90,216)	(90,216)
Transfer to general reserve	—	—	—	235,000	(235,000)	—
Interim dividend for the year ended December 31, 2011 @ Rs. 2.50 per share	—	—	—	—	(30,072)	(30,072)
Total comprehensive income for the year	—	—	—	—	433,368	433,368
Balance as at December 31, 2011	120,288	102,730	21,217	1,358,208	410,463	2,012,906
Final dividend for the year ended December 31, 2011 @ Rs. 10.00 per share	—	—	—	—	(120,295)	(120,295)
Transfer to general reserve	—	—	—	200,000	(200,000)	—
Total comprehensive income for the year	—	—	—	—	127,340	127,340
Balance as at December 31, 2012	120,288	102,730	21,217	1,558,208	217,508	2,019,951

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

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 1, 2013
Place: Lahore

Notes to the Financial Statements

For the year ended December 31, 2012

1 Legal status and operations

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

2 Statement of compliance

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

3 Use of estimates and judgements

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

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

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

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

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change, unrecognised actuarial gains/losses amounting to Rs. 5.52 million at 31 December, 2012 would need to be recognized in Other comprehensive income.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10

- Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
 - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
 - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations:
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
 - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
 - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
 - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required

Notes to the Financial Statements

For the year ended December 31, 2012

when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

5 Basis of measurement

5.1 Accounting convention

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

5.2 Functional and presentation currency

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

6 Significant accounting policies

6.1 Employees' retirement benefits

i) Defined contribution plan

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

ii) Defined benefit plans

a) Gratuity scheme

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

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

Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out with sufficient regularity by an independent actuary, the latest valuation having been carried out as at December 31, 2012. The calculations of actuary are based on the "Projected Unit Credit Method".

b) Pension scheme

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

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

6.2 Compensated absences

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

6.3 Taxation

i) Current tax

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

ii) Deferred tax

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

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

Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination; and that affects neither accounting nor taxable profit or loss.

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

6.4 Foreign currency transactions and translation

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

6.5 Borrowing costs

Borrowing cost related to the financing of major projects is capitalized until substantially all the activities to complete the project for its intended use/ operation are completed. All other borrowing costs are charged to Profit and Loss Account as incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

6.6 Property plant and equipment

6.6.1 Owned

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

Property, plant and equipment are depreciated over their estimated useful lives at the rates specified in Note 18.1 to the financial statements using the reducing balance method. Residual values and the useful life of assets are reviewed and

Notes to the Financial Statements

For the year ended December 31, 2012

adjusted, if appropriate, at the end of each financial year. Depreciation on additions to owned assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

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

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge.

6.6.2 Intangible assets

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

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

6.6.3 Capital work in progress

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

6.6.4 Leases

Finance leases

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in Note 18.1. Depreciation of leased assets is charged to Profit and Loss Account.

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

6.7 Impairment

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

6.8 Inventories

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

6.8.1 Stores, spares and loose tools

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

6.8.2 Stock in trade

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

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

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

6.9 Stores, spares and loose tools

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

6.10 Trade debts and other receivables

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

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

6.11 Revenue

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

6.12 Government grants

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

6.13 Financial instruments

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

6.14 Off setting

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

6.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

Notes to the Financial Statements

For the year ended December 31, 2012

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

6.16 Related parties' transactions

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

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

6.17 Cash and cash equivalents

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

6.18 Provisions

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

6.19 Dividend and appropriation to reserves

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

6.20 Trade and other payables

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

7 Segment reporting

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

			2012	2011
			(Rupees in '000)	
8	Paid up share capital			
	Issued, subscribed and paid -up:			
		2012	2011	
		3,183,190	3,183,190	Ordinary shares of Rs. 10/- each fully paid in cash
		8,845,599	8,845,599	Ordinary shares of Rs. 10/- each issued as bonus shares
		12,028,789	12,028,789	
			31,832	31,832
			88,456	88,456
			120,288	120,288

			2012	2011
			(Number of Shares)	
8.1	Ordinary shares of the Company held by associated companies as at year end are as follows:			
	- Shahid Arif Investment (Private) Limited		10,144	10,144

			2012	2011
			(Rupees in '000)	
9	Reserves			
	Capital reserves			
	Share premium	9.1	21,217	21,217
	Capital gains		102,730	102,730
			123,947	123,947
	Revenue reserves			
	General reserve		1,558,208	1,358,208
	Unappropriated profit		217,508	410,463
			1,775,716	1,768,671
			1,899,663	1,892,618

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

Notes to the Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
10 Long term financing - secured		
Loan from banking companies		
Loan - I	-	20,000
Loan - II	-	20,000
Loan - III	31,244	41,658
Loan - IV	33,589	44,786
Loan - V	50,061	64,364
Loan - VI	9,103	11,379
Loan - VII	5,374	6,717
Loan - VIII	4,287	5,358
Loan - IX	84,515	84,515
Loan - X	239,550	-
	457,723	298,777
Less: Current portion	(57,508)	(80,604)
	400,215	218,173

- I** This represents long term finance obtained from Faysal Bank Limited (formerly The Royal Bank of Scotland Limited) for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2008 and December 31, 2012. The mark up rate is 6 months KIBOR plus 1.70% (2011: 1.70%) to be set on the first business day of each six-month period. The loan is secured by registered first pari passu hypothecation charge over all the present and future plant, machinery and equipment and first pari passu equitable mortgage charge over land and building for Rs. 134 million (2011: Rs. 134 million).
- II** This represents long term finance obtained from Habib Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2008 and December 31, 2012. The Mark up rate is 6 months KIBOR plus 1.70% (2011: 1.70%) to be set on the last business day of each six-month period. The loan is secured by registered first pari passu hypothecation charge over all the present and future plant, machinery and equipment and first pari passu equitable mortgage charge over land and building for Rs. 134 million (2011: Rs. 134 million).
- III** This represents SBP LTFF obtained from Habib Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2011 and December 30, 2015 respectively. The mark-up rate is fixed at 10.25% p.a. (2011: 10.25% p.a.)
- IV** This represents SBP LTFF obtained from Habib Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 25, 2011 and December 25, 2015 respectively. The mark-up rate is fixed at 10.25% p.a. (2011: 10.25% p.a.)
- V** This represents SBP LTFF obtained from Faysal Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on December 30, 2011 and June 28, 2016 respectively. The mark-up rate is fixed at 10% p.a (2011: 10% p.a.)

- VI** This represents SBP LTFF obtained from Faysal Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 16, 2012 and September 14, 2016 respectively. The mark-up rate is fixed at 10% p.a (2011: 10% p.a.).
- VII** This represents SBP LTFF obtained from Faysal Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on April 27, 2012 and October 25, 2016 respectively. The mark-up rate is fixed at 10.70% p.a (2011: 10.70% p.a.).
- VIII** This represents SBP LTFF obtained from Faysal Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on April 27, 2012 and October 25, 2016 respectively. The mark-up rate is fixed at 10.70% p.a (2011: 10.70% p.a.).
- IX** This represents SBP LTFF obtained from Faysal Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on May 1, 2013 and November 2, 2017 respectively. The mark-up rate is fixed at 12.20% p.a. (2011: 14.70 p.a.).
- X** This represents fresh long term finance obtained from Meezan Bank Limited under Term Loan Limit of Rs. 500 million, for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2014 and December 31, 2018 respectively. The mark-up rate is 6 Month Kibor + 0.40% p.a. The Loan Limit (Rs. 500million) is Secured by exclusive charge over Plant & Machinery with 15% margin and Ranking Charge over present and future Fixed Assets (including Land & building) with 20% margin.

