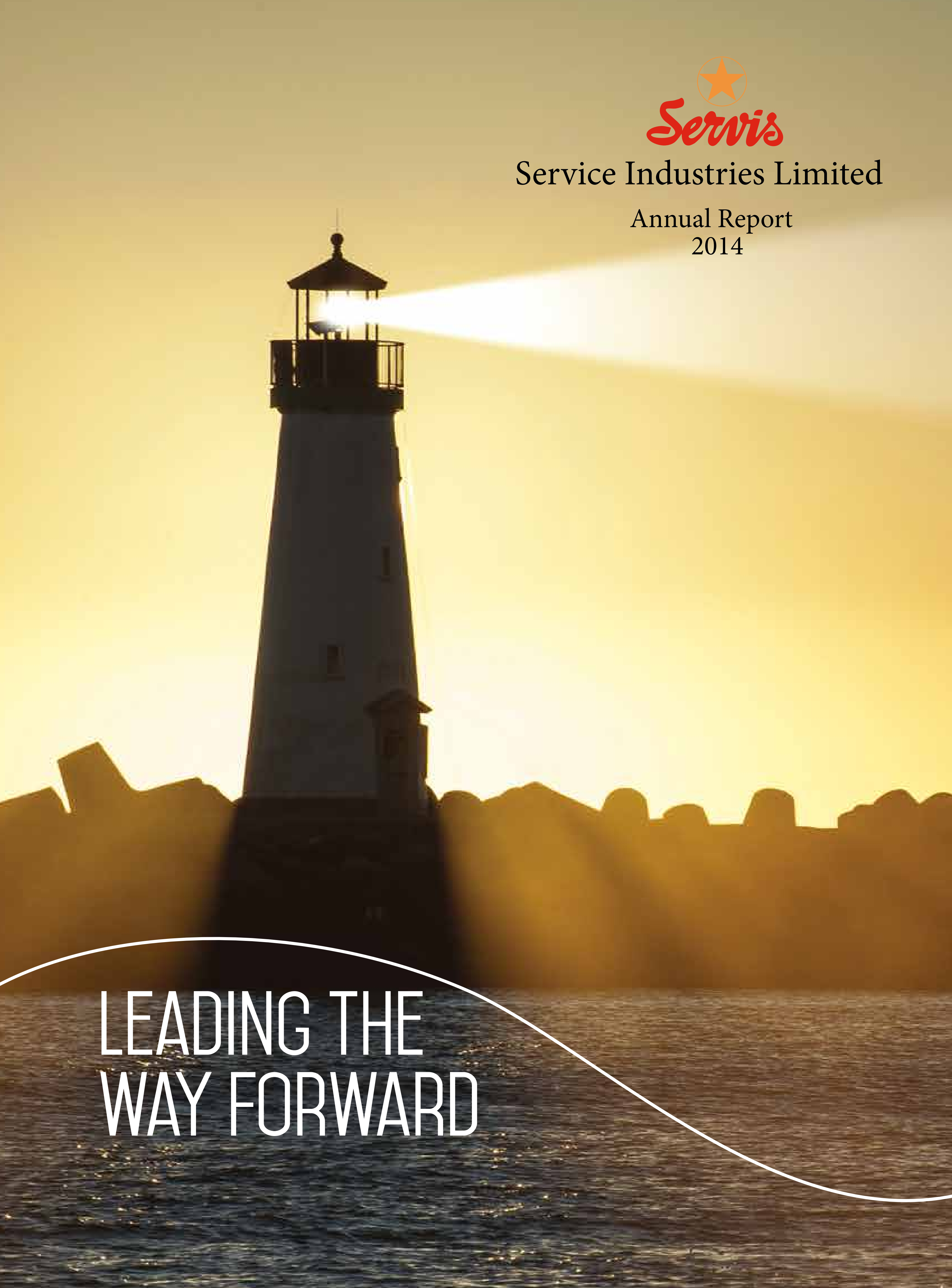


Servis

Service Industries Limited

Annual Report
2014

LEADING THE WAY FORWARD

LEADING THE WAY FORWARD

To dwell in ambition and seek greater potential is the cornerstone to all achievement.

At Service Industries Limited, we continually strive to take leaps in imagination. For us, reaching beyond the realms of conventional thinking and uninspired work is the foundation of our success today.

On our cover this year, we express our lasting commitment towards leading a new way forward. Much like a lighthouse, we aspire to guide our people towards greater fields of innovation – creating a new benchmark of sustainable growth and diversification.

CONTENTS

OUR HISTORY


Ch. Nazar Muhammad


Ch. Muhammad Hussain

The story of the 'Servis' begins with a group of friends - young, energetic, fresh from college-who established Service Industries in 1953, the Company went public in 1959.
These young men, named Ch. Nazar Muhammad (Late), Ch. Muhammad Hussain (Late) - both from Gujrat district and Ch. Muhammad Saeed (Late) from Gujranwala District, started business in 1941 on a small scale in Lahore. At that time, they were only manufacturing handbags and some other sports goods. Within years their business flourished remarkably and they were supplying their products to every corner of India at the time of Partition.
In 1954, they installed a shoe manufacturing plant at industrial area in Gulberg, Lahore. They started production in the same year. The industry started manufacturing various types of shoes. Later management shifted the factory from Lahore to Gujrat.
Humility, fairness and respect were the values close to the heart of these founders and it were these values that led to phenomenal success of the Group over the years.
Today, the production side of the company has flourished into Service Industries Limited (SIL) which has world-class shoes, tyres, tubes and rubber production facilities in Gujrat and Muridke. SIL is also the leading exporter of footwear.

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

VISION & MISSION

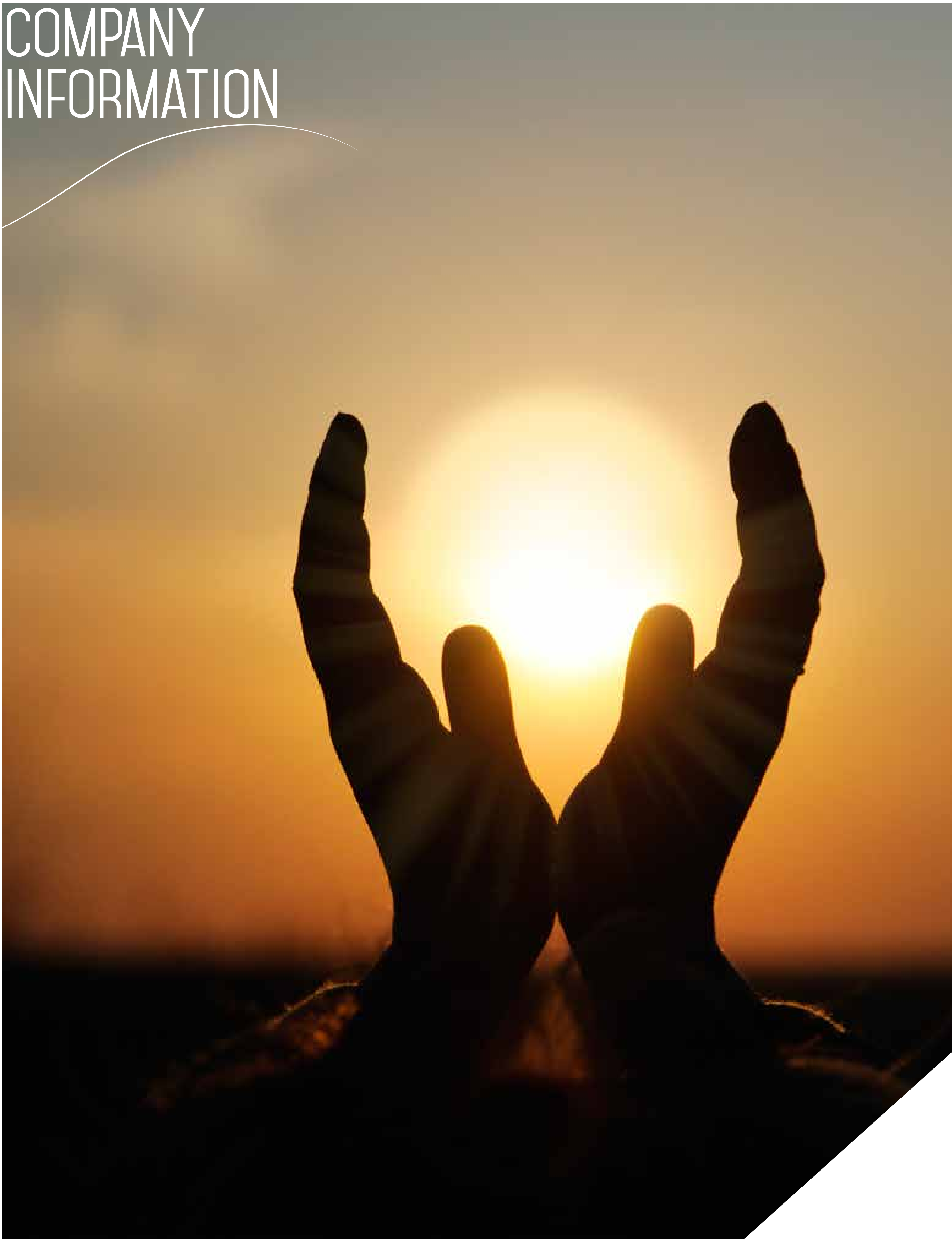
OUR VISION

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

Chief Financial Officer

Mr. Jawwad Faisal

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Manzoor Ahmed
Chairman
Mr. Riaz Ahmed
Member
Mr. Muhammad Amin
Member

Human Resource & Remuneration Committee

Mr. Riaz Ahmed
Chairman
Mr. Arif Saeed
Member
Mr. Muhammad Amin
Member

Web Presence

www.servisgroup.com

Bankers

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

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

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.

CORPORATE SOCIAL RESPONSIBILITY

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;

- **Corporate Philanthropy**
- **Community Investment**
- **Other areas environmental protection, industrial relation etc.**

CORPORATE PHILANTHROPY

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

a) Chaudhry Nazar Muhammad, Mohammad Hussain Memorial Society Hospital

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

- Operation Theater
- Laboratory
- X-ray
- Ultrasound

Approximately 25,335 patients were treated in the year 2014 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 38,548 patients received free medication and consultation in the year 2014 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 315 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.

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 2014 a donation of PKR 44 million was made by Service Industries Limited to this medical facility.

Service Industries Limited also donates PKR 6 million for flood relief activities and also PKR 15 million to other organizations, entities and NGOs, like;

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

b) PEN- Progressive Education Network

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

OTHER AREAS

a) Industrial Relations

The personal productivity of our employees is the key asset to our organization. With a family of more than 9,000 employees working in different areas, we are proud to be the source of earning for them and their families. The excellent mentoring of our managers and their work relationship with the subordinates has enabled us to perfect efficient management at workplace; a vital ingredient for the success of any organization.

b) Employment of females and Special Persons

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

c) Occupational Safety and Health

Our procedures have been gauged to provide 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

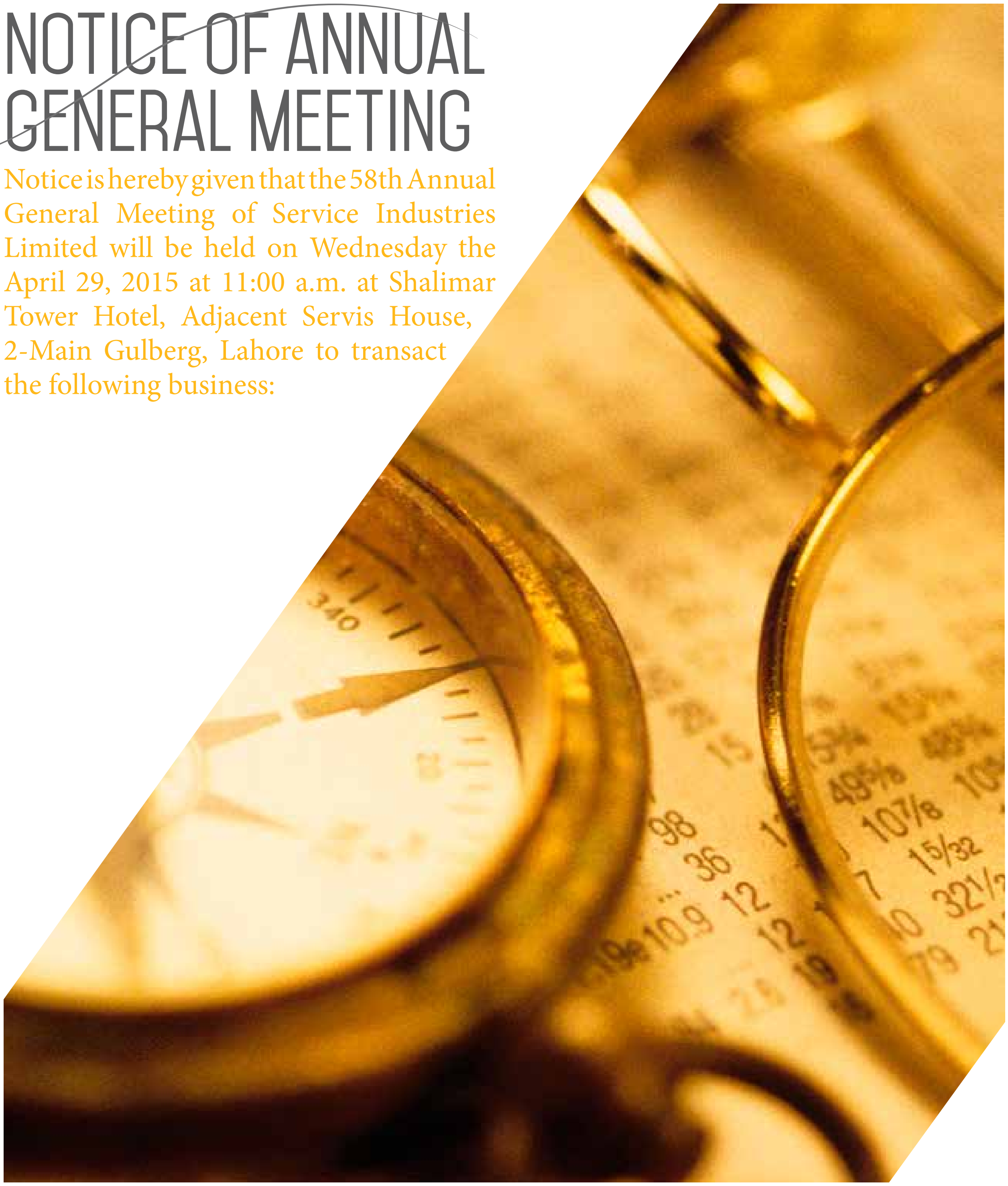
We remain committed to producing quality products and excelling the varying requirements of our ever growing customer community. To us, customer satisfaction is the foremost concern and we cater to it by offering quality products at competitive rates which are backed by solid warranties.

