

Annual Report 2015

pursuing excellence..



Servis

Service Industries Limited

Financial Highlights 2015

increased by
Sales 6.36%
Rs. 17.54 billion (2014: Rs. 16.49 billion)

increased by
Profit 22.32%
Rs. 945.85 million
(2014: Rs. 773.25 million)

Fixed Assets
Rs. 3,383 million
(2014: Rs. 2,985 million)

Earnings Per Share
Rs. **78.63**
(2014: Rs. 64.28)

increased by
Equity 21.56%
Rs. 3,603 million (2014: Rs. 2,964 million)

increased by
21.56%
Breakup Value
per share Rs. 299.54
(2014: Rs. 246.40)

Dividend
375%
(2014: 250%)



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Our History

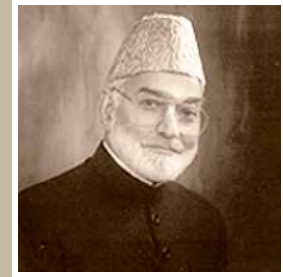
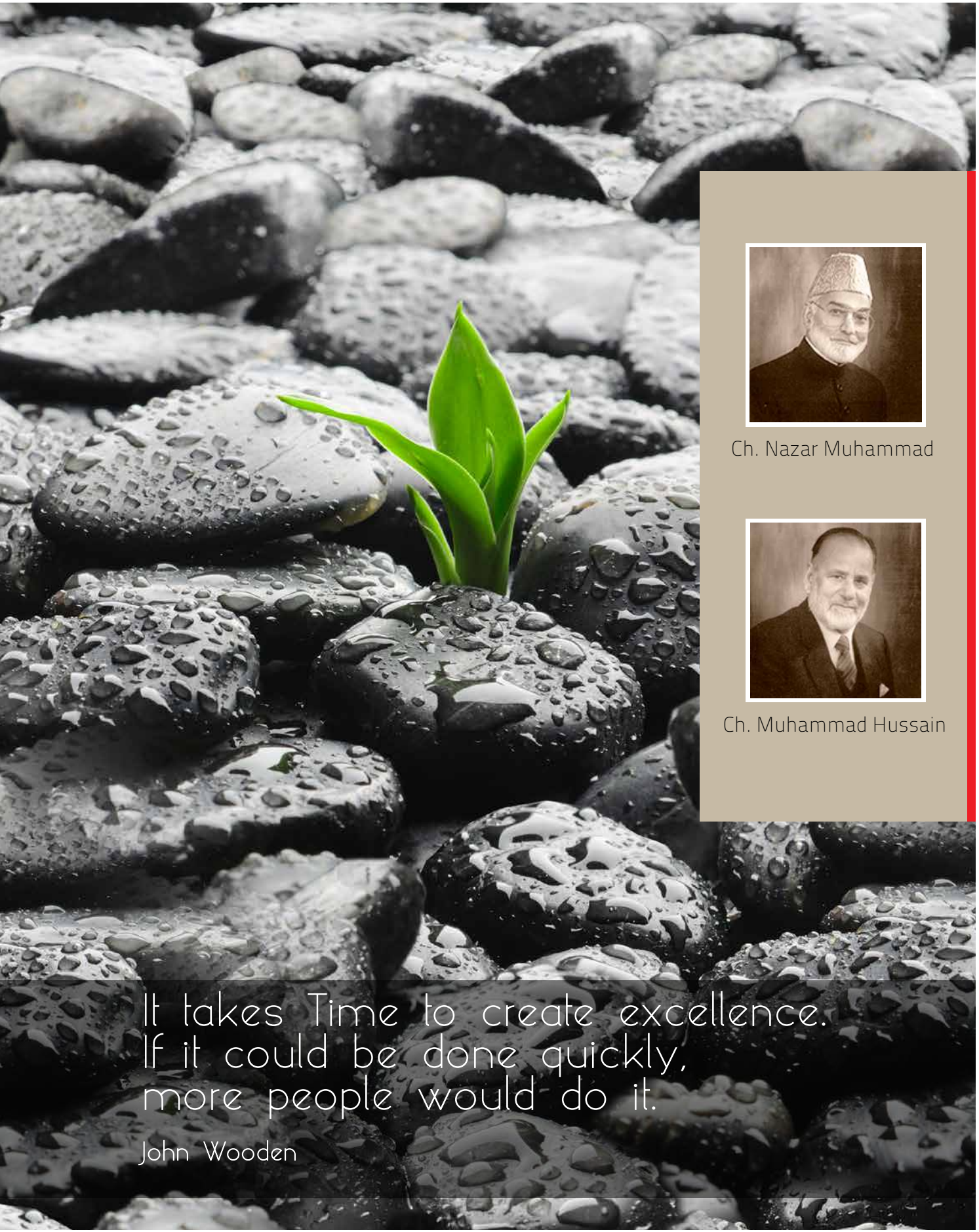
The story of the 'Servis' begins with a group of friends - young, energetic, fresh from college-who established Service Industries in 1953, the Company went public in 1959.