The Company has Rs. 40.50 million (2011: Rs. 40.50 million) undrawn borrowing facility at the balance sheet date against loan V, VI, VII, VIII and IX above. These loans are secured by a registered first pari passu mortgage over land and building and hypothecation on all existing and future fixed assets for Rs. 334 million(2011: Rs. 334 million).

	2012	2011
	(Rupees in '000)	
11 Liabilities Against Assets Subject To Finance Lease		
Balance as on January 01	26,233	36,332
Add - Assets acquired during the year	-	-
	26,233	36,332
Less - Payments/ adjustments	(11,335)	(10,099)
	14,898	26,233
Less - Shown under current liabilities	(14,898)	(11,283)
Balance as on December 31	-	14,950

- 11.1** The total lease rentals due under the lease agreements aggregate Rs. 16.15 million (2011: Rs. 30.86 million) and are payable in quarterly and half yearly installments under various lease agreements. The present value of minimum lease payments has been discounted at interest rate implicit in the lease, which equates to an interest rate of approximately 13.71% to 15.74% per annum.

Notes to the Financial Statements

For the year ended December 31, 2012

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

	2012			2011		
	Minimum lease payments	Present value of minimum lease payments	Finance cost	Minimum lease payments	Present value of minimum lease payments	Finance cost
Due within one year	16,152	14,898	1,254	14,500	11,283	3,217
Due after one year but not later than five years	-	-	-	16,361	14,950	1,411
	16,152	14,898	1,254	30,861	26,233	4,628

	Note	2012	2011
		(Rupees in '000)	
12 Long term deposits			
Deposits of Lark & Finch Franchises and light trucks & tubes dealers		2,600	2,620
		2,600	2,620
13 Deferred liabilities			
Deferred taxation	13.1	203,783	192,487
Gratuity fund payable	13.2	32,011	22,899
		235,794	215,386
13.1 Deferred tax liability is made up as follows:			
Accelerated depreciation		234,537	221,045
Liabilities against assets subject to finance lease		4,477	2,230
Tax credit U/s 113		(35,231)	(30,788)
		203,783	192,487

13.2 Gratuity fund payable

The details of actuarial valuations of defined gratuity scheme carried as at December 31, 2012 are as follows:

	2012	2011
	(Rupees in '000)	
13.2.1 The amounts recognized in the balance sheet:		
Present value of defined benefit obligations	91,104	82,210
Fair value of plan assets	(53,566)	(51,591)
	37,538	30,619
Unrecognized actuarial losses	(5,527)	(7,720)
Net liability	32,011	22,899

	2012	2011
	(Rupees in '000)	
13.2.2 Movement in the net liability recognised in the balance sheet:		
Opening balance	22,899	18,943
Charge for the year	15,111	13,456
Payments during the year	(6,000)	(9,500)
Closing balance	32,010	22,899
13.2.3 Amounts recognized in the profit and loss account:		
Current service cost	11,284	8,525
Interest cost	10,276	9,396
Expected return on plan assets	(6,449)	(5,130)
Actuarial loss charge	-	665
	15,111	13,456
13.2.4 Changes in the present value of defined benefit obligation:		
Opening defined benefit obligation	82,210	72,274
Current service cost	11,284	13,644
Interest cost	10,276	9,396
Actuarial (gain)/loss	(3,688)	3,808
Benefits paid	(8,978)	(16,912)
	91,104	82,210
13.2.5 Changes in the fair value of the plan assets:		
Opening fair value of plan assets	51,591	39,457
Expected return	6,449	5,130
Actuarial (loss)/gain	(1,496)	9,297
Contribution by employer	6,000	14,619
Benefits paid	(8,978)	(16,912)
	53,566	51,591

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

	2012		2011	
	Rupees in thousands	%	Rupees in thousands	%
Unit Trust	36,808	68.71%	32,636	63.26%
Term Deposit	12,923	24.13%	10,053	19.49%
Other Asset	3,835	7.16%	8,902	17.25%
	53,566	100.00%	51,591	100.00%

Notes to the Financial Statements

For the year ended December 31, 2012

	2012	2011
	(Rupees in '000)	
13.2.7 Actual return on plan assets		
Expected return on plan assets	6,449	5,130
Actuarial gain/ (loss) on assets	(1,496)	9,297
	4,953	14,427

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

	2012	2011
	(Percentage)	
13.2.8 Principal actuarial assumptions		
The principal assumptions in the actuarial valuation are as follows:		
Discount rate	11%	13%
Expected rate of salary increase	10%	11%
Expected rate of return on investments	12.5%	13%
Average expected remaining working life of employees	10 years	10 years

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

	2012	2011	2010	2009	2008
	(Rupees in '000)				
Defined Benefit Plan					
Defined benefit obligation	91,104	82,210	72,274	61,382	52,923
Plan assets	(53,566)	(51,591)	(39,457)	(35,774)	(31,281)
Deficit	37,538	30,619	32,817	25,608	21,642
Experience adjustments on plan liabilities	(3,688)	3,808	1,600	(1,488)	4,385
Experience adjustments on plan assets	(1,496)	9,297	1,071	709	(10,388)

		2012	2011
(Rupees in '000)			
14 Trade and other payables			
Trade creditors		704,596	714,876
Accrued liabilities		343,487	265,453
Bills payable	14.1	174,337	217,940
Advances from customers		195,856	22,440
Provident fund payable		14,348	12,818
Pension fund payable		3	1
Workers' Profit Participation Fund	14.2	10,429	28,807
Workers' Welfare Fund	14.3	39,479	35,552
Unclaimed dividend		8,089	7,003
Others		4,153	2,274
Due to government agencies on account of:			
Staff income tax		1,027	1,259
Suppliers income tax		1,554	35
		1,497,358	1,308,458
14.1	This represents letter of credits for purchase of raw material.		
14.2 Workers' Profit Participation Fund			
Balance as at January 01		28,807	26,300
Provision for the year		10,334	28,712
Inter-set for the year		708	195
		39,849	55,207
Less: Payments during the year		29,420	26,400
Balance as December 31		10,429	28,807
14.3 Workers Welfare Fund			
Balance as at January 01		35,552	24,641
Provision for the year		3,927	10,911
		39,479	35,552
Less: Payment / adjustment		-	-
Balance as December 31		39,479	35,552
15 Interest and markup accrued			
Long term financing - secured		6,673	9,871
Short term borrowings - secured		44,908	48,533
		51,581	58,404

Notes to the Financial Statements

For the year ended December 31, 2012

16 Short term borrowings - Secured

From banks and other financial institutions

	Sanctioned limit		Availed limit	
	2012	2011	2012	2011
	(Rupees in '000)			
Under mark up arrangements with consortium banks:				
Cash credits	2,150,000	1,392,000	1,062,368	458,740
Export refinance	975,689	851,000	975,689	850,689
Foreign Currency Import Loan	-	292,000	-	291,661
Finance Against Trust Receipt	49,761	-	49,761	-
	3,175,450	2,535,000	2,087,818	1,601,090

The above facilities are secured by way of hypothecation of the Company's present and future stocks, receivables, stores and spares and a second charge over the fixed assets of the Company.