f) Contribution to National Exchequer

During the year 2014 the company contributed PKR 712 million towards national exchequer on account of taxes, duties and levies.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 58th Annual General Meeting of Service Industries Limited will be held on Wednesday the April 29, 2015 at 11:00 a.m. at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:



Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended December 31, 2014 together with the Directors' and Auditors' Reports thereon.
2. To approve the final cash dividend of Rs. 15 per share i.e. 150% as recommended by the Board of Directors in addition to the interim cash dividend of Rs. 10 per share i.e. 100% already paid to the shareholders of the Company making a total cash dividend of Rs. 25 per share i.e. 250% for the year ended December 31, 2014.
3. To appoint Auditors for the year 2015 and to fix their remuneration. M/s. S. M. Masood & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.

By Order of the Board

Lahore
April 06, 2015

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 22, 2015 to April 29, 2015 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore by the close of business on April 21, 2015 will be considered in time for the purpose of payment of final cash dividend and for the purpose of attending and voting at the meeting.

2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend and vote in place of him / her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company.

3. Shareholders, who have deposited their shares into Central Depository Company of Pakistan, must bring their participant's ID numbers and account / sub account numbers along with original Computerized National Identity Cards or original Passports at the time of attending the meeting in order to facilitate identification of respective shareholders.

4. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

5. The directive of the Securities and Exchange Commission of Pakistan contained in SRO No. 831(I) / 2012 dated July 05, 2012 read with SRO No. 19 (I) / 2014 dated January 10, 2014 provides that the dividend warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members or the authorized person except in the case of minor(s) and corporate members. CNIC numbers of the members are, therefore, mandatory for the issuance of future dividend warrants and in the absence of such information, payment of dividend may be withheld. Therefore, the members who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) to our Shares Registrar.

6. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged by SECP where shareholders can get amount of the dividend credited into their respective bank accounts electronically. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed companies to adopt e-dividend mechanism due to the benefits it entails for their members. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.

7. The Government of Pakistan through Finance Act, 2014 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

   (a) For filers of income tax returns 10%
   (b) For non-filers of income tax returns 15%

   To enable the Company to make tax deduction on the amount of cash dividend @10% instead of 15% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @15% instead of 10%.

   For any query / problem / information, the investors may contact the Shares Registrar: Mr. Abdul Ghafoor, Phone No. 042-37235081-82, e-mail address shares@hmaconsultants.com and / or the Company: Mr. Bashir Ahmed, Phone No. 042-35751990, Fax: 042-35711827.

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

8. The financial statements of the Company for the year ended December 31, 2014 along with reports have been placed at the website of the Company www.servisgroup.com.

9. The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors report and directors report along with notice of annual general meeting to its members through e-mail. Members who wish to avail this facility can give their consent on the Standard Request Form available on Company's website.

10. Members are advised to immediately notify the change in their addresses, if any to our Shares Registrar.

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company.	S2 Power Limited.
Total Investment Approved.	Long term equity investment up to Rs. 25 million was approved by the members in EOGM held on July 24, 2014 which is valid for the period of three (3) years pursuant to Section 208 of the Companies Ordinance, 1984.
Amount of Investment made to date.	No investment has been made so far by the Company.
Reasons for not having made complete investment so far where resolution required it to be implemented in specified time.	The project is in its initial stages of approval. The investment will be made as and when funds are required by the associated company.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company.	S2 Power Limited is a newly incorporated company; therefore, this clause is not applicable.

BOARD OF DIRECTORS

Chaudhry Ahmed Javed
Chairman

Mr. Omar Saeed
Chief Executive Officer

Mr. M. Ijaz Butt
Director

Mr. Arif Saeed
Director

Mr. Hassan Javed
Director

Mr. Riaz Ahmed
Director

Mr. Shaukat Ellahi Shaikh
Director

Mr. Muhammad Amin
Director

Mr. Manzoor Ahmed
Director

GROUP EXECUTIVE COMMITTEE

Mr. Omar Saeed
Chief Executive Officer

Mr. Omar Saeed is a graduate of Brown University and did his Masters in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Industries Limited since 2011. He ran Service Sales Corporation from 2002 to 2010, leading it to become the country's largest footwear retailer. He serves as a director on the boards of Atlas Battery Limited, The Bank of Punjab, Speed (Pvt.) Limited and Systems Limited. Mr. Saeed is also an adjunct faculty member at LUMS.

Mr. Arif Saeed
Director

Mr. Arif Saeed graduated from Oxford University. He is a Director of Service Industries Limited. He has served Dar Es Salam Textile Mills Limited as Chief Executive Officer from 1992 to 2006. He has also been the Chairman of All Pakistan Textile Mills Association and the Chairman of Lahore Stock Exchange. Mr. Saeed is currently the Chairman of Quaid-e-Azam Solar Power (Pvt.) Limited and Punjab Power Development Company Limited. In addition, he is on the Boards of Privatization Commission, Saif Textile Mills Limited, Punjab Social Security & Health Management Company and Punjab Industrial Estates Development & Management Company.

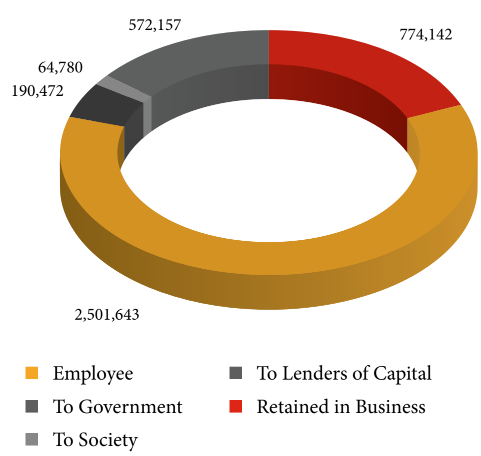
Mr. Hassan Javed
Director

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

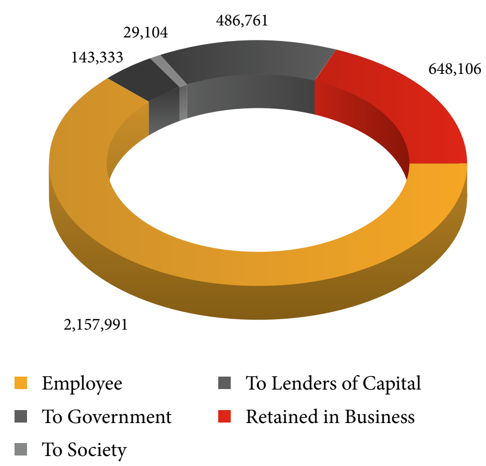
STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2014		2013	
	Amount	**Percentage**	Amount	Percentage
Wealth Generated				
Sales	16,495,123		14,685,638	
Less: Purchased Materials and Services	(12,509,390)		(11,278,773)	
Other Income	117,461		58,429	
Wealth Created	4,103,194		3,465,294	
Wealth Distributed				
Employee Remuneration, Benefits and facilities	2,501,643	60.97	2,157,991	62.27
To Government				
Taxation	171,196	4.17	128,080	3.70
Workers Welfare Fund	19,276	0.47	15,253	0.44
To Society				
Donation	64,780	1.58	29,104	0.84
To Lenders of Capital				
Dividend	240,576	5.86	180,432	5.21
Finance Cost	331,581	8.08	306,329	8.84
Retained in Business				
Depreciation	233,039	5.68	198,735	5.74
Amortization	8,427	0.21	10,478	0.30
Retained Profit	532,676	12.98	438,893	12.67
	774,142	18.87	648,106	18.70
	4,103,194	100.00	3,465,294	100.00

2014



2013

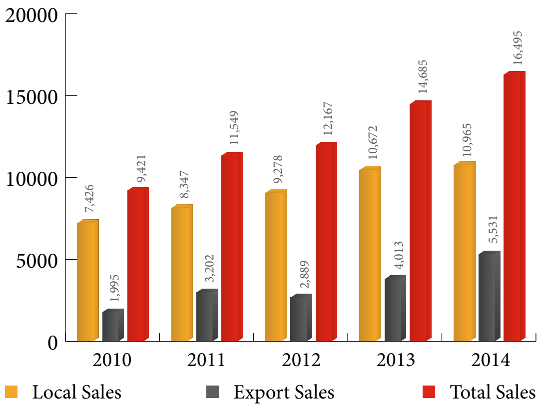


SIX YEARS AT A GLANCE

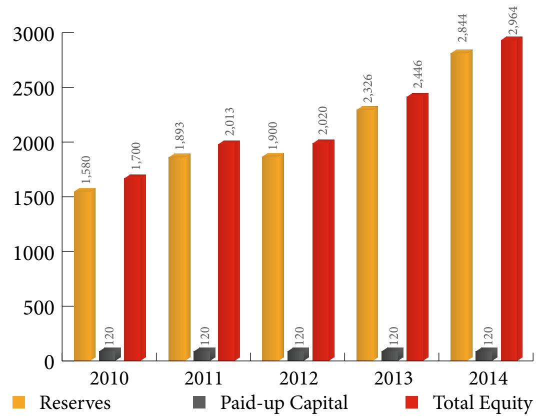
Description	2014	2013	2012	2011	2010	2009
	YEARS					
	(Rupees in million)					
Sales	16,495	14,686	12,167	11,549	9,421	7,680
Gross profit	2,712	2,367	1,546	1,569	1,293	1,594
Profit before tax	944	747	192	535	488	936
Profit after tax	773	619	127	433	328	661
Share capital	120	120	120	120	120	120
Share holder's equity	2,964	2,447	2,020	2,013	1,700	1,522
Property, plant & equipment	2,985	1,901	1,649	1,612	1,425	1,024
Total assets	8,866	6,992	6,422	5,639	4,543	3,651
Net current assets	998	1,093	974	827	727	820
Market Value Per Share (Rs.)	975	545	167	195	240	266
Dividend (%)						
Cash - Interim	100	75	–	25	–	75
Cash - Final	150	100	75	100	75	125
Profitibility (%)						
Gross Profit	16.44	16.12	12.71	13.59	13.72	20.75
Profit Before Tax	5.73	5.09	1.58	4.63	5.18	12.19
Profit After Tax	4.69	4.21	1.05	3.75	3.48	8.60
Return to Shareholders						
R.O.E -Before Tax (%)	31.86	30.54	9.53	26.56	28.71	61.49
R.O.E -After Tax (%)	26.09	25.31	6.30	21.53	19.30	43.42
E.P.S-After Tax (Rs.)	64.28	51.49	10.59	36.03	27.28	54.94
Price Earning Ratio	15.16	10.58	15.78	5.41	8.80	4.84
Activity (Times)						
Sales To Total Assets	1.86	2.10	1.89	2.05	2.07	2.10
Sales To Fixed Assets	5.53	7.72	7.38	7.16	6.61	7.50
Inventory Turnover Ratio	5.35	5.27	4.98	5.81	6.04	4.89
Interest Coverage Ratio	3.85	3.44	1.60	3.25	3.75	6.83
Liquidity/Leverage						
Current Ratio	1.22	1.29	1.26	1.26	1.31	1.46
Break-up Value per Share	246.40	203.44	167.34	167.34	141.30	126.54
Total Liabilities To Equity	1.99	1.86	2.18	1.80	1.67	1.40
Debt Equity Ratio	27:73	20:80	19:81	14:86	16:84	14:86

FINANCIAL HIGHLIGHTS

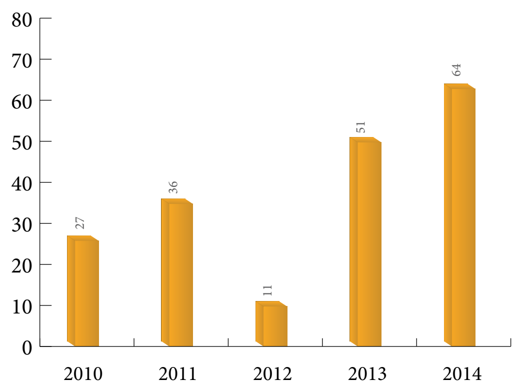
Sale
(Rupees in million)