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.



Ch. Nazar Muhammad



Ch. Muhammad Hussain

It takes Time to create excellence.
If it could be done quickly,
more people would do it.

John Wooden

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

Standard Chartered Bank

(Pakistan) Limited

Bank Alfalah Limited

Meezan Bank Limited

Askari Bank Limited

Dubai Islamic Bank

(Pakistan) 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

Pakistan Stock Exchange Limited

Stock Exchange Symbol SRVI

Factories

G.T. Road, Gujrat.

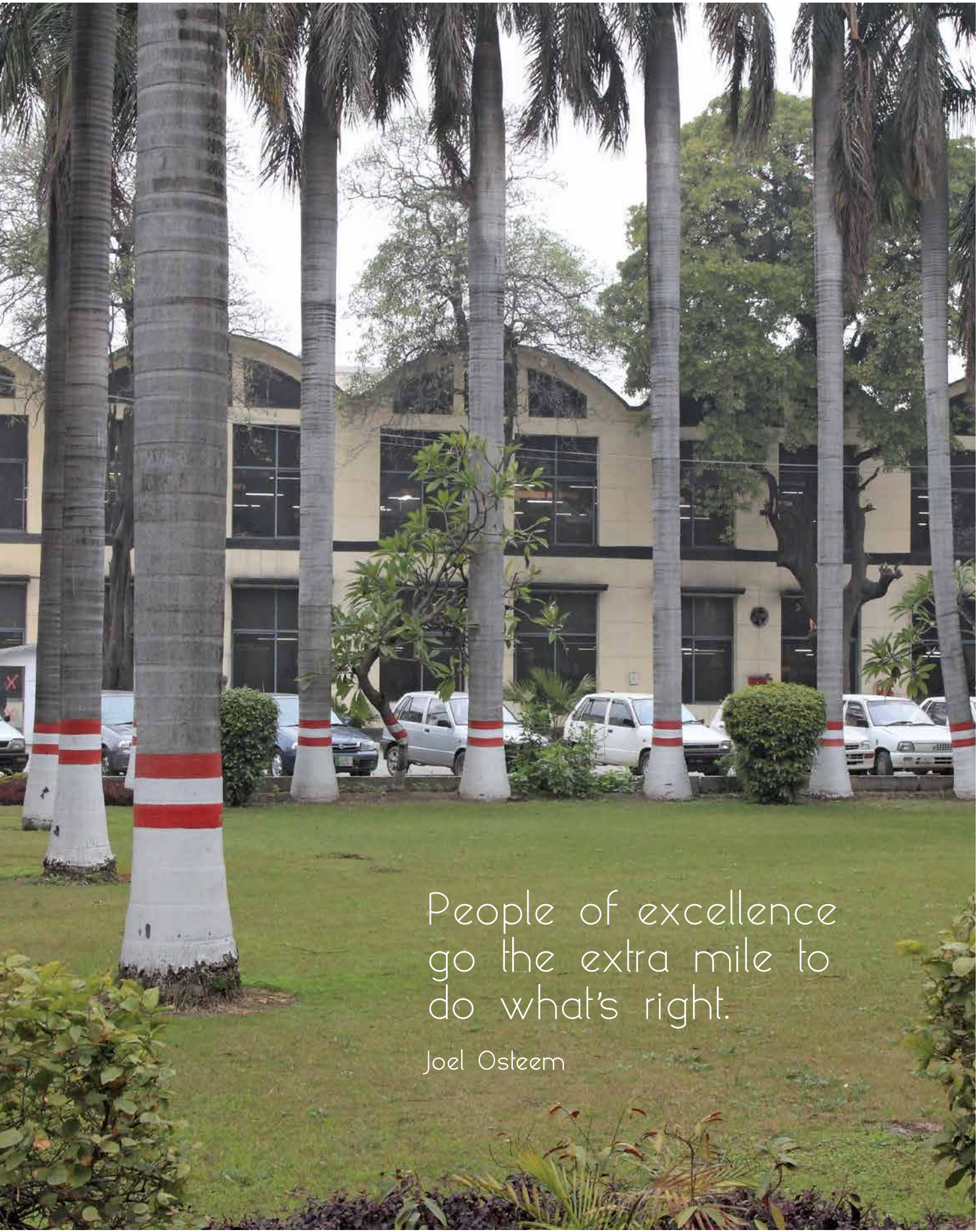
Muridke-Sheikhupura Road,

Muridke.



* Resigned on March 15, 2016

** Resigned w.e.f. March 09, 2016



People of excellence
go the extra mile to
do what's right.

Joel Osteen

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, Muhammad 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 25,458 patients were treated in the year 2015 in this hospital which offers free surgical care to the patients residing in Gandhra and its neighboring villages.

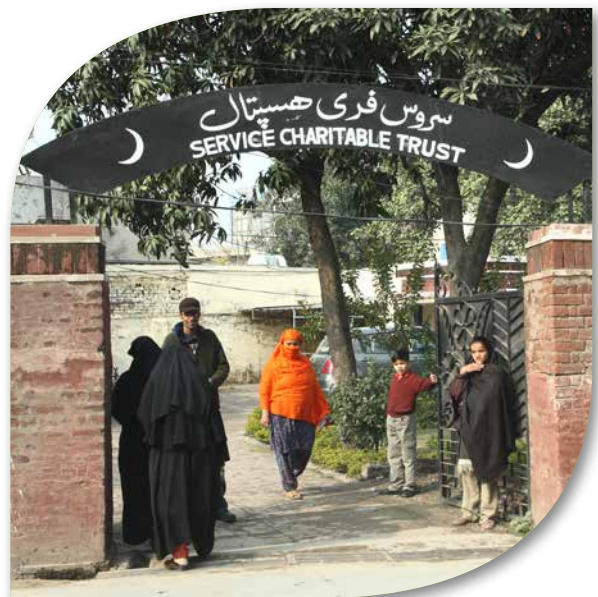


b) Service Free dispensary

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 37,527 patients received free medication and consultation in the year 2015 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 230 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 377 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 Muhammad and Chaudhry Muhammad 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 2015 a donation of PKR 27.8 m was made by Service Industries Limited to this medical facility.

Service Industries Limited also donates PKR 14.9 m to other organizations, entities and NGOs, like;

- Servis Charitable Trust;
- Progressive Education Network;
- Foreman Christian College;