17 Contingencies and Commitments

Contingencies

- 17.1** The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Company were released without the payment of duties and taxes amounting to Rs. 17.99 million. The Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favour of Collector of Customs, Sumbrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favour of the Company by Collector (Appeal) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still pending. However, the Company has a strong case therefore no provision has been made in these financial statements against the case.
- 17.2** The Additional Collector (Adjudication) PACCS, Karachi had initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming Sales Tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner (Appeals) LTU, Lahore, which is still pending. According to the Company's legal counsel, the Company has a strong case with high probability of its success.
- 17.3** The Deputy Director PESSI, Gujrat has initiated two cases against Service Industries Limited. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs.1.98 million is to be recoverable by the company from PESSI on account of wrongly paid contributions covering the period July 1992 to September 1993. Both cases have been decided against the company by the Director General Recovery PESSI, Lahore. Now the company has filed an appeal before Social Security Court, Lahore, which is pending. As per legal counsel of the Company, the Company has strong legal grounds for its success.

- 174** The DCIR, LTU had initiated a case against the Company after post Sales Tax refund audit in which demand of Rs. 27.92 million was raised. The Company filed an appeal before CIR appeals in which the demand was cancelled except two points having impact of Rs. 2.65 million. The Company had further filed an appeal before Tribunal against said points. As per legal counsel of the Company, the Company has strong legal grounds for its success. In management's opinion, chances of success in the aforesaid case are strong and there is no likelihood of any unfavourable outcome.

Commitments

- 175** Guarantees issued in ordinary course of business through banks Rs. 65.01 million (2011: Rs. 28.64 million).
- 176** Irrevocable letters of credit outstanding at the year end Rs. 466.79 million (2011: Rs. 508.65 million).
- 177** The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

		2012	2011
(Rupees in '000)			
Not later than one year		32,049	-
Later than one year and not later than five years		75,990	-
Later than five years		-	-
18 Property, plant and equipment			
Operating fixed assets	18.1	1,502,733	1,543,297
Capital work in progress	18.2	146,072	67,405
		1,648,805	1,610,702

Notes to the Financial Statements

For the year ended December 31, 2012

18.1 Operating fixed assets

2012

(Rupees in '000)

Type of Assets	C O S T			D E P R E C I A T I O N			W.D.V. as at December 31, 2012		
	As at January 01, 2012	Addition/ Transfers	Disposals	As at December 31, 2012	Rate %	Aa at January 01, 2012		for the year	Adjustments/ transfers
Owned									
Freehold land	7,106	-	-	7,106	-	-	-	-	-
Building on freehold land	334,005	53,233	-	387,238	5-10	154,396	184,779	-	172,875
Plant and machinery	1,637,582	83,772	6,415	1,714,939	10	611,377	106,591	5,608	712,360
Furniture, fixture and fittings	30,956	802	67	31,691	10	17,472	1,390	23	18,839
Vehicles	109,058	3,686	79,761	32,983	20	32,691	7,578	23,198	17,071
Service Equipments	372,291	21,059	65	393,285	10-30	169,484	25,857	52	195,289
Leasehold improvements	5,271	-	-	5,271	33.33	2,573	1,757	-	4,330
Last & Mould	-	31,425	-	31,425	50	-	11,960	-	11,960
Total - owned	2,496,269	193,977	86,308	2,603,938		987,993	173,612	28,881	1,132,724
Leased assets									
Plant and machinery Equipment	41,931	-	-	41,931	10	12,383	2,955	-	15,338
	8,630	-	-	8,630	10	3,157	547	-	3,704
Total - leased	50,561	-	-	50,561		15,540	3,502	-	19,042
Grand Total - 2012	2,546,830	193,977	86,308	2,654,499		1,003,533	177,114	28,881	1,151,766

2011

(Rupees in '000)

Type of Assets	C O S T			D E P R E C I A T I O N			W.D.V. as at December 31, 2011		
	As at January 01, 2011	Addition/ Transfers	Disposals	As at December 31, 2011	Rate %	Aa at January 01, 2011		for the year	Adjustments/ transfers
Owned									
Freehold land	7,106	-	-	7,106	-	-	-	-	-
Building on freehold land	300,351	33,654	-	334,005	5-10	138,051	16,345	-	154,396
Plant and machinery	1,375,479	286,063	23,960	1,637,582	10	535,554	94,793	18,970	611,377
Furniture, fixture and fittings	25,354	5,694	92	30,956	10	16,482	1,017	27	17,472
Vehicles	75,518	47,218	13,678	109,058	20	24,393	13,955	5,657	32,691
Service Equipments	347,845	25,998	1,552	372,291	10-30	144,276	25,605	397	169,484
Leasehold improvements	10,512	-	5,241	5,271	33.33	2,017	3,213	2,657	2,573
Total - owned	2,142,165	398,627	44,523	2,496,269		860,773	154,928	27,708	987,993
Leased assets									
Plant and machinery Equipment	41,931	-	-	41,931	10	9,100	3,283	-	12,383
	8,630	-	-	8,630	10	2,549	608	-	3,157
Total - leased	50,561	-	-	50,561		11,649	3,891	-	15,540
Grand Total - 2011	2,192,726	398,627	44,523	2,546,830		872,422	158,819	27,708	1,003,533

	Note	2012	2011
(Rupees in '000)			
18.1.1 Depreciation has been charged as follows:			
Cost of Sales	30	159,276	138,550
Administrative Expenses	32	17,838	20,269
		177,114	158,819

18.1.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Sold to	Mode of Disposal
Plant and machinery						
Having book value exceeding Rs. 50,000						
Bago-Matic Press	1,030	942	88	88	M.I.A Manufacturers	Negotiation
Bago-Matic Press	1,031	959	72	72	M.I.A Manufacturers	Negotiation
Bago-Matic Press	1,134	1,077	57	87	M.I.A Manufacturers	Negotiation
Bago-Matic Press	1,134	1,077	57	86	M.I.A Manufacturers	Negotiation
Tube Press	280	173	107	280	M.I.A Manufacturers	Negotiation
Tube Press	280	173	107	280	M.I.A Manufacturers	Negotiation
Tube Press	280	173	107	280	M.I.A Manufacturers	Negotiation
Tube Press	280	173	107	280	M.I.A Manufacturers	Negotiation
	5,449	4,747	702	1,453		
Having book value less than Rs. 50,000	966	861	105	138	Miscellaneous	Negotiation
Total of plant and machinery	6,415	5,608	807	1,591		
Furniture fixture (Having book value less than Rs. 50,000)	67	23	44	-	Miscellaneous	Scrap

Vehicles

Having book value exceeding Rs. 50,000

Honda City	488	217	271	925	Toyota Township Motors	Negotiations
Honda Civic	771	286	485	485	Mr. Arif Saeed	Negotiations
Suzuki Alto	225	93	132	132	Asif Zahoor	Company policy
Honda City	1,312	609	703	743	Standard Chartered Modaraba	Sale and lease back
Honda City	988	594	394	394	Mr. Qadeer Ahmed Vaseer	Company policy
Honda City	988	563	425	425	Mr. Muhammad Ashfaq	Company policy
Honda City	1,202	545	657	777	Standard Chartered Modaraba	Sale and lease back
Honda City	1,372	156	1,216	1,281	Standard Chartered Modaraba	Sale and lease back
Honda City	1,288	325	963	1,017	Standard Chartered Modaraba	Sale and lease back
Honda City	851	499	352	352	Mohammed Khurram Iqbal	Company policy
Honda City	1,422	231	1,191	1,256	Standard Chartered Modaraba	Sale and lease back
Honda City	271	146	125	625	Mr. Aamir Saleem	Company policy
Honda City	1,340	239	1,101	1,161	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,872	726	1,146	1,775	Attique Ur Rehman	Company policy
Honda Civic	1,842	721	1,121	1,183	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,908	279	1,629	1,717	Standard Chartered Modaraba	Sale and lease back
Honda Civic	2,013	229	1,784	1,879	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,521	959	562	1,283	Khurram Imtiaz	Company policy
Honda Civic	1,570	232	1,338	1,416	Standard Chartered Modaraba	Sale and lease back