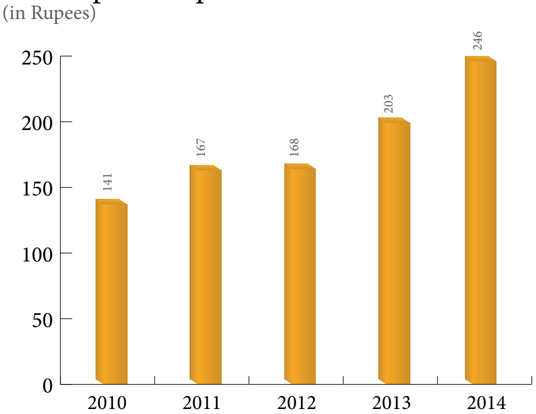
Share Holders' Equity
(Rupees in million)



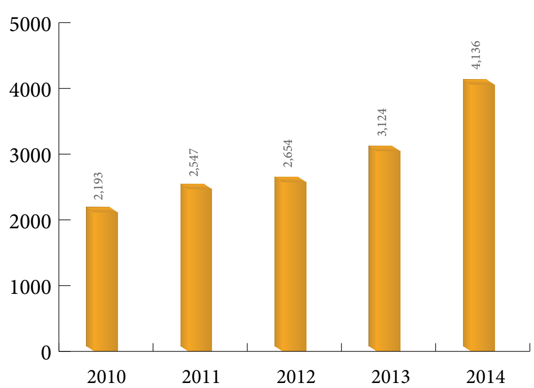
Earnings Per Share
(in Rupees)



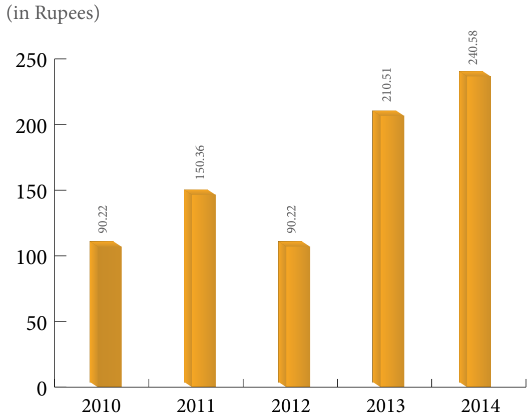
Breakup Value per Share
(in Rupees)



Operating Fixed Assets
(Rupees in million)



Dividend
(in Rupees)



HORIZONTAL AND VERTICAL ANALYSIS

Balance Sheet Analysis

Description	2014	2013	2012	2011	2010	2009
	YEARS (Change from preceding year)					
Horizontal						
Equity and Liabilities Equity						
Share Capital & Reserve	21.12%	21.48%	0.35%	18.42%	11.67%	46.12%
Non-Current Liabilities	66.31%	20.28%	41.56%	-3.41%	40.75%	-17.76%
Current Liabilities	22.38%	0.18%	18.51%	33.64%	32.19%	-5.23%
Total Equity and Liabilities	26.81%	8.88%	13.87%	24.14%	24.42%	9.26%
Assets						
Non-current Assets	52.87%	26.39%	2.92%	13.71%	39.19%	13.06%
Current Assets	15.40%	2.65%	18.35%	28.97%	18.58%	7.83%
Total Assets	26.81%	8.88%	13.87%	24.14%	24.42%	9.26%

Description	2014	2013	2012	2011	2010	2009
	YEARS (Change from preceding year)					
Vertical						
Equity and Liabilities						
Share Capital and Reserve	33.43%	35.00%	31.46%	35.70%	37.42%	41.69%
Non-Current Liabilities	14.53%	11.08%	9.94%	8.00%	10.28%	9.09%
Current Liabilities	52.04%	53.92%	58.60%	56.30%	52.30%	49.22%
Total Liaabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Assets						
Non-current Assets	36.71%	30.45%	26.23%	29.02%	31.69%	28.32%
Current Assets	63.29%	69.55%	73.77%	70.98%	68.31%	71.68%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Profit and Loss Account Analysis

Description	2014	2013	2012	2011	2010	2009
	YEARS					
	(Change from preceding year)					
Horizontal						
Sales	12.32%	20.70%	5.35%	22.58%	22.67%	20.13%
Cost of Sales	11.89%	15.98%	6.42%	22.78%	33.54%	13.66%
Gross Profit	14.57%	53.05%	-1.45%	21.32%	-18.84%	53.51%
Distribution Cost	19.48%	10.58%	69.01%	19.75%	50.31%	19.63%
Admin & Other Expenses	8.32%	41.16%	5.76%	36.21%	12.42%	30.89%
Finance Cost	8.24%	-4.90%	35.53%	33.74%	10.79%	-2.89%
Other Income	101.03%	0.73%	42.98%	106.48%	7.73%	52.85%
Total Expenses	9.12%	19.61%	30.87%	28.44%	22.48%	17.45%
Net Profit Before Taxation	26.36%	288.30%	-64.01%	9.57%	-47.87%	95.73%
Provision for Taxation	33.66%	96.80%	-35.72%	-36.65%	-41.92%	100.08%
Net Profit After Tax	24.85%	386.35%	-70.62%	32.08%	-50.35%	93.97%

Description	2014	2013	2012	2011	2010	2009
	YEARS					
	(Change from preceding year)					
Vertical						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	83.56%	83.88%	87.29%	86.41%	86.27%	79.25%
Gross Profit	16.44%	16.12%	12.71%	13.59%	13.73%	20.75%
Distribution Cost	4.37%	4.11%	4.48%	2.79%	2.86%	2.33%
Admin & Other Expenses	5.05%	5.23%	4.47%	4.46%	4.01%	4.38%
Financial Cost	2.01%	2.08%	2.65%	2.06%	1.89%	2.09%
Other Income	0.71%	-0.40%	-0.48%	-0.35%	-0.21%	-0.24%
Total Expenses	10.71%	11.03%	11.13%	8.96%	8.55%	8.56%
Net Profit Before Taxation	5.73%	5.09%	1.58%	4.63%	5.18%	12.19%
Provision for Taxation	1.04%	0.87%	0.53%	0.88%	1.70%	3.58%
Net Profit After Tax	4.69%	4.22%	1.05%	3.75%	3.48%	8.60%

DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present its Annual Report along with the audited financial statements of the Company for the year ended December 31, 2014.

The Economy

Growth in GDP reached 4.1% in fiscal year 2014, improving upon 3.7% in 2013. Renewed support from development partners and $3 billion Eurobond & Sukuk issue helped stabilize the currency and rebuild foreign exchange reserves from very low level. The continuation of efforts on economic and internal security fronts would improve business confidence and help revive private investment.

Decline in global oil prices has come just at the right time for our country struggling to bridge the gap between demand and supply of electricity. However, even concerted reform will need several years to eliminate electricity and gas shortfalls and to effect the change needed to lift structural constraints on growth.

Business Review:

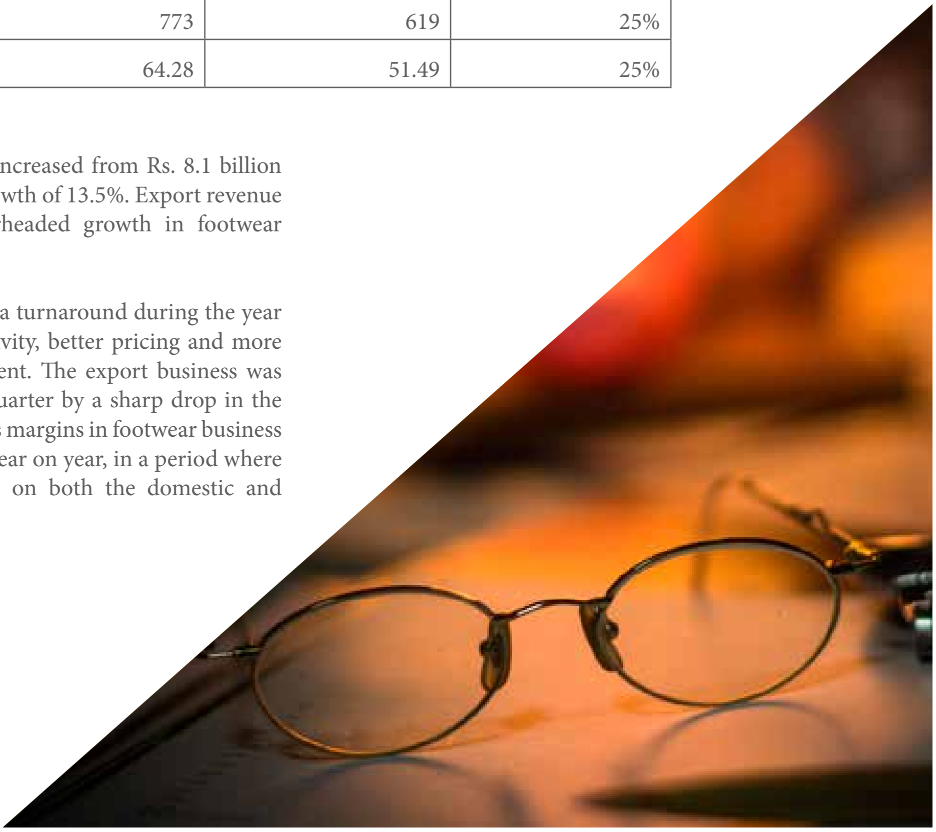
During the year, your company managed to achieve both top line and bottom line growth in all business segments.
Financial performance of the company is as follows:

	2014	2013	Variance
	(Rs. in million)	(Rs. in million)	
Sales (Net)	16,495	14,686	12%
Gross Margin	2,712	2,367	15%
Profit before taxation	944	747	26%
Profit after taxation	773	619	25%
Earnings per share (Rs.)	64.28	51.49	25%

Footwear:

Footwear sales during the year increased from Rs. 8.1 billion to Rs. 9.2 billion representing growth of 13.5%. Export revenue which increased by 41% spearheaded growth in footwear segment.

Footwear profitability witnessed a turnaround during the year as a result of improved productivity, better pricing and more efficient supply chain management. The export business was adversely impacted in the last quarter by a sharp drop in the value of the Euro. However, gross margins in footwear business increased from 12.8% to 14.4% year on year, in a period where competitive pressures increased on both the domestic and export markets.



Tyre and Tubes:

The Tyre Division continued to grow in a difficult year for motorcycle assemblers. Much emphasis was placed on marketing and brand development. We successfully grew in the replacement market and continued to find new markets and to develop new products.
Sales grew to Rs 7.3 billion from Rs 6.6 billion on the back of sustained marketing efforts.
Our brand continues to be a strong selling feature of our Tyre Division and we are constantly innovating to improve quality and to expand our product range.

Future Outlook:

The management has increased its efforts to expand domestic footwear business and new capacity has been added for our top selling ranges to our main customers, and we are continuously investing in new technologies.

Safety and Environment:

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

Appropriations for the Year 2014

Based on the performance of the Company, the Board of Directors is pleased to recommend a final cash dividend of Rs. 15 per share (150%), in addition to the interim cash dividend of Rs. 10 per share (100%).

	Rs. in million
Unappropriated profit brought forward	644.6
Final dividend @ Rs. 10 per share 2013	(120.3)
Interim dividend @ Rs. 10 per share 2014	(120.3)
Transfer to reserve	(-)
Net profit after tax for the year 2014	773.2
Actuarial (loss)/gain on defined benefit plans-n	(15.8)
Total available for appropriation	1161.5
Appropriation	
Final dividend @ Rs. 15 per share 2014	(180.4)
Transfer to reserve	(-)
Un-appropriated profit carried forward	981.1

Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. During the year five meetings of the Audit 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. Two meetings of the Human Resource & Remuneration Committee were held during the year.

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended December 31, 2014 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.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operating and financial data for the last six years is annexed.
- The Directors, their spouses, minor children, CFO and Company Secretary did not trade in the shares of the Company except the following:

Name	Shares sold during the year
Mr. Omar Saeed *C.E.O*	23,000
Mr. Ahmed Javed *Chairman*	23,000
Mr. Arif Saeed *Director*	23,000
Mr. Hassan Javed *Director*	23,000

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

Provident fund	**(Un-Audited)**	Rs. 1,466 million
Gratuity fund	**(Un-Audited)**	Rs. 76 million
Pension fund	**(Un-Audited)**	Rs. 66 million

Meetings of Board and its Committees

The Board held seven (7) meetings during the year. Attendance by each Director was as follows:

Director's Name	Attendance
Mr. Ahmed Javed	4
Mr. Omar Saeed	5
Mr. M Ijaz Butt	7
Mr. Arif Saeed	5
Mr. Hassan Javed	6
Mr. Riaz Ahmed	6
Mr. Muhammad Amin	6
Mr. Shaukat Ellahi Shaikh	4
Mr. Manzoor Ahmed	3

The Audit Committee held five (5) meetings during the year. Attendance by each member was as follows:

Member's Name	Attendance
Mr. Manzoor Ahmed	3
Mr. Riaz Ahmed	5
Mr. Muhammad Amin	5

The Human Resource and Remuneration Committee held two (2) meetings during the year. Attendance by each member was as follows:

Member's Name	Attendance
Mr. Riaz Ahmed	2
Mr. Arif Saeed	2
Mr. Muhammad Amint	2

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

Changes in the Board

During the year, election of the Directors was held at the Extraordinary General Meeting on July 24, 2014. The following nine Directors were re-elected for the next term of three years:

1. Mr. Ahmed Javed
2. Mr. Omar Saeed
3. Mr. M. Ijaz Butt
4. Mr. Arif Saeed
5. Mr. Hassan Javed
6. Mr. Riaz Ahmed
7. Mr. Muhammad Amin
8. Mr. Shaukat Ellahi Shaikh
9. Mr. Manzoor Ahmed

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

The revised terms and conditions of the Chief Executive and Directors of the Company as approved by the Board are as under:

Name	Remuneration per month (Rs.)
Mr. Omar Saeed *Chief executive*	**1,450,000**
Mr. Arif Saeed *Director*	**1,340,000**
Mr. Hassan Javed *Director*	**1,340,000**
Mr. Ahmed Javed *Director*	**1,340,000**
Mr. M. Ijaz Butt *Director*	**1,340,000**

Bonus @ 5% of net profit after tax to the Group Executive Committee which comprises Chief Executive, Mr. Omar Saeed and Two Working Directors, Mr. Arif Saeed and Mr. Hassan Javed, for the financial year December 31, 2014.