- Pakistan Society for the Rehabilitation of the Disabled – PSRD
- Care Foundation

b) PEN- Progressive Education Network

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

Other Areas

a) Industrial Relations

The personal productivity of our employees is the key asset to our organization. With a family of more than 9800 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 2015 the company contributed PKR 958 million towards national exchequer on account of taxes, duties and levies.

Notice of Annual General Meeting

Notice is hereby given that the 59th Annual General Meeting of Service Industries Limited will be held on Monday the April 25, 2016 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, 2015, together with the Directors' and Auditors' Reports thereon.
2. To approve the final cash dividend of Rs. 25 per share i.e. 250% as recommended by the Board of Directors in addition to the interim cash dividend of Rs. 12.50 per share i.e. 125% already paid to the shareholders of the Company making a total cash dividend of Rs. 37.50 per share i.e. 375% for the year ended December 31, 2015.
3. To appoint Auditors and to fix their remuneration.

Special Business:

4. To consider and if thought fit, to pass the following resolution as special resolution with or without modification under Section 208 of the Companies Ordinance 1984 as recommended by the Board of Directors of the Company:

"Resolved that pursuant to the requirement of Section 208 of the Companies Ordinance, 1984, the approval of the members be and is hereby accorded for long term equity investment of up to Rs. 50 million in the S2 Hydro Limited, an associated company, for subscribing at par, fully paid 5,000,000 ordinary shares of Rs. 10 each, as per terms and conditions disclosed to the members.