Notes to the Financial Statements

For the year ended December 31, 2012

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Sold to	Mode of Disposal
Honda Civic	1,752	877	875	1,011	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,752	795	957	1,011	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,308	129	1,179	1,201	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,570	155	1,415	1,441	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,873	213	1,660	1,748	Standard Chartered Modaraba	Sale and lease back
Honda Civic	1,197	177	1,020	1,079	Standard Chartered Modaraba	Sale and lease back
Hyundai Shehzore	353	157	196	778	Muhammad Aftab Younis	Company policy
Hyundai Shehzore	353	157	196	822	Muhammad Furqan	Company policy
Suzuki Cultus	576	363	213	213	M.Saeed Ghauree	Company policy
Suzuki Cultus	725	425	300	300	Mr Mirza Farrukh Baig	Company policy
Suzuki Cultus	725	430	295	295	Mr Atif Khatan	Company policy
Suzuki Cultus	855	315	540	524	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	224	122	102	513	Pervaiz Enterprises	Negotiations
Suzuki Cultus	795	283	512	547	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	795	272	523	552	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	896	102	794	836	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	842	257	585	676	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	837	211	626	661	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	651	392	259	259	Mr. Jawwad Ahmed	Company policy
Suzuki Cultus	900	442	458	510	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	900	417	483	510	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	842	202	640	676	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	1,058	308	750	835	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	830	334	496	535	Standard Chartered Modaraba	Sale and lease back
Suzuki Alto	648	155	493	520	Standard Chartered Modaraba	Sale and lease back
Suzuki Alto	648	189	459	512	Standard Chartered Modaraba	Sale and lease back
Suzuki Alto	678	119	559	622	Standard Chartered Modaraba	Sale and lease back
Suzuki Alto	648	155	493	520	Standard Chartered Modaraba	Sale and lease back
Suzuki Cultus	651	396	255	260	Miss Mariam Khawar	Company policy
Suzuki Cultus	651	401	250	255	Mr. Amjad Saeed	Company policy
Suzuki Cultus	862	355	507	524	Standard Chartered Modaraba	Sale and lease back
Suzuki Liana	1,099	377	722	763	Standard Chartered Modaraba	Sale and lease back
Suzuki Liana	952	383	569	601	Standard Chartered Modaraba	Sale and lease back
Suzuki Liana	952	392	560	591	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,013	115	898	945	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,013	115	898	945	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,031	-	1,031	1,031	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,003	179	824	869	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,031	-	1,031	1,031	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,003	179	824	1,003	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	984	112	872	935	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,013	164	849	895	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,003	179	824	1,003	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,056	141	915	968	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,013	132	881	929	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,013	164	849	895	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	1,031	102	929	1,031	Standard Chartered Modaraba	Sale and lease back
Suzuki Swift	984	96	888	935	Standard Chartered Modaraba	Sale and lease back
Toyota Corolla	1,035	660	375	375	Mr. Ghazanfar Ali	Company policy
Toyota Corolla	980	604	376	369	Mr. Abdul Rauf	Company policy
Toyota Corolla	1,529	314	1,215	1,529	N/A	Insurance claim
Toyota Corolla	1,529	248	1,281	1,351	Standard Chartered Modaraba	Sale and lease back
Toyota Corolla	1,399	266	1,133	1,259	Standard Chartered Modaraba	Sale and lease back
Toyota Corolla	1,535	227	1,308	1,409	Standard Chartered Modaraba	Sale and lease back
Toyota Corolla	1,529	248	1,281	1,351	Standard Chartered Modaraba	Sale and lease back
Toyota Corolla	478	248	230	246	Mr. Habib Ejaz Butt	Company policy
Toyota Corolla	1,337	260	1,077	1,136	Standard Chartered Modaraba	Sale and lease back
	79,184	22,859	56,325	63,967		

Particulars	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Sold to	Mode of Disposal
Vehicles (Having book value less than Rs. 50,000)	577	339	238	262	Miscellaneous	Company policy
Total vehicles	79,761	23,198	56,563	64,229		
Other assets (Having book value less than Rs. 50,000)	65	52	13	35	Miscellaneous	Negotiation
Total - 2012	86,308	28,881	57,427	65,855		
Total - 2011	44,523	27,708	16,815	22,485		

18.2 Capital work in progress

					2012	2011
	(Rupees in '000)					
	Building	Plant and machinery	Furniture and Fixure	Service Equipment	Total	
Balance as at January 01	54,384	11,002	451	1,568	67,405	90,577
Addition during the year	57,416	91,740	-	23,265	172,421	78,998
Transfers/ adjustments	(50,880)	(29,989)	(451)	(12,434)	(93,754)	(102,170)
Balance as at December 31	60,920	72,753	-	12,399	146,072	67,405

	Note	2012	2011
		(Rupees in '000)	
19 Intangible assets			
Oracle and other softwares	19.1	11,694	13,301
Softwares under development	19.2	300	1,350
		11,994	14,651
19.1 Cost			
As at January 01		17,585	-
Addition during the year		4,319	17,585
As at December 31		21,904	17,585
Amortization			
As at January 01		4,284	-
Charge for the year		5,926	4,284
As at December 31		10,210	4,284
Book value as at December 31, 2012		11,694	13,301
Rate of amortisation		33.33%	33.33%

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
19.2 Softwares under development			
As at January 01		1,350	14,288
Addition during the year		3,269	4,647
Transfers during the year		(4,319)	(17,585)
As at December 31		300	1,350
20 Long term loans			
Considered good			
- due from executives	20.1	-	-
- due from other employees		474	627
		474	627
Less - current portion of long term loans		(148)	(251)
		326	376
20.1 Reconciliation of loans to executives:			
Balance as at January 01		-	1,236
Add: Disbursements during the year		-	-
Less: Repayments during the year		-	(1,236)
Balance as at December 31		-	-
20.2	These represent interest free loans to executives and employees for general purpose and house building, which are recoverable in monthly installments over a period of 10 years and are secured by a charge on the assets purchased and/ or amount due to the employee against retirement benefits.		
20.3	The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. Nil (2011: Rs. 1.20 million).		
		2012	2011
(Rupees in '000)			
21 Long term deposits			
Long term deposits with:			
Leasing companies		13,172	2,528
Government agencies		5,074	3,939
Others		5,219	4,593
		23,465	11,060

	2012	2011
	(Rupees in '000)	
22 Stores, spares and loose tools		
Machinery spares	40,163	33,660
Stores	71,591	53,747
Loose tools	682	202
Less: Provision for slow moving and obsolete items	(8,066)	(2,882)
	104,370	84,727

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

	2012	2011
	(Rupees in '000)	
23 Stock in trade		
Raw material	1,164,969	968,134
Packing material	23,787	17,825
Work in process	419,117	300,306
Finished goods: Own production	453,982	569,299
Purchased	26,389	10,205
Goods in transit	100,671	122,473
Less: Provision for slow moving items, obsolete items and net realisable value	(56,173)	(47,013)
	2,132,742	1,941,229