All other perks/benefits of the Chief Executive and working Directors will remain unchanged.

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 2015.

Pattern of Shareholding

A statement of the pattern of shareholding of the Company and additional information as at December 31, 2014 is included in the report.

The Board has determined threshold under clause xvi(l) of CCG-2012 in respect of trading of Company's shares by executives and employees who are of the cadre of Management Team Member or above.

Corporate Social Responsibilities

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

Acknowledgment

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.

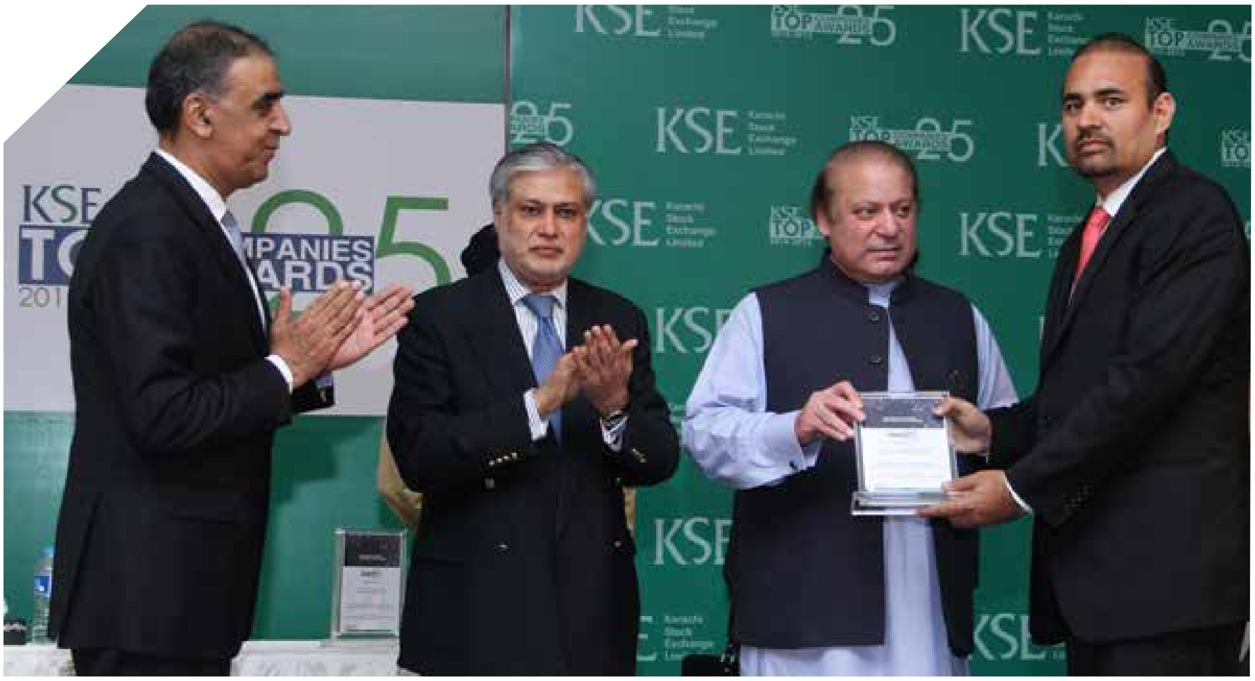
The directors would like to express their sincere appreciation for the hard work and dedication shown by the management and employees of the company throughout the year.

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

March 27, 2015
Lahore

Omar Saeed
Chief Executive



Mr. Hassan Javed (Director) receiving Karachi Stock Exchange (KSE) Top 25 Companies Award from Prime Minister of Pakistan, Mian Muhammad Nawaz Sharif.

STATEMENT OF COMPLIANCE
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the listing regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited 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 independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	**Names**
Independent Director	Mr. Riaz Ahmed
Executive Directors	Mr. Omar Saeed Mr. Arif Saeed Mr. Hassan Javed
Non-Executive Directors	Chaudhry Ahmed Javed Mr. M. Ijaz Butt Mr. Shaukat Ellahi Shaikh Mr. Manzoor Ahmed Mr. Muhammad Amin

(The independent director meets the criteria of independence under clause i (b) of the CCG).

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

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

4. No casual vacancy occurred on the Board during the year.

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 & 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. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses. Four directors Mr. Hassan Javed, Mr. Manzoor Ahmed, Mr. Riaz Ahmed and Mr. Shaukat Ellahi Shaikh have completed the Directors' Training Program.

10. During the year, there was no change in the position of Chief Financial Officer (CFO) and Head of Internal Audit, however, the Board has approved the appointment of Company Secretary including his remuneration and terms and conditions of his 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 three members, of whom two are non-executive directors and one is independent director. The Chairman of the committee is a 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 a Human Resource and Remuneration Committee. It comprises three members, of whom one is non-executive director and one is independent director. The Chairman of the committee is an independent director.

18. The Board has set up an effective Internal Audit Function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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 Institute of Chartered Accountants of Pakistan (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 Institute of Chartered Accountants of Pakistan (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, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to the directors, employees and stock exchanges.

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

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

March 27, 2015
Lahore

Omar Saeed
Chief Executive

REVIEW REPORT TO THE MEMBERS

Review Report to the Members on Statement of Compliance with 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") for the year ended December 31, 2014, to comply with the requirements of Listing Regulation No. 35 of Karachi and Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not and to highlight any non-compliance with the requirements of the Code of Corporate Governance. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the 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 are not required to consider whether the Board of directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2014.

March 27, 2015
Lahore

S. M. MASOOD & CO.
Chartered Accountants

Audit Engagement Partner
Danish Kamal

AUDITOR'S REPORT TO THE MEMBERS

Auditor's Report to the Members

We have audited the annexed balance sheet of SERVICE INDUSTRIES LIMITED ("the Company") as at December 31, 2014 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 conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b. in our opinion -

  (i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied,

  (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.

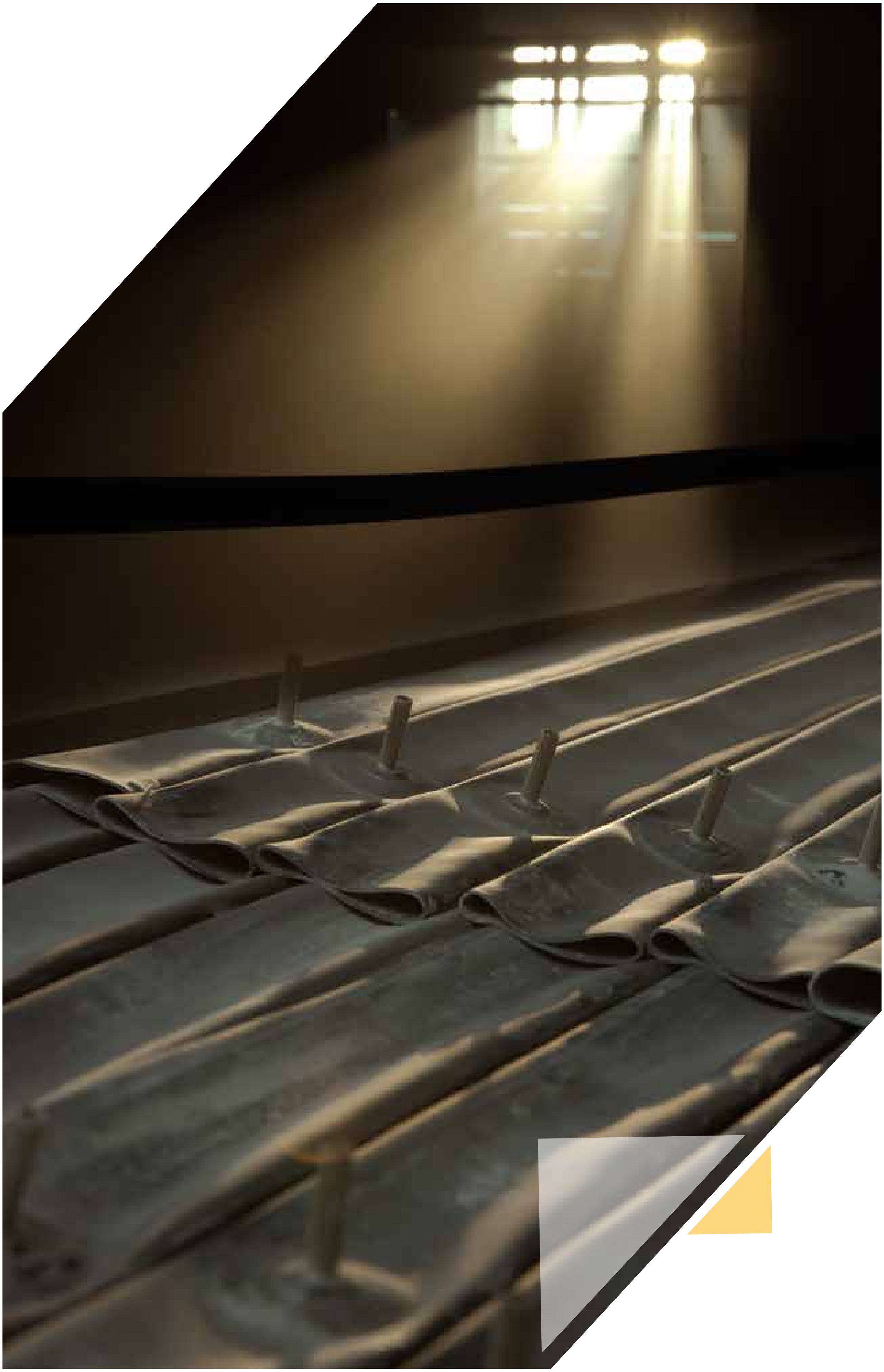
c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting 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, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

March 27, 2015
Lahore

S. M. MASOOD & CO.
Chartered Accountants

Audit Engagement Partner
Danish Kamal



FINANCIAL STATEMENTS

for the year ended December 31, 2014

BALANCE SHEET

As at December 31, 2014

	Note	**2014 Amount**	2013 Amount
		Rupees in thousand	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
20,000,000 (2013: 20,000,000) ordinary shares of Rs. 10/- each:		200,000	200,000
Paid up share capital	8	120,288	120,288
Reserves	9	2,843,661	2,326,798
		2,963,949	2,447,086
Non-current liabilities			
Long term financing - secured	10	958,315	514,365
Long term deposits	11	3,665	3,655
Deferred liabilities	12	326,495	256,718
		1,288,475	774,738
Current liabilities			
Trade and other payables	13	2,123,619	1,975,589
Interest and markup accrued	14	87,888	51,125
Short term borrowings - secured	15	2,105,352	1,514,289
Current portion of long term financing - secured	10	174,365	114,013
Provision for taxation	36	122,436	114,889
		4,613,660	3,769,905
Contingencies and commitments	16	–	–
		8,866,084	6,991,729

The annexed notes 1 to 48 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

	Note	**2014 Amount**	2013 Amount
		Rupees in thousand	
ASSETS			
Non-current assets			
Property, plant and equipment	17	2,984,513	1,901,092
Intangible assets	18	8,097	16,119
Long term investment	19	204,279	177,032
Long term loans	20	6,722	5,106
Long term deposits	21	51,191	29,837
		3,254,802	2,129,186
Current assets			
Stores, spares and loose tools	22	108,111	115,791
Stock in trade	23	2,604,361	2,322,432
Trade debts	24	1,642,863	1,244,470
Loans and advances	25	154,741	241,099
Trade deposits and prepayments	26	17,329	17,033
Other receivables		19,379	6,389
Tax refunds due from government	27	1,046,056	890,923
Cash and bank balances	28	18,442	24,406
		5,611,282	4,862,543
		8,866,084	6,991,729

Omar Saeed
(Chief Executive)

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2014

	Note	**2014 Amount**	2013 Amount
		Rupees in thousand	
Sales - net	29	16,495,123	14,685,638
Cost of sales	30	13,783,455	12,318,716
Gross profit		2,711,668	2,366,922
Operating expenses			
Distribution cost	31	720,683	603,176
Administrative expenses	32	688,478	613,584
Other operating expenses	33	143,939	154,857
		1,553,100	1,371,617
Operating profit before other income		1,158,568	995,305
Other income	34	117,461	58,429
Operating profit		1,276,029	1,053,734
Finance cost	35	331,581	306,329
Profit before taxation		944,448	747,405
Taxation	36	171,196	128,080
Profit after taxation		773,252	619,325
Earnings per share - basic and diluted (Rupees)	37	64.28	51.49