Further resolved that the above said special resolution shall be valid for three (3) years from the date it is passed and Mr. Omar Saeed, Chief Executive or Mr. Arif Saeed or Mr. Hassan Javed Directors of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary to give effect to the above

resolution and to do or cause to be done all acts, deeds and things, filing of all necessary documents and to sign and execute documents that may be considered necessary or necessary for the purpose of implementing this resolution.

Further resolved that subsequent to the above said equity investment, Mr. Omar Saeed, Chief Executive or Mr. Arif Saeed or Mr. Hassan Javed Directors of the Company be and are hereby authorized singly to dispose of, through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company."

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special business is annexed herewith.

By Order of the Board

Lahore
April 01, 2016

Waheed Ashraf
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 19, 2016 to April 25, 2016 (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 18, 2016 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 elective 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 831(I) / 2012 dated July 05, 2012 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, 2015 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 | 12.50% |
| (b) For non-filers of income tax returns | 17.50% |

To enable the Company to make tax deduction on the amount of cash dividend @12.50% instead of 17.50% 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 @17.50% instead of 12.50%.

In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may be notified to the Company in writing. The joint-holders are, therefore, requested to submit their shareholdings otherwise each joint holder shall be presumed to have an equal number of shares.

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.



Notice of Annual General Meeting

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. Pursuant to Notification vide SRO 787 (1)/2014 dated September 08, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving Annual Financial Statements and Notice of Annual General Meeting (Notice) through electronic mail system (e-mail). The Company is pleased to offer this facility to our valued members who desire to receive Annual Financial Statements and Notices through email in future. In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the website of the Company www.servisgroup.com. Please ensure that your email account has sufficient rights and space available to receive such email. Further, it is the responsibility of the member(s) to timely update the Company / Share Registrar of any change in his (her/its/their) registered email address.
9. The financial statements of the Company for the year ended December 31, 2015 along with reports have been placed at the website of the Company www.servisgroup.com.
10. Members are advised to immediately notify the change in their addresses, if any to our Shares Registrar.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984, CONCERNING THE SPECIAL BUSINESS:

This statement sets out the material facts concerning the Special Business to be transacted at

the Annual General Meeting of the Company to be held on April 25, 2016.

Punjab with population of 93 million is the largest province of Pakistan and contributes 60% of the GDP. It has a large industrial base with more than 48,000 units. There is a growing un-met demand of energy which offers an opportunity for investments in power generation projects based on Coal, Hydro, Biomass and Solar. Power generation companies are allowed to import plants and equipment @ 0% duty, with exemption on sales tax. Other incentives include income tax exemption for life, full repatriation of profit plus investment and minimum guaranteed 17% USD based Return on Equity.

Keeping in view the current energy crisis in Pakistan and potential benefits in power sector, Government of Punjab has invited applications for investment in Coal and Hydro Power Projects located in Punjab. The Board of Directors has decided to make investment in the recently incorporated associated company namely S2 Hydro Limited for development of 20 MW Hydro based power plant project to be located at Mandi Baha Ud-din. In this regard, a Letter of Interest (LOI) from Punjab Power Development Board for conducting feasibility study of the project has already been received.

The cost of the proposed Project is estimated at USD 60 million, with an equity investment of 20% i.e., USD 12 Million. The balance Project Cost of USD 48 Million shall be funded by debt.

Approximately 17% USD-based Return on Equity ("ROE") shall be attained under the tariff which will be in addition to reimbursement of debt servicing costs, operations and maintenance costs and insurance cost etc.

For initial outlay required for the feasibility study and other development costs, the Board of Directors has recommended equity investment of up to Rs. 50 Million by way of purchase of 5,000,000 shares of Rs. 10 each of S2 Hydro Limited.