Finished goods of Rs. 34.58 million (2011: Rs. 59.39 million) are being carried at net realisable value and an amount of Rs. 10.46 million (2011: Rs. 11.92 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	2012	2011
Note	(Rupees in '000)	
24 Trade debts		
Secured - against irrevocable letters of credit	232,124	209,776
Unsecured - considered good:		
Due from related parties:	24.1	
- SAB Polymer Industries (Pvt.) Limited	20,089	4,735
- SBL Trading (Pvt.) Limited	24.2	-
Other customers	955,709	723,945
Unsecured - considered doubtful	1,288	1,288
Less: Provision for doubtful debts	(1,288)	(1,288)
	1,244,889	938,456

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

Notes to the Financial Statements

For the year ended December 31, 2012

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

	2012	2011
	(Rupees in '000)	
25 Loans and advances		
Advances - considered good:		
- Staff	759	345
- Suppliers	26,090	19,402
- Others	3,475	2,260
Letters of credit	199,951	146,600
Current portion of long term loans	148	251
	230,423	168,858

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

	2012	2011
Note	(Rupees in '000)	
26 Trade deposits and prepayments		
Security deposits	8,625	5,170
Prepayments	6,503	2,495
Others	-	17
	15,128	7,682
27 Tax refunds due from government		
Custom duty rebate	78,846	49,908
Excise duty	5,518	12,772
Advance income tax	620,166	487,373
Sales tax	276,602	298,218
	981,132	848,271
27.1 Advance income tax:		
Opening balance	487,373	218,294
Tax deducted/ deposited for the year	248,254	363,512
Adjustment for the year	(115,461)	(94,433)
	620,166	487,373

	Note	2012	2011
(Rupees in '000)			
28 Cash and bank balances			
Cash in hand		1,179	918
Balances with banks in current accounts:			
- Local currency		7,981	6,065
- Foreign currency		1,140	3,649
Cash in transit	28.1	3,129	1,433
		13,429	12,065

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

		2012	2011
(Rupees in '000)			
29 Sales - net			
Export sales		2,910,518	3,237,667
Discounts, commissions, etc.		(21,121)	(36,082)
		2,889,397	3,201,585
Local sales		10,401,976	9,235,797
Sales tax and excise duty		(901,583)	(732,745)
Discounts, commissions, etc.		(222,523)	(155,608)
		9,277,870	8,347,444
		12,167,267	11,549,029
29.1 Sale of footwear (Net)			
Export sales		2,580,580	2,958,565
Local sales		4,039,503	4,306,539
		6,620,083	7,265,104
Sale of tyres and tubes (Net)			
Export sales		307,472	243,015
Local sales		5,174,172	3,976,112
		5,481,644	4,219,127
Sale of technical rubber products (Net)			
Export sales		1,345	5
Local sales		64,195	64,793
		65,540	64,798
		12,167,267	11,549,029

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		(Rupees in '000)	
30 Cost of sales			
Raw material consumed	30.1	7,755,316	7,655,508
Salaries, wages and benefits	30.2	1,289,972	1,113,433
Stores and spares consumed		199,607	167,291
Packing material consumed		362,562	420,055
Fuel and power		478,934	415,090
Insurance		9,301	8,142
Travelling expenses		4,920	5,187
Repair and maintenance		87,670	82,546
Entertainment		2,004	1,057
Depreciation	18.1.1	159,276	138,550
Provision for slow moving items, obsolete items and net realisable value		14,345	39,060
Other manufacturing charges		232,822	257,467
		10,596,729	10,303,386
Work in process:			
As at January 01		300,306	182,686
As at December 31		(419,117)	(300,306)
		(118,811)	(117,620)
Cost of goods manufactured		10,477,918	10,185,766
Finished goods:			
As at January 01		579,504	359,240
Purchases during the year		43,803	14,291
As at December 31		(480,371)	(579,504)
		142,936	(205,973)
		10,620,854	9,979,793
30.1 Raw material consumed:			
Balance as at January 01		968,134	705,584
Purchases during the year	30.3	7,952,151	7,918,058
Balance as at December 31		(1,164,969)	(968,134)
		7,755,316	7,655,508
30.2 Salaries, wages and benefits:			
Salaries, wages and benefits		1,232,798	1,054,440
Provident fund contribution		50,410	47,452
Gratuity contribution		6,698	11,477
Pension fund contribution		66	64
		1,289,972	1,113,433

30.3 Custom duty rebate for the year amounting to Rs. 42.42 million (2011: Rs. 51.79 million) has been adjusted against raw material consumed.

	Note	2012	2011	
		(Rupees in '000)		
31	Distribution cost			
	Freight and insurance	31.1	187,522	131,080
	Salaries and benefits	31.2	58,733	39,604
	Advertisement and publicity		133,182	15,933
	Entertainment		4,928	3,768
	Samples		81,153	99,128
	Others		79,958	33,238
			545,476	322,751
31.1	This includes export expenses of Rs. 131.82 million (2011: Rs. 83.59 million).			
31.2	Salaries, wages and benefits made up as follows:			
	Salaries, wages and benefits		56,666	38,083
	Provident fund contribution		2,058	1,510
	Pension fund contribution		9	11
			58,733	39,604
32	Administrative expenses			
	Salaries and benefits	32.1	328,009	298,511
	Communication		9,982	8,871
	Printing and stationery		4,607	3,150
	Travelling and conveyance		12,819	27,696
	Entertainment		14,736	10,280
	Motor car expenses		28,217	18,619
	Insurance		3,791	3,245
	Rent, rates and taxes		5,493	3,612
	Fuel and power		22,449	18,198
	Repairs and maintenance		5,948	6,179
	General expenses		7,623	6,385
	Auditor's remuneration	32.2	3,183	2,893
	Legal and professional charges		9,810	8,396
	Subscription		1,125	1,272
	Depreciation	18.1.1	17,838	20,269
	Amortization on intangible assets	19.2	5,926	4,284
	Ijarah rental		22,962	-
	Computer running expenses		5,656	11,901
	Advertisement		1,616	1,422
	Bad debts		-	1,288
			511,790	456,471

Notes to the Financial Statements

For the year ended December 31, 2012

Note	2012	2011
	(Rupees in '000)	
32.1 Salaries, wages and benefits made up as follows:		
Salaries and benefits	310,307	294,928
Gratuity contribution	8,307	1,267
Provident fund contribution	9,362	2,279
Pension fund contribution	33	37
	328,009	298,511
32.2 Auditor's Remuneration:		
Audit fee	1,540	1,400
Half yearly review	424	385
Other advisory services	1,100	1,000
Out of pocket expenses	119	108
	3,183	2,893
33 Other operating expenses		
Donations	33.1 18,319	18,647
Workers profit participation fund	10,334	28,712
Workers welfare fund	3,927	10,911
	32,580	58,270
33.1 None of the directors of the Company has interest in the donee.		
34 Finance cost		
Interest/ mark-up on:		
- Short term borrowings	263,873	176,697
- Long term financing	30,614	33,197
Bank commission, fees and charges	25,314	23,491
Finance charge on leased assets	2,350	4,310
	322,151	237,695
35 Other operating income		
Income from financial assets		
Income on bank deposits	-	2,884
Income from assets other than financial assets		
Profit on disposal of property, plant and equipment	5,427	5,670
Rental income	6,051	6,400
Profit on sales and lease back	3,001	-
Scrap sales and others	42,123	25,616
Interest from associated companies	1,403	-
	58,005	40,570