The annexed notes 1 to 48 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Note	**2014 Amount**	2013 Amount
		Rupees in thousand	
Profit after taxation		773,252	619,325
Other comprehensive income			
Items that may reclassify to profit and loss account		–	–
Items that may not reclassify to profit and loss account			
Actuarial (loss) / gain on defined benefit plan - net	12.2.6	(15,813)	(6,231)
		(15,813)	(6,231)
Total comprehensive income for the year		757,439	613,094

The annexed notes 1 to 48 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

CASH FLOW STATEMENT

For the year ended December 31, 2014

	Note	**2014 Amount**	2013 Amount
		Rupees in thousand	
Cash flow from operating activities			
Cash generated from operations	39	1,012,201	1,646,324
Finance cost paid		(294,818)	(306,785)
Ijarah rentals paid		(51,604)	(34,338)
Income tax paid		(131,839)	(21,605)
Staff retirement benefits paid		(11,988)	(19,093)
W.P.P.F and W.W.F paid		(68,597)	(21,539)
Net cash generated from operating activities		453,355	1,242,964
Cash flow from investing activities			
Speed (Private) Limited (associated company)	19	27,139	(162,408)
Capital expenditure		(1,327,934)	(471,210)
Proceeds from sale of property, plant and equipment		6,119	7,988
Long term loans - net		(1,616)	(4,780)
Long term deposits - net		(21,354)	(6,372)
Net cash used in investing activities		(1,317,646)	(636,782)
Cash flow from financing activities			
Lease rentals paid		–	(14,898)
Short term borrowings - net		591,063	(573,529)
Long term financing		504,302	170,655
Dividend paid		(237,048)	(178,488)
Long term deposits		10	1,055
Net cash generated from / (used in) financing activities		858,327	(595,205)
Net (decrease) / increase in cash and cash equivalents		(5,964)	10,977
Cash and cash equivalents at the beginning of the year		24,406	13,429
Cash and cash equivalents at the end of the year	28	18,442	24,406

The annexed notes 1 to 48 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

		Capital reserves		Revenue reserves		
	Paid up share capital	Capital gain	Share premium	General reserve	Unappropriated profit	Total
	Rupees in thousand					
Balance as at December 31, 2012	120,288	102,730	21,217	1,558,208	211,981	2,014,424
Final dividend for the year ended December 31, 2012 @ Rs. 7.50 per share	–	–	–	–	(90,216)	(90,216)
Interim dividend for the year ended December 31, 2013 @ Rs. 7.50 per share	–	–	–	–	(90,216)	(90,216)
Total comprehensive income for the year	–	–	–	–	613,094	613,094
Balance as at December 31, 2013	120,288	102,730	21,217	1,558,208	644,643	2,447,086
Final dividend for the year ended December 31, 2013 @ Rs. 10 per share	–	–	–	–	(120,288)	(120,288)
Interim dividend for the year ended December 31, 2014 @ Rs. 10 per share	–	–	–	–	(120,288)	(120,288)
Total comprehensive income for the year	–	–	–	–	757,439	757,439
Balance as at December 31, 2014	120,288	102,730	21,217	1,558,208	1,161,506	2,963,949

The annexed notes 1 to 48 form an integral part of these financial statements.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

1 Legal status and operations

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

2 Statement of compliance

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

3 Use of estimates and judgments

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

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

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

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

4 Application of new and revised International Financial Reporting Standards (IFRS)

4.1 Amendments to IFRSs and the new interpretation that are effective for the current year

IAS 32 - Offsetting Financial Assets and Financial Liabilities
IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

The above amendments have had no material impact on the Company’s financial statements.

4.2 New accounting standards, amendments and IFRICs interpretations that are not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (Annual reporting periods beginning on or after)
IAS 27	Separate financial statements (Amendments)	January 1, 2015
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2015
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2015
IFRS 13	Fair value measurements	January 1, 2015

The management anticipate that the adoption of the above standards, if and when relevant, will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), but are yet to be notified by the Securities and Exchange Commission of Pakistan, for application in Pakistan:

		Effective date (Annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 14	Regulatory Deferral Accounts	January 1, 2014
IFRS 15	Revenue from customers	January 1, 2014
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECP effective dated January 16, 2012.

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

5 Basis of preparation

5.1 Accounting convention

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

5.2 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

6 Summary of significant accounting policies

6.1 Employees' retirement benefits

i) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

ii) Defined benefit plans

a) Gratuity scheme

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

- For defined retirement benefit plans, the cost of providing benefits is determined using the 'Projected Unit Credit Method' with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, if applicable, and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows;

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- Net interest expense or income; and
- Remeasurements.

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 un-availed earned leave balance at the end of the year.

6.3 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized 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 recognized 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 17.1 to the financial statements using the reducing balance method. Depreciation on additions to owned assets is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

6.6.2 Intangible assets

Expenditure incurred to acquire computer software programs are capitalized as intangible assets which are stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized at the rates specified in Note 18.1 to the financial statements using the straight line method.

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

6.6.3 Investments

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

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

6.6.4 Capital work in progress

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

6.6.5 Leases

Finance leases

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in Note 17.1. Depreciation of leased assets is charged to profit and loss account.

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

Ijarah assets

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

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 recognized as expense in the profit and loss account.

6.8 Inventories - Valuation

Stores, spares and loose tools:	At cost on first-in first-out basis
Raw materials and packing material:	At cost on first-in first-out basis
Work in process:	At cost of direct materials, labour and appropriate portion of production overheads
Finished goods:	At lower of cost or net realizable value. Cost is determined as stated for work in process.

Provision for obsolete and slow moving inventories is determined based on the management's assessment regarding their future use or net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessarily to be incurred to make the sale.

6.9 Revenue

Sales revenue is recognised when the goods are despatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at fair value of consideration received or receivable, net of returns and trade discounts.

Dividend income is recognized when the Company's right to receive is established.

6.10 Financial instruments

Financial assets and liabilities are recognized 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 or amortized cost as applicable.

6.11 Cash and cash equivalents

Cash and cash equivalent comprise cash in hand, cash with banks, short term borrowings and other short term highly liquid investments readily convertible to cash.

6.12 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 recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

6.13 Provisions

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

6.14 Dividend

Dividend is recognised as a liability in the period in which it is declared.

7 Segmental 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

				2014 Amount	2013 Amount
				Rupees in thousand	
8	**Paid up share capital**				
	Issued, subscribed and paid up:				
	2014	2013			
	3,183,190	3,183,190	Ordinary shares of Rs. 10/- each fully paid in cash	31,832	31,832
	8,845,599	8,845,599	Ordinary shares of Rs. 10/- each issued as bonus shares	88,456	88,456
	12,028,789	12,028,789		120,288	120,288

8.1 Ordinary shares of the Company held by associated company as at year end are as follows:

	2014	2013
	Number of Shares	
– Shahid Arif Investments (Private) Limited	10,144	10,144

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
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	1,558,208
	Unappropriated profits		1,161,506	644,643
			2,719,714	2,202,851
			2,843,661	2,326,798

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

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
10	**Long term financing - secured**			
	Total long term financing	10.1&10.2	1,132,680	628,378
	Less: current portion		(174,365)	(114,013)
			958,315	514,365

		2014 Amount	2013 Amount
		Rupees in thousand	
10.1	**Loan from banking companies**		
	Loan - I	10,415	20,829
	Loan - II	11,196	22,393
	Loan - III	21,455	35,758
	Loan - IV	4,551	6,827
	Loan - V	2,686	4,030
	Loan - VI	2,143	3,215
	Loan - VII	50,709	70,429
	Loan - VIII	215,595	239,550
	Loan - IX	250,000	–
		568,750	403,031
	Less: current portion	(92,503)	(54,691)
		476,247	348,340
10.2	**Islamic term finance**		
	Loan - X	76,490	84,989
	Loan - XI	26,270	29,188
	Loan - XII	111,170	111,170
	Loan - XIII	350,000	–
		563,930	225,347
	Less: current portion	(81,862)	(59,322)
		482,068	166,025

I This represents long term finance obtained from Habib Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2011 and December 30, 2015 respectively. The markup rate was 6 months KIBOR + 170 bps per annum to be set on the first business day of each six month period. This loan was subsequently re-financed by State Bank of Pakistan, long term financing facility (SBP LTFF) having a markup rate of 10.25% per annum.

II This represents long term finance obtained from Habib Bank Limited for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 25, 2011 and December 25, 2015 respectively. The markup rate was 6 months KIBOR + 170 bps per annum to be set on the first business day of each six month period. This loan was subsequently re-financed by SBP LTFF facility having a markup rate of 10.50% per annum.

Loans I and II are secured by a registered first pari passu mortgage charge over land & building and plant & machinery for Rs. 268 million (2013: Rs 268 million).

III This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on December 30, 2011 and June 28, 2016 respectively. The markup rate is fixed at 10% per annum (2013: 10% per annum).

IV This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 16, 2012 and September 14, 2016 respectively. The markup rate is fixed at 10% per annum (2013: 10% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

V This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on April 27, 2012 and October 25, 2016 respectively. The markup rate is fixed at 10.70% per annum (2013: 10.70% per annum).

VI This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on April 27, 2012 and October 25, 2016 respectively. The markup rate is fixed at 10.70% per annum (2013: 10.70% per annum).

VII This represents long term finance obtained from State Bank of Pakistan through Faysal Bank Limited under SBP LTFF scheme, for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on May 2, 2013 and November 2, 2017 respectively. The markup rate is fixed at 10.70% per annum (2013: 12.20% per annum).

VIII These represent long term finance loans obtained from Allied Bank Limited of Rs. 350 million approved in 2014 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on September 19, 2015 and March 18, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

IX These represent long term finance loans obtained from Allied Bank Limited of Rs. 250 million approved in 2014 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on March 16, 2016 and August 22, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

X to XIII These represent long term finance loans obtained from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs. 500 million approved in 2012 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2014 and January 02, 2020 respectively. The markup rate is 6 month KIBOR + 40 bps per annum. The availed loans are of Rs 464.895 million which are secured by exclusive charge over plant & machinery with 15% margin and ranking charge over present and future fixed assets (including land & building) with 20% margin.

		2014 Amount	2013 Amount
		Rupees in thousand	
11	**Long term deposits**		
	Deposits of light trucks & tubes dealers and others	3,665	3,655

11.1 These are deposits of dealers and others, who have permitted the utilization of such money by the Company in pursuance of section 226 of the Companies Ordinance, 1984

		Note	**2014 Amount**	2013 Amount
			Rupees in thousand	
12	**Deferred liabilities**			
	Deferred taxation	12.1	265,736	216,976
	Gratuity fund payable	12.2	60,759	39,742
			326,495	256,718

		2014 Amount	2013 Amount
		Rupees in thousand	
12.1	**Deferred tax liability is made up as follows:**		
	Accelerated depreciation	267,758	241,523
	Deferred tax asset against provision for doubtful debts	(2,022)	(17,520)
	Tax credits	–	(7,027)
		265,736	216,976

12.2 Gratuity fund payable

The details of actuarial valuations of defined gratuity scheme carried as at December 31, 2014 are as follows:

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
12.2.1	**The amounts recognized in the balance sheet**			
	Present value of defined benefit obligations	12.2.4	136,417	102,634
	Fair value of plan assets	12.2.5	(75,658)	(62,892)
	Balance sheet liability as at December 31		60,759	39,742
12.2.2	**Movement in the net liability recognised in the balance sheet**			
	Opening balance		39,742	37,538
	Charge for the year	12.2.3	17,192	15,066
	Payments during the year		(11,988)	(19,093)
	Remeasurements chargeable to OCI	12.2.6	15,813	6,231
	Closing balance		60,759	39,742
12.2.3	**Amounts recognized in the profit and loss account**			
	Current service cost		12,974	10,937
	Interest cost		12,080	10,021
	Expected return on plan assets		(7,862)	(5,892)
			17,192	15,066
12.2.4	**Changes in the present value of defined benefit obligation**			
	Opening defined benefit obligation		102,634	91,104
	Current service cost		12,974	10,937
	Interest cost		12,080	10,021
	Benefits paid		(11,988)	(19,198)
	Remeasurements:			
	Experience adjustments		20,717	9,770
			136,417	102,634

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		2014 Amount	2013 Amount
		Rupees in thousand	
12.2.5	**Changes in the fair value of the plan assets**		
	Opening fair value of plan assets	62,892	53,566
	Expected return	7,862	5,892
	Contribution by employer	11,988	19,093
	Benefits paid	(11,988)	(19,198)
	Experience adjustments	4,904	3,539
		75,658	62,892
12.2.6	**Amounts recognized in the other comprehensive income**		
	Experience adjustments	(20,717)	(9,770)
	Interest income on plan assets	4,904	3,539
	Actuarial loss	(15,813)	(6,231)

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

	2014		2013	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Unit trust	63,209	83.55	50,935	80.99
Term deposit	11,833	15.65	11,833	18.81
Other assets	616	0.81	124	0.20
	75,658	100.00	62,892	100.00

		2014 Amount	2013 Amount
		Rupees in thousand	
12.2.8	**Actual return on plan assets**		
	Expected return on plan assets	7,862	5,892
	Actuarial gain / (loss) on assets	4,904	3,539
		12,766	9,431

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.