Information required to be disclosed to the members under S.R.O No. 27 (I)/2012 dated January 16, 2012 Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2012, is as follows:

Ref. No.	Requirement	Information
i	Name of associated company	S2 Hydro Limited
	Criteria of associated relationship	Common directorship
ii	Purpose	To participate in power generation project
	Benefits	To earn return on equity through dividend income from investment in associated company and capital appreciation.
	Period of investment	long term investment
iii	Maximum amount of investment	Rs. 50 million (Rupees Fifty million only)
iv	Maximum price at which securities will be acquired	Par value i.e. Rs. 10/- per share.
v	Maximum number of securities to be acquired	5,000,000 Ordinary Shares of Rs. 10 each
vi	Shareholding before investment	Nil
	Shareholding after investment	5,000,000 Ordinary Shares (50%)
vii	Requirement in case of investment in listed securities	Not Applicable
viii	Requirement in case of investment in unlisted securities, fair market value of such securities	The current fair value of investment is assumed at PKR 10/- as the Hydro Power Project is in initial stage. The fair value of the investment will be applicable once the company commences its operations.
ix	Break-up value of securities intended to be acquired on the basis of latest audited financial statements	Rs. 10.00 per share. The company has been incorporated on 22nd February, 2016.
x	Earnings per share of the associated Company for the last three years	Not applicable.
xi	Sources of fund from which securities will be acquired	Own funds of the Company.
xii	Requirements if securities are intended to be acquired using borrowed funds	Not applicable.
xiii	Salient features of agreement(s) entered into with the associated Company	No such agreement.
xiv	Direct / Indirect interest of directors, sponsors, majority shareholders and their relatives, if any in the associated company or the transaction under consideration.	None of the directors, sponsors, majority shareholders and their relatives have any interest in the proposed acquisition, except to the extent of their shareholding in the associated Company.

Notice of Annual General Meeting

Ref. No.	Requirement	Information																		
		<p>Shares held by the Directors of Service Industries Limited in S2 Hydro Limited:</p> <table> <thead> <tr> <th></th> <th>No. of shares</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Mr. Omar Saeed</td> <td>500</td> <td>1%</td> </tr> <tr> <td>Mr. Hassan Javed</td> <td>500</td> <td>1%</td> </tr> </tbody> </table> <p>Shares held by the Directors of S2 Hydro Limited in Service Industries Limited:</p> <table> <thead> <tr> <th></th> <th>No. of shares</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Mr. Omar Saeed</td> <td>995,896</td> <td>8.28%</td> </tr> <tr> <td>Mr. Hassan Javed</td> <td>758,015</td> <td>6.30%</td> </tr> </tbody> </table>		No. of shares	Percentage	Mr. Omar Saeed	500	1%	Mr. Hassan Javed	500	1%		No. of shares	Percentage	Mr. Omar Saeed	995,896	8.28%	Mr. Hassan Javed	758,015	6.30%
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	No. of shares	Percentage																		
Mr. Omar Saeed	995,896	8.28%																		
Mr. Hassan Javed	758,015	6.30%																		
xv	Any other important detail	<p>The main object of the proposed Company is to set up 20 MW Hydel Power Plant in Punjab. Government of Punjab has announced the lucrative incentives for investment in power sector:</p> <ul style="list-style-type: none"> ▪ Tax exemptions for the life of the project; ▪ Guaranteed off-take of power generation; ▪ Government of Punjab Guarantees for payment of power off-take; ▪ Levelized tariff, which included financial costs (loan & interest) repayment to lenders; ▪ Determined upfront tariff is worked to aim 17% Return on Equity. 																		
xvi	Description of the project	As mentioned in point no. xv																		
	Starting and expected date of Completion	The work on the project will start soon after the financial close and is estimated to be completed within 36 months after the financial close.																		
	Commercial operations date	Within one year from the date of completion																		
	Expected time by which the project shall start paying return on investment	Within one year after Commercial Operation date.																		

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

Name of Investee Company	S2 Power Limited	Service Industries Capital (Private) Limited
Total Investment Approved	Long term equity investment up to Rs. 25 million for purchase of 2,500,000 shares was approved by the members in EOGM held on July 24, 2014 for the period of three (3) years.	Long term Equity investment up to Rs. 300 million for purchase of 30,000,000 shares was approved by the members in EOGM held on November 06, 2015 for the period of five (5) years.
Amount of Investment made to date	No investment has been made so far by the Company.	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 still in initial stages of approval. The Company has recently received Letter of Interest (LOI) form Punjab Power Development Board for conducting feasibility study for development of 220 MW Coal based power plant project to be located at Gujranwala in Punjab. The investment will be made as and when funds are required by the associated company. The resolution is valid for three (3) years.	The investment will be made as and when funds are required by the associated company. The resolution is valid for five (5) years.
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	There is no material change in the financial statement of the company since the date of passing of special resolution.	There is no material change in the financial statement of the company since the date of passing of special resolution.