	2012	2011
	(Rupees in '000)	
36 Taxation		
Current tax	53,785	115,461
Deferred tax	11,296	(14,210)
	65,081	101,251
36.1 Numerical reconciliation of tax charge for the year		
Profit before taxation	192,421	534,619
Applicable tax rate 35% (2011: 35%)	67,348	187,117
Tax effect of amounts that are:		
Inadmissible expenses	3,980	3,951
Admissible expenses	32,382	(17,875)
Exempt income	12,730	(15,888)
Presumptive tax regime	(51,359)	(24,426)
Minimum tax difference / tax credit U/s 113	-	(31,628)
	(2,267)	(85,866)
	65,081	101,251
37 Earnings per share - Basic and diluted		
37.1 Basic earnings per share		
Profit after tax	127,340	433,368
Weighted average number of Ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earning per share (Rupees)	10.59	36.03

37.2 Diluted earnings per share:

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

38 Remuneration of Directors, Chief Executive and Executives

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

Particulars	2012			2011		
	Directors	Chief Executive	Executives	Directors	Chief Executive	Executives
	(Rupees in '000)					
Managerial Remuneration	34,866	9,008	93,950	29,746	7,658	61,622
Utilities	14,413	3,801	56,506	12,589	3,192	43,168
Retirement Benefits	1,307	675	6,357	1,082	574	3,072
Total	50,586	13,484	156,813	43,417	11,424	107,862
Number of persons	4	1	83	4	1	59

Meeting fee of Rs. 1,050,000 (2011: Rs. 430,000) was paid to non-executive directors. The chief executive, executive directors and some of the executives of the Company are provided with Company maintained vehicles in accordance with Company policy.

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
(Rupees in '000)			
39 Cash generated from operations			
Profit before taxation		192,421	534,619
Adjustments for non-cash charges and other items:			
Depreciation	18.1	177,114	158,819
Amortization	19.1	5,926	4,284
Gratuity provision	13.2.2	15,111	13,456
Finance cost		322,151	233,411
Provision for slow moving and obsolete items		14,345	39,062
Provision for Workers' Profit Participation Fund		10,334	28,712
Provision for Workers' Welfare Fund		3,927	10,911
Ijarah rentals		22,962	-
Profit on sale of property, plant and equipment		(8,428)	(5,670)
		563,442	482,985
Operating profit before working capital changes		755,863	1,017,604
Changes in working capital			
(Increase)/ decrease in current assets			
Stores, spares and loose tools		(24,827)	(32,778)
Stock in trade		(200,673)	(623,139)
Trade debts		(306,433)	(40,781)
Loans and advances		(61,565)	(69,567)
Trade deposits and prepayments		(7,446)	(1,577)
Tax refunds due from government		(68)	(135,949)
Other receivables		(13,547)	(1,258)
		(614,559)	(905,049)
Increase/ (decrease) in current liabilities			
Trade and other payables		202,265	260,745
Cash generated from operations		343,569	373,300

40 Financial risk management

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, other price risk and interest rate risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as credit risk, liquidity risk, currency risk, other price risk and interest rate risk.

(i) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012	2011
	(Rupees in '000)	
Long term loans	326	376
Long term deposits	23,465	11,060
Trade debts	1,244,889	938,456
Loans and advances	4,382	2,856
Trade deposits and prepayments	8,625	5,170
Other receivables	14,805	1,258
Bank balances	9,121	9,714
	1,305,613	968,890

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

	2012	2011
	(Rupees in '000)	
Foreign parties	232,124	209,776
Local parties	1,014,053	729,968
	1,246,177	939,744

The aging of trade receivable at the reporting date is:

	2012			2011		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	(Rupees in thousands)					
Past due 0 - 30 days	674,955	-	674,955	508,985	-	508,985
Past due 31 - 60 days	390,413	-	390,413	294,411	-	294,411
Past due 61 - 90 days	64,085	-	64,085	48,327	-	48,327
Past due 91 - 120 days	11,973	-	11,973	9,028	-	9,028
Past due 121 - 150 days	16,320	-	16,320	12,307	-	12,307
Past due 151 - 365 days	67,788	-	67,788	51,119	-	51,119
Past due 365 & above	20,643	1,288	19,355	15,567	1,288	14,279
	1,246,177	1,288	1,244,889	939,744	1,288	938,456

Notes to the Financial Statements

For the year ended December 31, 2012

(b) Credit quality of major financial assets

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

Banks	Rating		Rating agency	2012	2011
	Short term	Long term		Amount (Rupees in '000)	Amount
National Bank of Pakistan	A-1+	AAA	JCR-VIS	419	455
Allied Bank Limited	A1+	AA+	PACRA	-	-
Bank Al Habib Limited	A1+	AA+	PACRA	68	29
Faysal Bank Limited	A1+	AA	PACRA	1,230	1,227
Habib Bank Limited	A-1+	AA+	JCR-VIS	1,951	1,951
MCB Bank Limited	A1+	AA+	PACRA	13	13
NIB Bank Limited	A1+	AA-	PACRA	322	132
Samba Bank Limited	A-1	AA-	JCR-VIS	401	1,269
Soneri Bank Limited	A1+	AA-	PACRA	326	31
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	131	111
United Bank Limited	A-1+	AA+	JCR-VIS	2,099	4,496
Meezan Bank Limited	A-1+	AA-	JCR-VIS	2,161	-
				9,121	9,714

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

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	(Rupees in '000)				
December 31, 2012					
Long term financing	457,723	457,723	57,508	352,305	47,910
Liabilities against assets subject to finance lease	14,898	15,000	15,000	-	-
Long term deposits	2,600	2,600	-	2,600	-
Trade and other payables	1,298,921	1,298,921	1,298,921	-	-
Interest and mark up accrued	51,581	51,600	51,600	-	-
Short term borrowing	2,087,818	2,087,818	2,087,818	-	-
	3,913,541	3,913,662	3,510,847	354,905	47,910
December 31, 2011					
Long term financing	298,777	298,777	80,604	201,270	16,903
Liabilities against assets subject to finance lease	26,233	26,233	11,283	14,950	-
Long term deposits	2,620	2,620	-	2,620	-
Trade and other payables	1,284,724	1,284,724	1,284,724	-	-
Interest and mark up accrued	58,404	58,404	58,404	-	-
Short term borrowing	1,601,090	1,601,090	1,601,090	-	-
	3,271,848	3,271,848	3,036,105	218,840	16,903

(a) Financial instruments by categories

	2012	2011
	(Rupees in '000)	
Assets as per balance sheet		
Long term loans	326	376
Long term deposits	23,465	11,060
Trade debts	1,244,889	938,456
Loans and advances	4,382	2,856
Trade deposits and prepayments	8,625	5,170
Other receivables	14,805	1,258
Bank balances	9,121	9,714
	1,305,613	968,890
Liabilities as per balance sheet - at amortized cost		
Long term financing	457,723	298,777
Liabilities against assets subject to finance lease	14,898	26,233
Long term deposits	2,600	2,620
Interest and mark up accrued	51,581	58,404
Short term borrowing	2,087,818	1,601,090
Trade and other payables	1,298,921	1,284,724
	3,913,541	3,271,848

(iii) Market risk

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

(a) Currency risk

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

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

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
USD in ('000)	2012	290	-	290	1,167	(877)
USD in ('000)	2011	45	-	45	3,226	(3,181)
EURO in ('000)	2012	1,613	9	1,622	325	1,297
EURO in ('000)	2011	1,573	31	1,604	651	953
GBP in ('000)	2012	70	-	70	-	70
GBP in ('000)	2011	-	-	-	-	-

Notes to the Financial Statements

For the year ended December 31, 2012

	US Dollar		Euro		British Pound	
	Avg	Reporting date	Avg	Reporting date	Avg	Reporting date
	(Rupees in '000)					
2012	93.42	97.14	119.14	128.45	146.77	157.01
2011	85.61	89.55	119.32	115.96	137.36	138.39

Sensitivity analysis:

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, before tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign debtors, foreign currency bank account and trade and other payables.