		2014 Percentage	2013 Percentage
12.2.9	**Principal actuarial assumptions**		
	The principal assumptions in the actuarial valuation are as follows:		
	Discount rate	10.5	11
	Expected rate of salary increase	9.5	12.5
	Expected rate of return on investments	12.5	11.5

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

	2014	2013	2012	2011	2010
			Rupees in thousand		
Defined benefit plan					
Defined benefit plan obligation	136,417	102,634	91,104	82,210	72,274
Plan assets	(75,658)	(62,892)	(53,566)	(51,591)	(39,457)
Deficit	60,759	39,742	37,538	30,619	32,817
Experience adjustment on plan liabilities	20,717	9,770	(3,688)	3,808	1,600
Experience adjustment on plan assets	4,904	3,539	(1,496)	9,297	1,071

12.2.11 Year end sensitivity analysis (± 100 bps) on defined benefit obligation

A change of 100 basis points in discount rates at the reporting date would have (decreased) / increased defined benefit obligation by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis as for 2013.

	Note	2014 Amount	2013 Amount
		Rupees in thousand	
Discount Rate + 100 bps		125,346	94,363
Discount Rate - 100 bps		149,243	112,215
Salary increase + 100 bps		149,429	112,215
Salary increase - 100 bps		124,991	94,224

13 Trade and other payables

	Note	2014	2013
Trade creditors		1,119,056	956,289
Accrued liabilities		582,366	479,111
Bills payable	13.1	161,377	327,700
Advances from customers		133,767	92,325
Provident fund payable		22,361	19,036
(Receivable) / payable from pension fund trust		2	(16)
Workers' profit participation fund	13.2	50,844	40,234
Workers' welfare fund	13.3	34,529	43,735
Unclaimed dividend		13,561	10,033
Others		4,859	4,670
Due to government agencies on account of:			
Staff income tax		353	1,480
Suppliers income tax		544	992
		2,123,619	1,975,589

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
13.2	**Workers' profit participation fund**			
	Balance as at January 01		40,234	10,429
	Add: provision for the year	33	50,725	40,140
	Interest for the year		–	207
			90,959	50,776
	Less: payments during the year		40,115	10,542
	Balance as at December 31		50,844	40,234
13.3	**Workers' welfare fund**			
	Balance as at January 01		43,735	39,479
	Add: provision for the year	33	19,276	15,253
			63,011	54,732
	Less: payments / adjustments during the year		28,482	10,997
	Balance as at December 31		34,529	43,735
14	**Interest and markup accrued**			
	Long term financing - secured		42,668	6,104
	Short term borrowings - secured		45,220	45,021
			87,888	51,125

15 Short term borrowings - secured

From banks and other financial institutions:

	Sanctioned limit 2014	Sanctioned limit 2013	Availed limit 2014	Availed limit 2013
	Rupees in thousand			
Under mark up arrangement with consortium banks:				
Cash credits	2,218,945	2,000,000	84,297	165,600
Export refinance	2,021,055	1,348,689	2,021,055	1,348,689
	4,240,000	3,348,689	2,105,352	1,514,289

These running finance facilities have been availed from various banks. The rates of mark up range between 6.51% to 9.96% (2013: 9.11% to 9.88% per annum). Running finances 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.

16 Contingencies and commitments

Contingencies

16.1 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.

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

16.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat has initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour of the Company in the year 2013 but the case is re-opened in the year 2014. 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.

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

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

Commitments

16.5 Guarantees issued in ordinary course of business through banks are of Rs. 52.76 million (2013: Rs. 60.03 million).

16.6 Irrevocable letters of credit outstanding at the year end are of Rs. 638.69 million (2013: Rs. 994.22 million).

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

	Note	**2014 Amount**	2013 Amount
		Rupees in thousand	
Not later than one year		64,017	25,867
Later than one year and not later than five years		122,503	62,057
Later than five years		–	–
		186,520	87,925

17 Property, plant and equipment

	Note	2014	2013
Operating fixed assets	17.1	2,618,793	1,819,162
Capital work in progress	17.2	365,720	81,930
		2,984,513	1,901,092

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

17.1 Operating fixed assets

December 31, 2014

Particulars	Cost				Rate	Accumulated depreciation				W.D.V as at
	As at January 01, 2014	Additions / transfers	Disposals	As at December 31, 2014	%	As at January 01, 2014	Charge for the year	Adjustment / transfers	As at December 31, 2014	Dec 31, 2014
	Rupees in thousand									
Owned										
Freehold land	7,106	–	–	7,106	–	–	–	–	–	7,106
Building on freehold land	473,316	148,950	–	622,266	5-10	195,872	27,385	–	223,257	399,009
Plant and machinery	2,037,823	626,726	3,741	2,660,808	10	812,618	149,387	3,085	958,920	1,701,888
Furniture, fixture and fittings	32,747	940	–	33,687	10	20,140	1,305	–	21,445	12,242
Vehicles	29,735	2,946	10,516	22,165	20	16,953	2,093	5,889	13,157	9,008
Service equipments	488,720	258,460	5,623	741,557	10-30	220,245	45,800	5,160	260,885	480,672
Leasehold improvements	17,996	190	7,707	10,479	33.33	6,678	3,506	2,385	7,799	2,680
Last and moulds	36,789	5,526	4,223	38,092	50	32,564	3,563	4,223	31,904	6,188
Grand total - 2014	3,124,232	1,043,738	31,810	4,136,160		1,305,070	233,039	20,742	1,517,367	2,618,793

December 31, 2013

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

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
17.1.1	Depreciation charge for the year has been allocated as follows:			
	Cost of sales	30	219,407	185,135
	Administrative expenses	32	13,632	13,600
			233,039	198,735

17.1.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sales proceeds	Sold to	Mode of disposal
	Rupees in thousand					
Plant & machinery						
Having book value exceeding Rs. 50,000						
Compair Screw Compressor	616	492	124	120	Ali air compressor	Negotiation
Compair Screw Compressor	616	492	124	120	Ali air compressor	Negotiation
Compair Screw Compressor	616	492	124	119	Ali air compressor	Negotiation
Lasting Conveyor	240	181	59	63	Mr. Yameen	Negotiation
Upper Seam Rubbing & Triming	752	699	53	55	Mr. Yameen	Negotiation
	2,840	2,356	484	477		
Having book value less than Rs. 50,000	901	729	172	182	Mr. Yameen	Negotiation
Total of plant & machinery	3,741	3,085	656	659		
Vehicles						
Having book value exceeding Rs. 50,000						
Honda CG.125	99	13	86	–	Mr. Qaisar Tufail	Company policy
Honda City Automatic ATM-771	1,359	856	503	503	Mr. Mahmood Elahi	Company policy
Honda City LEC-09-6719	1,322	835	487	487	Fayyaz Hussain	Company policy
Honda CG-125	97	25	72	97	Jubilee General Insurance	Company policy
Honda City ANR-256	520	335	185	845	Mr. Shahnawaz Fazal	Company policy
Honda Civic LEB-11-6719	1,943	762	1,181	1,231	Mr. Omar Saeed	Company policy
Honda Civic LE-10-7939	1,478	672	806	806	Mr. M. Sohail Ch.	Company policy
Mercedez- LEA-8840	2,441	1,523	918	918	M. Ijaz Butt	Company policy
Suzuki Liana LED-08-1080	775	579	196	196	Mr. Rizwan Nazar	Company policy
	10,034	5,600	4,434	5,083		
Having book value less than Rs. 50,000	482	290	192	195	Misc.	Negotiation
Total of vehicles	10,516	5,890	4,626	5,278		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

Particulars	Cost	Accumulated depreciation	Net book value	Sales proceeds	Sold to	Mode of disposal
	Rupees in thousand					
Service equipments						
Having book value exceeding Rs. 50,000						
2-Tons Air Conditioner	83	15	68	10	Freezing Air Conditioning Servicing	
Note Book Laptop	57	1	56	–	Lost	
	140	16	124	10		
Having book value less than Rs. 50,000	5,483	5,143	340	172	Misc.	Negotiation
Total service equipments	5,623	5,159	464	182		
Leasehold improvements	7,707	2,385	5,322	–	Fully amortised	
Last and moulds	4,223	4,223	–	–	Fully amortised	
Total - 2014	**31,810**	**20,742**	**11,068**	**6,119**		
Total - 2013	29,861	24,066	5,795	7,988		

17.2 Capital work in progress

	Building	Plant and machinery	Furniture and fixture	Service equipment	2014 Amount Total	2013 Amount Total
	Rupees in thousand					
Balance as at January 01	45,156	5,881	28	30,865	81,930	146,072
Additions during the year	214,724	388,886	–	340,368	943,978	176,688
Transfers / adjustments during the year	(148,950)	(365,249)	–	(145,989)	(660,188)	(240,830)
Balance as at December 31	110,930	29,518	28	225,244	365,720	81,930

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
18	**Intangible assets**			
	Oracle and other software programs	18.1	8,097	16,119
18.1	**Cost**			
	As at January 01		36,807	21,904
	Additions / transfers during the year		405	14,903
	As at December 31		37,212	36,807
	Amortization			
	As at January 01		20,688	10,210
	Charge for the year		8,427	10,478
	As at December 31		29,115	20,688
	Book value as at December 31		8,097	16,119
	Rate of amortization		33.33%	33.33%
18.2	**Software programs under development**			
	As at January 01		–	300
	Transfers during the year		–	(300)
	As at December 31		–	–

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
19	**Long term investment**			
	Investment at equity method			
	Speed (Private) Limited - associated company			
	Cost of investment			
	1,624,079 fully paid ordinary shares of Rs. 100/- each (2013: 1,624,079)	19.1	162,408	162,408
	Share of post acquisition reserve			
	As at the beginning of the year		14,624	–
	Share of post acquisition profit for the year / period		54,386	14,624
	Less: Dividends received during the year		(27,139)	–
			41,871	14,624
			204,279	177,032

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

		2014 Amount	2013 Amount
		Rupees in thousand	
19.2	Current assets	593,816	450,757
	Non current assets	169,272	171,240
	Current liabilities	93,225	74,700
	Non current liabilities	2,270	2,295
	Revenue - net for the year / period	1,386,180	599,112
	Expenses for the year / period	1,141,416	533,299
	Profit for the year / period	244,764	65,813
	Other comprehensive income for the year	–	–
	Total comprehensive income for the year	244,764	65,813
	Net assets of the associate	667,593	545,002
	Percentage of holding	22.22%	22.22%
	Carrying amount of Company's interest in Speed (Private) Limited	148,339	121,099
19.3	Breakup value per share (Rupees)	1,000	848

		Note	**2014 Amount**	2013 Amount
			Rupees in thousand	
20	**Long term loans**			
	Considered good			
	- due from executives	20.1	10,622	5,775
	- due from other employees		1,080	1,003
			11,702	6,778
	Less: current portion of long term loans		(4,980)	(1,672)
			6,722	5,106
20.1	**Reconciliation of loans to executives**			
	Balance as at January 01		5,775	–
	Add: Disbursements during the year		7,501	5,850
	Less: Repayments during the year		(2,654)	(75)
	Balance as at December 31		10,622	5,775

20.2 These represent interest free loans to executives and employees for general purpose and house building, which are recoverable in monthly installments over a period of 10 years and are secured by a charge on the assets purchased and / or amount due to the employees against retirement benefits.

20.3 The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. 10.62 million (2013: Rs. 5.8 million).

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
21	Long term deposits			
	Long term deposits with:			
	Leasing companies		23,705	14,050
	Government agencies		22,548	7,190
	Others		4,938	8,597
			51,191	29,837
22	Stores, spares and loose tools			
	Machinery spares		50,745	45,753
	Stores		66,278	80,472
	Loose tools		2,691	420
	Less:			
	Provision for slow moving and obsolete items	22.1	11,603	10,854
			108,111	115,791
22.1	**Movement for provisions:**			
	Balance at the beginning of the year		10,854	8,066
	Provisions made the year		6,793	4,511
	Reversals made during the year		(6,044)	(1,723)
	Charge for the year		749	2,788
	Balance at the end of the year		11,603	10,854

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
23	**Stock in trade**			
	Raw material		1,251,540	1,136,077
	Packing material		37,264	32,409
	Work in process		441,215	345,118
	Finished goods: Own production		722,192	683,475
	Purchased		35,206	28,128
	Goods in transit		219,891	187,111
	Less: provision for slow moving, obsolete items and net realisable value	23.1	102,947	89,886
			2,604,361	2,322,432
23.1	**Movement for provisions:**			
	Balance at the beginning of the year		89,886	56,173
	Provisions made the year		106,764	95,163
	Reversals made during the year		(93,702)	(61,450)
	Charge for the year		13,061	33,713
	Balance at the end of the year		102,947	89,886

23.2 Finished goods of Rs. 83.55 million (2013: Rs. 75.76 million) are being carried at net realisable value and an amount of Rs. 7.78 million (2013: Rs. 14.33 million) has been charged to cost of sales, being the cost of inventory written down during the year.