Inspection:

All the documents related to the special business are being kept at the registered office of the Company for inspection during usual business hours till the date of the Annual General Meeting.

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 Power 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, Quaid-e-Azam Thermal Power (Pvt.) Limited and National Power Parks Management Company (Pvt.) Limited.



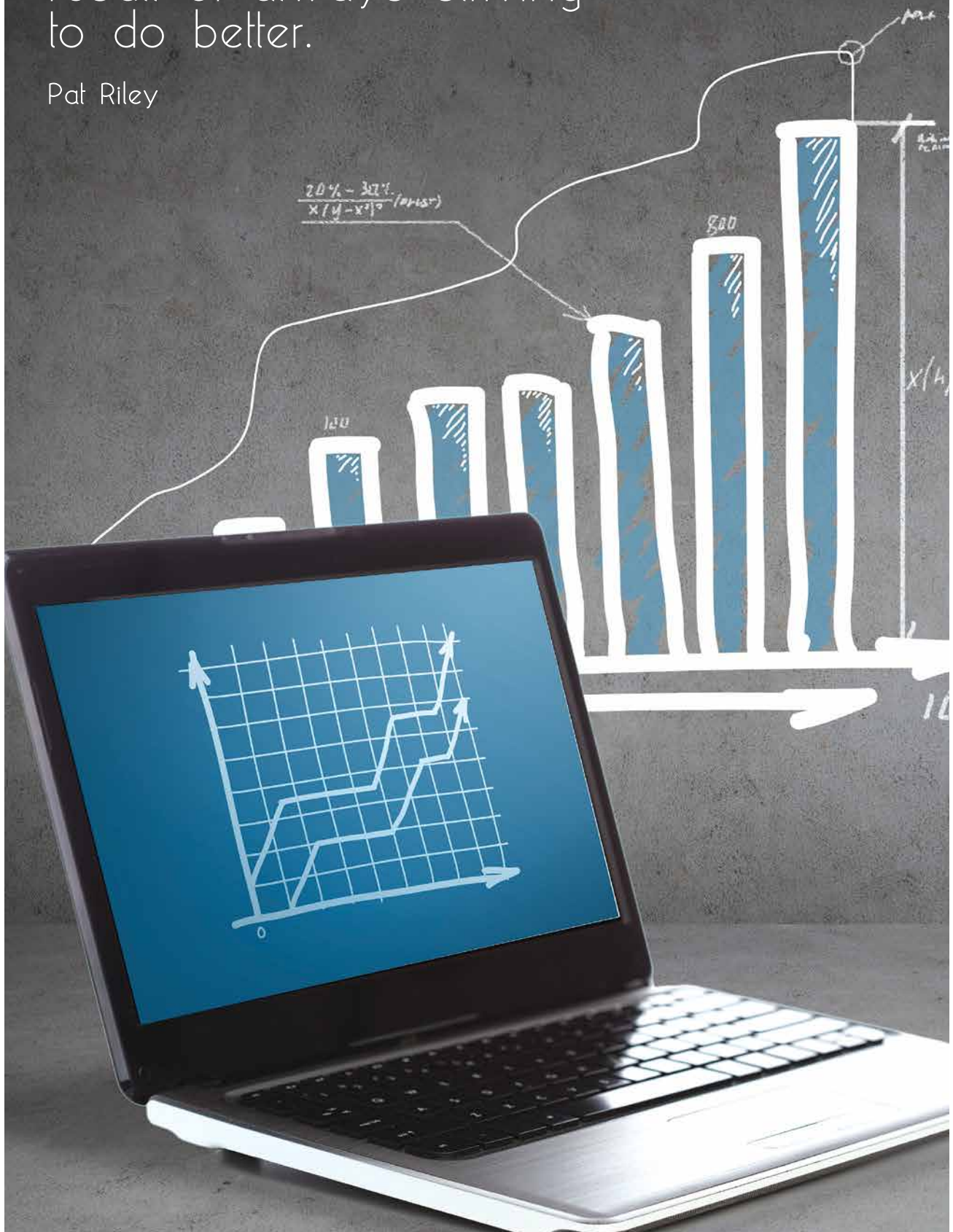
Mr. Hassan Javed

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.