	2012	2011
	(Rupees in '000)	
Effect on profit and loss		
US Dollar	(8,519)	(28,486)
Euro	16,660	11,052
GBP	1,099	-
	9,240	(17,434)

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

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

Other price risk

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

Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

	Effective interest rate		2012	2011
	2012	2011	Carrying amount	
	%	%	(Rupees in '000)	
Fixed rate instruments				
Financial liabilities				
Long term financing	10 to 12.20	10 to 12.20	218,173	218,173
Floating rate instruments				
Financial liabilities				
Long term financing	9.82	-	239,550	-
Liabilities against assets subject to finance lease	13.71 to 15.74	14.71 to 15.74	14,898	26,233
Short term borrowing:				
Cash credit	9.88 to 13.80	12.92 to 15.40	1,062,368	458,740
Export refinance	9.00 to 11.00	8.00 to 11.00	975,689	850,689
Foreign Currency Import Loan	-	2.71 to 4.39	-	291,661
FATR	9.88 to 13.80	-	49,761	-
			2,087,818	1,601,090
			2,560,439	1,845,496

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	(Rupees in '000)	
As at 31 December 2012		
Cash credit	10,624	(10,624)
Export refinance	9,757	(9,757)
Finance Against Trust Receipt	498	(498)
	20,879	(20,879)
As at 31 December 2011		
Cash credit	4,587	(4,587)
Export refinance	8,507	(8,507)
Import loan	2,917	(2,917)
	16,011	(16,011)

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

Notes to the Financial Statements

For the year ended December 31, 2012

40.2 Fair values of financial assets and liabilities

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

40.3 Capital risk management

The Company's objectives while managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximise shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Long term debt represents Long term financing and Liabilities against assets subject to finance lease as referred in Note 10 and 11. Total capital employed includes 'total equity' as shown in the Balance Sheet plus Long term debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2012 (Rupees in '000)	2011
The gearing ratio as at year ended December 31:			
Long term debt	10 & 11	400,215	233,123
Equity	8 & 9	2,019,951	2,012,906
Total capital employed		2,420,166	2,246,029
Gearing ratio		16.54	10.38

41 Related party transactions

The related parties comprise associated companies, entities over which the directors are able to exercise influence, staff retirement funds, directors and key management personnel. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment which are disclosed in the Note 38 are as follows:

Party Name	Relationship with Company	Nature of transactions	Amount of transactions	2012		2011	
				Closing balance		Closing balance	
				Debit	Credit	Debit	Credit
(Rupees in '000)							
SAB Polymer Industries (Private) Limited	Associated Company	Sales	29,727	20,089	-	4,735	-
		Interest	589	589	-	-	-
SBL Trading (Private) Limited	Associated Company	Sales	100,917	40,405	-	-	-
		Interest	814	814	-	-	-
Service Sales Corporation (Private) Limited	Associated* Company	Sales	207,285	-	-	468,470	-
Service Provident Fund Trust	Provident fund	Contribution	61,830	-	14,348	-	12,818
Service Industries Pension Fund Trust	Pension fund	Contribution	108	-	3	-	1
Service Industries Limited Employees Gratuity Fund	Gratuity fund	Contribution	15,005	-	32,011	-	22,899

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

* Service Sales Corporation (Private) Limited was associated company in last year due to common directorship which is no longer the case now. Common directors (Mr. Ahmad Shahid Hussain and Mr. Hamid Hussain) resigned on February 13, 2012.

42 Plant capacity

Footwear and Others

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

	Installed capacity		Actual production	
	2012	2011	2012	2011
Number of tyres	9,778,080	9,674,765	6,135,309	5,074,655
Number of tubes	19,595,056	17,503,361	15,879,798	11,998,839

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

43 Segment reporting

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

Notes to the Financial Statements

For the year ended December 31, 2012

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

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

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

- Footwear
- Tyre Division
- Other operations

Segment analysis for the year ended December 31, 2012.

	Footwear		Tyre Division		Technical Rubber Products		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
External sales	6,620,083	7,265,104	5,481,644	4,219,127	65,540	64,798	12,167,267	11,549,029
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	6,620,083	7,265,104	5,481,644	4,219,127	65,540	64,798	12,167,267	11,549,029
Profit/ (loss) before tax and unallocated expenses	111,443	834,306	729,619	260,031	16,016	(1,152)	857,078	1,093,185
Unallocated corporate expenses								
Other operating expenses	-	-	-	-	-	-	(377,523)	(359,458)
Other operating income	-	-	-	-	-	-	11,213	14,731
Finance cost	-	-	-	-	-	-	(298,347)	(213,839)
Taxation	-	-	-	-	-	-	(65,081)	(101,251)
Profit after taxation	-	-	-	-	-	-	127,340	433,368
Segment assets	3,322,417	3,038,773	1,775,740	1,374,085	138,148	120,501	5,236,305	4,533,359
Unallocated assets	-	-	-	-	-	-	1,185,203	1,105,976
Consolidated assets	-	-	-	-	-	-	6,421,508	5,639,335
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	4,401,557	3,626,429
Consolidated liabilities	-	-	-	-	-	-	4,401,557	3,626,429
Segment capital expenditure	82,207	197,364	105,442	144,336	248	-	187,897	341,700
Unallocated capital expenditure	-	-	-	-	-	-	6,080	56,927
Consolidated capital expenditure	-	-	-	-	-	-	193,977	398,627
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(53,963)	(44,033)	(7,572)	(2,457)	(2,704)	(3,403)	(64,239)	(49,893)
Depreciation and amortization	105,946	73,459	58,174	55,276	2,599	3,125	166,719	131,860
Unallocated	-	-	-	-	-	-	10,395	26,959
Consolidated depreciation and amortization	-	-	-	-	-	-	177,114	158,819

43.1 Reconciliation of segment profit

Total profit for reportable segments		857,078	1,093,185
Unallocated expenses		(664,657)	(558,566)
Profit before tax		192,421	534,619

44 Authorization date

These financial statements were authorised for issue by the Board of Directors on April 1, 2013.

45 Events after the balance sheet date

The Board of Directors in its meeting held on April 1, 2013, has proposed a final cash dividend of Rs. 7.50/- per share (2011: Rs. 10 per share) for approval of the members at the Annual General Meeting to be held on April 30, 2013 . The Board has also recommended to transfer Rs. Nil (2011: Rs. 200 million) to general reserve from unappropriated profit.

46 General

- 46.1** Previous year's figures have been re-arranged, where ever necessary for the purpose of comparison. However no material re- arrangements have been made.
- 46.2** Figures have been rounded off to the nearest thousands of rupees.