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
24	**Trade debts**			
	Secured - against irrevocable letters of credit		567,629	315,958
	Unsecured - considered good:			
	Due from related party:			
	- SAB Polymer Industries (Private) Limited	24.2	–	15,289
	Other customers		1,075,234	913,223
	Unsecured - considered doubtful		71,399	71,648
	Less:			
	Provision for doubtful debts		71,399	71,648
			1,642,863	1,244,470

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
24.1	**Movement of provision for doubtful debts is as follows:**			
	Balance at the beginning of the year		71,648	1,288
	Provisions made the year		9,158	70,360
	Recoveries made during the year		(9,407)	–
	Balance at the end of the year		71,399	71,648

24.2 These relate to normal business of the Company.

25 Loans and advances

	Note	2014	2013
Advances - considered good:			
- Staff		381	359
- Suppliers		48,179	84,725
- Others		2,676	1,744
Letters of credit		98,525	152,599
Current portion of long term loans	20	4,980	1,672
		154,741	241,099

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

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
26	**Trade deposits and prepayments**			
	Security deposits		9,670	8,321
	Prepayments		7,659	8,712
			17,329	17,033
27	**Tax refunds due from government**			
	Custom duty rebate		135,655	99,346
	Excise duty		83	124
	Advance income tax	27.1	604,936	587,986
	Sales tax		305,382	203,467
			1,046,056	890,923
27.1	**Advance income tax**			
	Opening balance		587,986	620,166
	Tax deducted / deposited for the year		191,325	272,592
	Adjustment / refund for the year		(174,375)	(304,772)
			604,936	587,986

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
28	**Cash and bank balances**			
	Cash in hand		1,449	1,206
	Balances with banks in current accounts:			
	- Local currency		11,751	17,504
	- Foreign currency		3,023	5,696
	Cash in transit	28.1	2,219	–
			18,442	24,406

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.

		2014 Amount	2013 Amount
		Rupees in thousand	
29	**Sales - net**		
	Export sales	5,617,572	4,057,949
	Discounts, commissions, etc.	(87,060)	(44,795)
		5,530,512	4,013,154
	Local sales	12,966,629	12,396,613
	Sales tax and excise duty	(1,578,318)	(1,411,192)
	Discounts, commissions, etc.	(423,700)	(312,937)
		10,964,611	10,672,484
		16,495,123	14,685,638

29.1 Export sales include net exchange rate gain of Rupees 49 million (2013: 17 million loss).

		2014 Amount	2013 Amount
29.2	**Sale of footwear (Net)**		
	Export sales	5,124,780	3,646,087
	Local sales	4,083,468	4,463,359
		9,208,248	8,109,446
	Sale of tyres and tubes (Net)		
	Export sales	398,714	367,163
	Local sales	6,852,803	6,199,345
		7,251,517	6,566,508
	Sale of technical rubber products (Net)		
	Export sales	7,018	–
	Local sales	28,340	9,684
		35,358	9,684
		16,495,123	14,685,638

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
30	**Cost of sales**			
	Raw material consumed	30.1	9,571,841	8,793,031
	Salaries, wages and benefits	30.2	1,931,172	1,651,330
	Stores and spares consumed		234,126	173,201
	Packing material consumed		498,374	436,058
	Fuel and power		813,530	683,252
	Insurance		14,409	11,137
	Travelling expenses		11,976	6,526
	Repair and maintenance		109,516	102,338
	Entertainment		4,264	3,050
	Depreciation	17.1.1	219,407	185,135
	Provision for slow moving items, obsolete items and net realizable value		13,811	36,500
	Other manufacturing charges		229,591	224,194
			13,652,017	12,305,752
	Work in process: As at January 01		345,118	419,117
	As at December 31		(441,215)	(345,118)
			(96,097)	73,999
	Cost of goods manufactured		13,555,920	12,379,751
	Finished goods: As at January 01		711,603	480,371
	Purchases during the year		273,330	170,197
	Finished goods: As at December 31		(757,398)	(711,603)
			227,535	(61,035)
			13,783,455	12,318,716
30.1	**Raw material consumed**			
	Balance as at January 01		1,136,077	1,164,969
	Purchases during the year	30.3	9,687,304	8,764,139
	Balance as at December 31		(1,251,540)	(1,136,077)
			9,571,841	8,793,031
30.2	**Salaries, wages and benefits**			
	Salaries, wages and benefits		1,837,903	1,576,070
	Provident fund contribution		71,842	62,614
	Gratuity contribution		21,347	12,571
	Pension fund contribution		80	75
			1,931,172	1,651,330

30.3 Custom duty rebate for the year amounting to Rs. 99.14 million (2013: Rs. 76.66 million) has been adjusted against raw material consumed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
31	**Distribution cost**			
	Freight and insurance	31.1	239,567	216,383
	Salaries and benefits	31.2	84,528	61,771
	Advertisement and publicity		204,965	165,455
	Entertainment		6,358	6,487
	Samples		86,897	73,408
	Others		98,368	79,672
			720,683	603,176

31.1 This includes export expenses of Rs. 140.99 million (2013: Rs. 139.63 million).

			2014	2013
31.2	**Salaries and benefits**			
	Salaries and benefits		81,407	59,436
	Gratuity contribution		194	9
	Provident fund contribution		2,918	2,317
	Pension fund contribution		9	9
			84,528	61,771
32	**Administrative expenses**			
	Salaries and benefits	32.1	435,218	404,750
	Communication		8,836	9,061
	Printing and stationery		4,638	4,316
	Travelling and conveyance		24,368	13,744
	Entertainment		19,962	13,989
	Motor car expenses		25,958	29,977
	Insurance		3,878	2,763
	Rent, rates and taxes		8,350	7,004
	Fuel and power		20,290	22,245
	Repairs and maintenance		14,252	5,854
	General expenses		23,253	14,727
	Auditor's remuneration	32.2	3,887	3,536
	Legal and professional charges		6,704	13,453
	Subscription		1,886	1,426
	Depreciation	17.1.1	13,632	13,600
	Amortization on intangible assets	18.1	8,427	10,478
	Ijarah rentals		51,604	34,338
	Computer running expenses		11,931	6,845
	Advertisement		1,404	1,478
			688,478	613,584
32.1	**Salaries and benefits**			
	Salaries and benefits		428,513	392,016
	Gratuity contribution		(4,349)	2,486
	Provident fund contribution		11,035	10,217
	Pension fund contribution		19	31
			435,218	404,750

		Note	2014 Amount	2013 Amount
			Rupees in thousand	
32.2	**Auditor's remuneration**			
	Audit fee		1,863	1,694
	Half yearly review		513	466
	Taxation and other advisory services		1,331	1,210
	Out of pocket expenses		180	166
			3,887	3,536
33	**Other operating expenses**			
	Donations	33.1	64,780	29,104
	Workers' profit participation fund		50,725	40,140
	Workers' welfare fund		19,276	15,253
	Provision for doubtful debts		9,158	70,360
			143,939	154,857

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

		Note	2014 Amount	2013 Amount
34	**Other income**			
	Income from financial assets			
	Dividend income		5,376	–
	Profit on sales of shares		21,503	–
	Share of profit from associated company	19	54,386	14,624
	Interest from associated companies		–	699
			81,265	15,323
	Income from non-financial assets			
	Profit / (Loss) on disposal of property, plant and equipment		(4,949)	2,193
	Scrap sales and others		32,286	40,175
	Rental income		8,859	738
			36,196	43,106
			117,461	58,429
35	**Finance cost**			
	Interest / markup on:			
	- Short term borrowings		200,576	222,390
	- Long term financing		93,795	52,294
	Bank commission, fees and charges		37,210	31,035
	Finance charge on leased assets		–	610
			331,581	306,329
36	**Taxation**			
	Current tax		122,436	114,889
	Deferred tax		48,760	13,191
			171,196	128,080

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		2014 Amount	2013 Amount
		Rupees in thousand	
36.1	**Numerical reconciliation of tax charge for the year**		
	Profit before taxation	944,448	747,405
	Applicable tax rate 33% (2013: 34%)	311,668	254,118
	Tax effect of amounts that are:		
	Inadmissible expenses	10,882	9,062
	Tax effect of dividend	3,159	–
	Admissible expenses	(23,952)	8,868
	Exempt income	(41,587)	(26,065)
	Presumptive tax regime	(28,164)	(20,606)
	Minimum tax credit / tax credit	(60,810)	(97,297)
		(140,472)	(126,038)
		171,196	128,080
	Average effective tax rate charged to profit and loss account	18.13%	17.14%
37	**Earnings per share - basic and diluted**		
37.1	**Basic earnings per share**		
	Profit after tax	773,252	619,325
	Weighted average number of ordinary shares outstanding during the year	12,028,789	12,028,789
	Basic earnings per share (Rupees)	64.28	51.49

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 financial statements are as follows:

Particulars	2014 Directors	2014 Chief executive	2014 Executives	2013 Directors	2013 Chief executive	2013 Executives
	Rupees in thousand					
Managerial remuneration	48,373	13,042	128,066	40,300	10,833	98,817
Utilities	19,349	5,217	86,890	16,120	4,333	62,395
Retirement and other benefits	28,569	14,355	27,968	23,048	11,582	27,290
Total	96,291	32,614	242,924	79,468	26,748	188,502
No. of persons	4	1	125	4	1	100

Meeting fee of Rs. 1,280,000 (2013: Rs. 960,000) was paid to non-executive directors. The chief executive, executive directors and some of the executives of the Company are provided with Company maintained vehicles in accordance with Company's policy.

	Note	2014 Amount	2013 Amount
		Rupees in thousand	
39 Cash generated from operations			
Profit before taxation		944,448	747,405
Adjustments for non-cash charges and other items:			
Depreciation	17.1.1	233,039	198,735
Amortization	18.1	8,427	10,478
Gratuity provision	12.2.3	17,192	15,066
Finance cost	35	331,581	306,329
Provision for slow moving and obsolete items		13,811	36,500
Provision for workers' profit participation fund		50,725	40,140
Provision for workers' welfare fund		19,276	15,253
Provision for doubtful debts		9,158	70,360
Ijarah rentals		51,604	34,338
Share of profit from Speed (Private) Limited	19	(54,386)	(14,624)
Loss / (Profit) on sale of property, plant and equipment		4,949	(2,193)
		685,376	710,382
Operating profit before working capital changes		1,629,824	1,457,787
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		6,931	(14,209)
Stock in trade		(294,990)	(223,403)
Trade debts		(407,551)	(69,942)
Loans and advances		86,358	(10,676)
Trade deposits and prepayments		(296)	(1,905)
Tax refunds, due from / to government		(138,183)	58,029
Other receivables		(12,990)	8,416
		(760,721)	(253,690)
Increase / (decrease) in current liabilities			
Trade and other payables		143,098	442,226
Cash generated from operations		1,012,201	1,646,324

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

(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:

	2014 Amount	2013 Amount
	Rupees in thousand	
Long term loans	6,722	5,106
Long term deposits	51,191	29,837
Trade debts	1,714,262	1,316,119
Loans and advances	8,037	3,775
Trade deposits	9,670	8,321
Other receivables	19,379	6,389
Bank balances	14,774	23,200
	1,824,035	1,392,747

- 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:

	2014 Amount	2013 Amount
	Rupees in thousand	
Foreign parties	567,629	315,958
Local parties	1,146,633	1,000,160
	1,714,262	1,316,118

The aging of trade receivable at the reporting date is:

	2014			2013		
	Gross debtors	**Provision**	**Net debtors**	Gross debtors	Provision	Net debtors
	Rupees in thousand					
Past due 0 - 30 days	909,407	–	909,407	732,520	–	732,520
Past due 31 - 60 days	436,851	–	436,851	335,571	–	335,571
Past due 61 - 90 days	83,422	–	83,422	56,746	–	56,746
Past due 91 - 120 days	56,977	–	56,977	47,287	–	47,287
Past due 121 - 150 days	17,066	–	17,066	22,063	–	22,063
Past due 151 - 365 days	132,748	–	132,748	50,184	–	50,184
Past due 365 & above	77,791	71,399	6,392	71,748	71,648	100
	1,714,262	71,399	1,642,863	1,316,119	71,648	1,244,471

(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 counter party default rate:

	Short term	Rating Long term	Rating agency	**2014 Amount**	2013 Amount
				Rupees in thousand	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	(1,370)	276
Bank Alfalah Limited	A1+	AA	PACRA	2,971	–
Bank Al Habib Limited	A1+	AA+	PACRA	89	122
Faysal Bank Limited	A1+	AA	PACRA	4,034	1,209
Habib Bank Limited	A-1+	AAA	PACRA	383	1,951
MCB Bank Limited	A1+	AAA	PACRA	13	13
NIB Bank Limited	A1+	AA-	PACRA	1,471	588
Samba Bank Limited	A-1	AA-	JCR-VIS	42	439
Soneri Bank Limited	A1+	AA-	PACRA	16	699
Stand Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	155	156
United Bank Limited	A-1+	AA+	JCR-VIS	5,478	11,254
Meezan Bank Limited	A-1+	AA	JCR-VIS	1,491	6,493
Total				14,773	23,200

(ii) Liquidity risk

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

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

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

	Carrying amount	**Contractual cash flow**	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
			Rupees in thousand		
December 31, 2014					
Long term financing	1,132,680	1,132,680	174,365	910,405	47,910
Long term deposits	3,665	3,665	–	3,665	–
Trade and other payables	1,988,955	1,988,955	1,988,955	–	–
Interest and markup accrued	87,888	87,900	87,900	–	–
Short term borrowings	2,105,352	2,105,352	2,105,352	–	–
	5,318,540	5,318,552	4,356,572	914,070	47,910

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
	Rupees in thousand				
December 31, 2013					
Long term financing	628,378	628,378	114,013	466,455	47,910
Long term deposits	3,655	3,655	–	3,655	–
Trade and other payables	1,880,792	1,880,792	1,880,792	–	–
Interest and markup accrued	51,125	51,200	51,200	–	–
Short term borrowings	1,514,289	1,514,289	1,514,289	–	–
	4,078,239	4,078,314	3,560,294	470,110	47,910

		2014 Amount	2013 Amount
		Rupees in thousand	
(a)	**Financial instruments by categories**		
	Assets as per balance sheet		
	Long term loans	6,722	5,106
	Long term deposits	51,191	29,837
	Trade debts	1,714,262	1,316,119
	Loans and advances	8,037	3,775
	Trade deposits	9,670	8,321
	Other receivables	19,379	6,389
	Cash and bank balances	18,442	24,406
		1,827,703	1,393,953
	Liabilities as per balance sheet		
	Long term financing	1,132,680	628,378
	Liabilities against assets subject to finance lease	–	–
	Long term deposits	3,665	3,655
	Interest and markup accrued	87,888	51,125
	Short term borrowings	2,105,352	1,514,289
	Trade and other payables	1,988,955	1,880,792
		5,318,540	4,078,239

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

(iii) Market risk

Market risk is the risk that changes 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 to foreign entities. The company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk is as follows:

		Debtors	Cash and bank balances	Gross financial assets exposure	Trade and other payables	Net exposure
		Rupees in thousand				
USD in ('000)	**2014**	2,156	–	2,156	1,817	339
USD in ('000)	2013	526	–	526	2,703	(2,177)
EURO in ('000)	**2014**	2,860	25	2,885	270	2,615
EURO in ('000)	2013	1,823	39	1,862	303	1,559

Significant exchange rates

	Rupees per			
	US Dollar		Euro	
	Average	Reporting date	Average	Reporting date
2014	101	100.65	134.3	122.13
2013	97.61	105.3	129.68	144.63

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.

	2014 Amount	2013 Amount
	Rupees in thousand	
Effect on profit and loss		
US Dollar	3,415	(22,929)
Euro	31,936	22,544
	35,351	(385)

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

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

(b) Other price risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

(c) **Interest rate risk**

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

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

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

	2014	2013	**2014**	2013
	Effective interest rate %		**Carrying amount %**	
	Rupees in thousand			
Fixed rate instruments				
Financial liabilities				
Long term financing	10 to 10.7	10 to 12.20	103,155	163,481
Floating rate instruments				
Financial liabilities				
Long term financing	10.50 to 10.64	9.42 to 10.54	1,029,525	464,897
Short term borrowings:				
Cash credit	10.41 to 11.12	9.91 to 10.81	84,297	165,600
Export refinance	7 to 9	8.90 to 9.42	2,021,055	1,348,689
			2,105,352	1,514,289
			3,238,032	2,142,677

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 2013.

	Interest rate 100 bps	
	Decrease in profit	**Increase in profit**
	Rupees in thousand	
As at December 31, 2014		
Cash credit	843	843
Export refinance	20,211	20,211
	21,054	21,054
As at December 31, 2013		
Cash credit	1,656	1,656
Export refinance	13,487	13,487
	15,143	15,143

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

40.2 Capital risk management

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

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Long term debt represents long term financing as referred in Note 10. 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	**2014 Amount**	2013 Amount
		Rupees in thousand	
The gearing ratio as at year ended December 31:			
Long term debt	10	958,315	514,365
Equity	8 & 9	2,963,949	2,447,086
Total capital employed		3,922,264	2,961,451
Gearing ratio		24.43%	17.37%

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**	**2014 Closing balance Debit**	**2014 Closing balance Credit**	2013 Closing balance Debit	2013 Closing balance Credit
				Rupees in thousand			
Speed (Private) Limited	Associated Company	Investment	–	204,279	–	177,032	–
		Interest	–	–	–	–	–
Shahid Arif Investment (Private) Limited	Associated Company	Sales	–	–	–	–	–
		Interest	–	–	–	–	–
SBL Trading (Private) Limited	Associated Company	Sales	–	–	–	–	–
		Interest	–	–	–	–	–
SAB Polyment Industries (Private) Limited	Associated Company	Sales	–	–	–	15,289	–
		Interest	–	–	–	699	–
Service Provident Fund Trust	Provident fund	Contribution	85,795	–	22,361	–	19,036
Service Industries Pension Fund Trust	Pension fund	Contribution	108	–	2	–	(16)
Service Industries Limited Employees Gratuity Fund	Gratuity fund	Contribution	17,192	–	60,759	–	39,742

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

42 Plant capacity

Footwear division

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

Tyre division

	Installed capacity		Actual production	
	2014	2013	**2014**	2013
	Rupees in thousand			
Number of tyres	12,363,104	11,132,680	7,757,151	7,006,603
Number of tubes	26,969,280	23,116,080	21,726,879	19,327,060

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

	Un-audited 2014 Amount	Audited 2013 Amount
	Rupees in thousand	
43 Provident fund related disclosures		
Size of the fund - Total assets	1,466,278	1,140,533
Cost of investments	910,000	709,000
Fair value of investments	1,356,900	1,038,737
Percentage of investments made	92.54%	91.07%

43.1 The break-up of investments is as follows:

	2014		**2014**	
	Cost of Investment		**Fair Value of Investment**	
	Percentage	**Rupees in thousand**	**Percentage**	**Rupees in thousand**
Fixed income SMA / TDR	55%	501,400	38%	521,400
PIBs / Treasury	8%	70,000	7%	90,500
Mutual funds	21%	193,600	15%	201,000
Listed securities	16%	145,000	40%	544,000
	100%	910,000	100%	1,356,900

	2013		2013	
	Cost of Investment		Fair Value of Investment	
	Percentage	Rupees in thousand	Percentage	Rupees in thousand
Fixed income SMA / TDR	49%	349,000	35%	365,306
PIBs / Treasury	10%	70,000	8%	87,112
Mutual funds	26%	186,000	31%	321,960
Listed securities	15%	104,000	26%	264,359
	100%	709,000	100%	1,038,737

43.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the companies Ordinance, 1984 and the rules formulated for this purpose. The break-up of investments for 2014 is based on unaudited accounts.

	2014	2013
44 Number of employees		
Number of employees as on December 31	9,039	8,668
Average number of employees during the year	8,854	8,525

45 Segment reporting

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

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

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

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

- Footwear
- Tyre and tube
- Technical rubber products

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

Segment analysis for the year ended December 31, 2014.

	Footwear		Tyre division		Technical rubber products		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	Rupees in thousand							
External sales	9,208,248	8,109,446	7,251,517	6,566,508	35,358	9,684	16,495,123	14,685,638
Inter - segment sales	-	-	-	-	-	-	-	-
Total revenue	9,208,248	8,109,446	7,251,517	6,566,508	35,358	9,684	16,495,123	14,685,638
Profit / (loss) before tax and unallocated expenses	754,181	575,370	968,390	1,006,093	14,635	(83,463)	1,737,206	1,498,000
Unallocated corporate expenses:								
Finance cost							(298,468)	(278,572)
Other operating expenses							(586,745)	(491,497)
Other operating income							92,455	19,474
Taxation							(171,196)	(128,080)
Profit after taxation							773,252	619,325
Total assets for reportable segments	3,908,524	3,208,382	3,346,660	2,261,478	39,329	63,807	7,294,513	5,533,667
Unallocated assets							1,571,571	1,458,062
Total assets as per balance sheet							8,866,084	6,991,729
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							5,902,135	4,544,643
Total Liabilities as per balance sheet							5,902,135	4,544,643
Segment capital expenditure	121,336	83,919	916,128	462,432	-	-	1,037,464	546,351
Unallocated capital expenditure	-	-	-	-	-	-	6,274	3,804
Consolidated capital expenditure							1,043,738	550,155
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(7,545)	(69,620)	(6,266)	(9,106)	-	(22,014)	(13,811)	(100,740)
Depreciation and amortization expense other than software programs								
Depreciation and amortization	83,097	104,260	141,745	85,009	1,980	2,325	226,822	191,594
Unallocated depreciation and amortization	-	-	-	-	-	-	6,217	7,141
Consolidated depreciation and amortization							233,039	198,735

		2014 Amount	2013 Amount
		Rupees in thousand	
45.1	**Reconciliation of segment profit**		
	Total profit for reportable segments	1,737,206	1,498,000
	Unallocated expenses	(792,758)	(750,595)
	Profit before tax	944,448	747,405

46 Authorization date

These financial statements were authorised for issue by the Board of Directors on March 27, 2015.

47 Events after the balance sheet date

The Board of Directors in its meeting held on March 27, 2015 has proposed a final cash dividend of Rs. 15 per share (2013: Rs. 10 per share) for approval of the members at the annual general meeting to be held on April 29, 2015. The Board has also recommended to transfer Rs. Nil (2013: Nil) to general reserve from unappropriated profit.

48 General

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

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

PATTERN OF SHAREHOLDING

As at December 31, 2014

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Share Held
575	1	100	21,161
345	101	500	96,272
201	501	1000	147,028
135	1001	5000	306,865
22	5001	10000	156,914
9	10001	15000	111,578
3	15001	20000	57,000
4	20001	25000	92,316
3	25001	30000	82,600
2	35001	40000	72,396
3	40001	45000	123,599
2	45001	50000	94,509
1	60001	65000	64,900
1	70001	75000	72,017
1	80001	85000	82,482
1	85001	90000	88,140
1	90001	95000	94,937
1	100001	105000	104,048
1	130001	135000	132,600
1	150001	155000	153,773
1	225001	230000	226,250
1	475001	480000	477,218
1	490001	495000	493,507
1	610001	615000	610,460
1	755001	760000	758,015
1	795001	800000	800,226
1	840001	845000	842,126
2	995001	1000000	1,995,441
1	1660001	1665000	1,660,475
1	2005001	2010000	2,009,936
1,323			12,028,789

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	8	5,379,616	44.7228
Associated Companies, Undertakings and Related Parties	3	580,138	4.8229
NIT and ICP	1	900	0.0075
Banks, Development Financial Institutions, Non Banking Financial Institutions	22	895,332	7.4432
Insurance Companies	2	8,554	0.0711
Modarbas and Mutual Funds	11	2,217,365	18.4338
General Public			
a. Local	1,254	2,743,401	22.8070
b. Foreign	-	-	-
Others	22	203,483	1.6916
TOTAL	1,323	12,028,789	100.0000
Shareholders holding 10% or more	2	3,670,411	30.5136

PATTERN OF SHAREHOLDING

As at December 31, 2014

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares Held	Percentage
Associated Companies, undertakings and related parties		
SHAHID ARIF INVESTMENTS (PRIVATE) LIMITED	10,144	0.0843
TRUSTEE - SERVICE PROVIDENT FUND TRUST	558,407	4.6423
TRUSTEE - SERVICE CHARITABLE TRUST	11,587	0.0963
Mutual Funds		
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SU	1,750	0.0145
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1,200	0.0100
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY	9,300	0.0773
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY	25,250	0.2099
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,660,475	13.8042
CDC - TRUSTEE ABL STOCK FUND	29,850	0.2482
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	88,140	0.7327
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	41,350	0.3438
CDC - TRUSTEE AKD INDEX TRACKER FUND	1,200	0.0100
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	132,600	1.1024
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	226,250	1.8809
Directors and their spouses and minor children		
MR. OMAR SAEED	995,896	8.2793
CHAUDHARY AHMED JAVED	2,009,936	16.7094
MR. HASSAN JAVED	758,015	6.3017
Mr. M. IJAZ BUTT	40,069	0.3331
MR. ARIF SAEED	999,545	8.3096
MR. RIAZ AHMED	4,000	0.0333
MRS. NAJMA BUTT W/O MR M.IJAZ BUTT	477,218	3.9673
MRS. FATIMA SAEED W/O MR ARIF SAEED	94,937	0.7892
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	903,886	7.5144
Shareholders holding five percent or more voting rights		
CH. AHMED SAEED	610,460	5.0750
MR. ARIF SAEED	999,545	8.3096
MR. OMAR SAEED	995,896	8.2793
CHAUDHARY AHMED JAVED	2,009,936	16.7094
MRS. SHAHIDA NAEEM	800,226	6.6526
MR. HASSAN JAVED	758,015	6.3017
NATIONAL BANK OF PAKISTAN	842,126	7.0009
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,660,475	13.8042

NOTES

FORM OF PROXY

58th Annual General Meeting

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

I/We____of _______________ __________________
_______________________________being a member(s) of Service Industries Limited and holder of__________________
ordinary Shares hereby appoint Mr. / Mrs. / Miss _______________________________ of __________________________
or failing him / her ________________________ of ________________ as my/our proxy in my / our absence to attend and vote for me / us on my / our behalf at the 58th Annual General Meeting of the Company to be held on April 29, 2015 and / or at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _____________ day of ________________ 2015 in the presence of ________________

Signed this __________________________ day of __________________________ 2015

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five-Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company.

Important:

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities

   In addition to the above the following requirements have to be met:

- Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Service Industries Limited
Servis House 2- Main Gulberg,
Lahore-54662, Pakistan.
Tel: +92-42-35751990-96
Fax: +92-42-35711827,35710593

SERVISGROUP.COM

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