Chaudhry Ahmed Javed
Chairman

Omar Saeed
Chief Executive

Date: April 1, 2013
Place: Lahore

Pattern of Shareholding

as on December 31, 2012

Number of Shareholders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
586	1 -	100	22,687	0.19
401	101 -	500	112,968	0.94
220	501 -	1000	162,489	1.35
145	1001 -	5000	340,956	2.83
15	5001 -	10000	107,235	0.89
7	10001 -	15000	87,223	0.73
4	15001 -	20000	74,300	0.62
3	20001 -	25000	63,653	0.53
1	30001 -	35000	32,725	0.27
3	35001 -	40000	110,933	0.92
4	40001 -	45000	166,537	1.38
2	45001 -	50000	98,597	0.82
1	55001 -	60000	60,000	0.50
1	70001 -	75000	72,017	0.60
2	80001 -	85000	165,922	1.38
1	90001 -	95000	94,937	0.79
1	100001 -	105000	104,048	0.86
1	160001 -	165000	160,113	1.33
1	335001 -	340000	337,590	2.81
1	345001 -	350000	347,807	2.89
1	355001 -	360000	355,307	2.95
1	475001 -	480000	477,218	3.97
1	610001 -	615000	610,460	5.07
1	700001 -	705000	702,365	5.84
1	795001 -	800000	799,774	6.65
1	840001 -	845000	842,126	7.00
2	940001 -	945000	1,882,541	15.65
1	1680001 -	1685000	1,681,975	13.98
1	1950001 -	1955000	1,954,286	16.25
1,410			12,028,789	100.00

Categories of Shareholders

As on December 31st, 2012

Sr.#	Categories	No. of Shareholders	Shares Held	Percentage of Capital
1	Directors, Chief Executive Officer, their spouses and minor children	8	5,155,416	42.86
2	Associated Companies, Undertakings and Related Parties	1	10,144	0.08
3	NIT and ICP	2	44,214	0.37
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	27	1,781,033	14.81
5	Insurance Companies	2	5,354	0.04
6	Modarbas and Mutual Funds	5	1,836,539	15.27
7	General Public (Local)	1,361	2,812,241	23.38
8	Others	4	383,848	3.19
	Total	1,410	12,028,789	100.00

Detailed Categories of Shareholders

as on December 31, 2012

Sr. #	Name	No. of Shares Held
Chief Executive Officer		
	Mr. Omar Saeed (CEO)	940,246
Directors and their spouses		
1	Chaudhry Ahmed Javed	1,954,286
2	Mr. Arif Saeed	942,295
3	Mr. M. Ijaz Butt	40,069
4	Mr. Hassan Javed	702,365
5	Mr. Riaz Ahmed	4,000
6	Mrs. Najma Butt W/O Mr. M. Ijaz Butt	477,218
7	Mrs. Fatima Saeed W/O Mr. Arif Saeed	94,937
		4,215,170
Associated Companies, Undertakings and Related Parties		
1	M/s Shahid Arif Investments (Pvt) Limited	10,144
		10,144
NIT and ICP		
1	M/s Investment Corporation of Pakistan	900
2	National Investment Trust Limited	43,314
		44,214
Banks, Development Financial Institutions, Non Banking Financial Institutions		
1	Msmaniar Financials (Pvt) Limited	26
2	Seven Star Securities (Pvt) Limited	500
3	A.I. Securities (Pvt) Limited	1,500
4	Mohammad Munir Mohammad Ahmed Khanani Securities	14,800
5	Awj Securities (SMC-Private) Limited	500
6	The Bank of Punjab, Treasury Division	347,807
7	Time Securities (Pvt) Limited	1,000
8	SME Bank Limited	72
9	Adeel & Nadeem Securities (Pvt) Limited	13
10	Zillion Capital Securities (Pvt) Limited	2,500
11	DJM Securities (Pvt) Limited	15,800
12	Value Stock Securities (Pvt) Limited	10,000
13	ACE Securities (Pvt) Limited	54
14	National Bank of Pakistan	160,113
15	National Bank of Pakistan	842,126
16	Pyramid Investments (Pvt) Limited	130
17	Nh Securities (Pvt) Limited	72
18	The Bank of Khyber	38,537
19	M/s Borjan (Pvt) Limited	1,605
20	Y.S. Securities & Services (Pvt) Limited	122
21	Haral Sons (Pvt) Limited	900
22	Faysal Bank Limited	337,590
23	M/s Fateh Industries Limited	145
24	M/s West Pakistan Tanks/Terminals Limited	15
25	UHF Consulting (Pvt) Limited	12
26	Intermarket Securities Limited	4,500
27	Prudential Securities Limited	594
		1,781,033

Detailed Categories of Shareholders

as on December 31, 2012

Sr. # Name	No. of Shares Held
Insurance Companies	
1 EFU Life Assurance Limited	4,354
2 Askari General Insurance Co. Limited	1,000
	5,354
Modarbas and Mutual Funds	
1 CDC - Trustee AKD Opportunity Fund	21,536
2 CDC - Trustee NIT - Equity Market Opportunity Fund	83,440
3 National Bank of Pakistan - Trustee Department NI(U)T Fund	1,681,975
4 Golden Arrow Selected Stocks Fund Limited	49,588
	1,836,539
General Public (Local)	2,812,241
Others	
1 The Trustee, Ghulam E Abbas Educational & Medical Trust	364
2 Trustee Service Provident Fund	355,307
3 M/s Service Charitable Trust	11,587
4 Deputy Administrator Abandoned Properties Organization	12,090
5 Dar-Es-Salaam Textile Mills Limited / Staff Provident Fund Trust	4,500
	383,848
Grand Total	12,028,789
Shareholders holding 5% or more	
1 Chaudhry Ahmed Javed	1,954,286
2 Mr. Omar Saeed (CEO)	940,246
3 Mr. Arif Saeed	942,295
4 Mr. Hassan Javed	702,365
5 Mrs. Shahida Naeem	799,774
6 Ch. Ahmad Saeed	610,460
7 National Bank of Pakistan - Trustee Department NI(U)T Fund	1,681,975
8 National Bank of Pakistan	1,002,239
Total:	8,633,640

Form of Proxy

SERVICE INDUSTRIES LIMITED

I/we _____ s/o, d/o, w/o _____
of _____

being a member of SERVICE INDUSTRIES LIMITED holding _____

ordinary shares hereby appoint _____ of _____

or failing him/her _____ of _____

member of SERVICE INDUSTRIES LIMITED as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 56th Annual General Meeting of the company to be held on Tuesday, April 30, 2013 at 10:00 am and at any adjournment thereof.

As a witness my/our hand/deal this _____ day of _____ 2013

signed by the said _____

in the presence of 1. _____

2. _____

Folio /CDC Account No.

Signature on revenue
Stamp of approved value

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

Important:

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

For CDC Account Holders/Corporate Entities:

In addition to the above requirements have to be met.

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

AFFIX
CORRECT
POSTAGE

The Company Secretary

SERVICE INDUSTRIES LIMITED

Servis House, 2-Main Gulberg,
Lahore-54662, Pakistan.

The
manufacturing
house of
brilliance





SERVICE INDUSTRIES LIMITED

Servis House

2-Main Gulberg, Lahore-54662, Pakistan.

Tel: +92-42-35751990-96

Fax: +92-42-35711827, 35710593

www.servisYdrgb.com