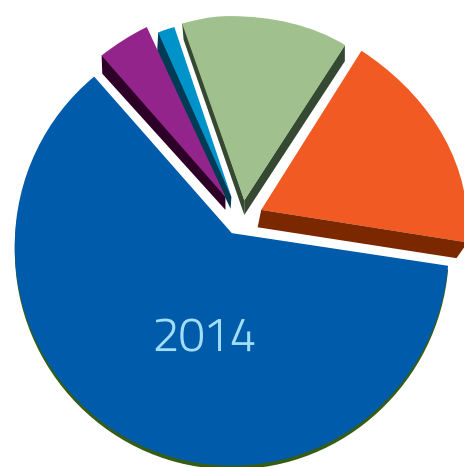
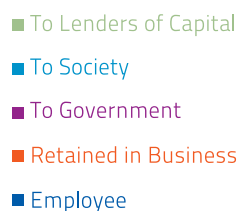
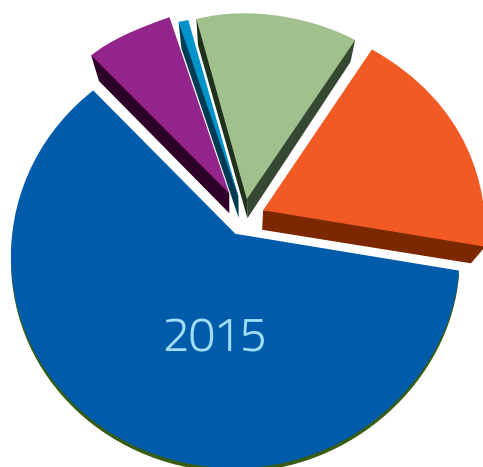
Excellence is the gradual result of always striving to do better.

Pat Riley



Statement of Value Addition and its Distribution

	2015		2014	
	Amount	Percentage	Amount	Percentage
Wealth Generated				
Sales	17,544,736		16,495,123	
Less: Purchased Materials and Services	(12,814,771)		(12,509,390)	
Other Income	246,158		117,461	
Wealth Created	4,976,123		4,103,194	
Wealth Distributed				
Employee Remuneration, Benefits and facilities	3,001,587	60.32	2,501,643	60.97
To Government				
Taxation	321,160	6.45	171,196	4.17
Workers Welfare Fund	25,857	0.52	19,276	0.47
To Society				
Donation	42,708	0.86	64,780	1.58
To Lenders of Capital				
Dividend	330,792	6.65	240,576	5.86
Finance Cost	316,416	6.36	331,581	8.08
Retained in Business				
Depreciation	315,910	6.35	233,039	5.68
Amortization	6,638	0.13	8,427	0.21
Retained Profit	615,055	12.36	532,676	12.98
	937,603	18.84	774,142	18.87
	4,976,123	100.00	4,103,194	100.00



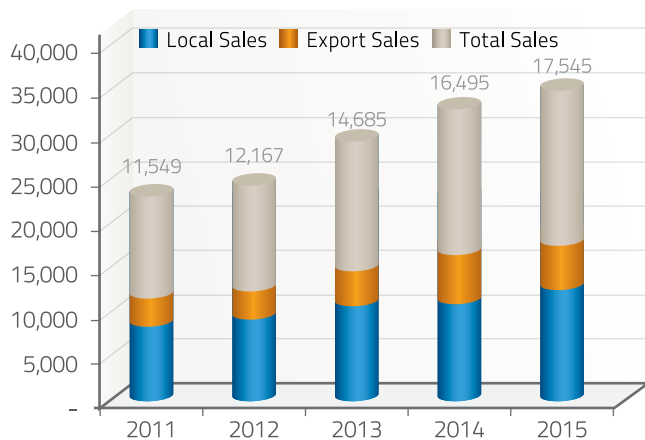
Six Years at a Glance

Description	YEARS					
	2015	2014	2013	2012	2011	2010
	(Rupees in million)					
Sales	17,545	16,495	14,686	12,167	11,549	9,421
Gross profit	3,016	2,712	2,367	1,546	1,569	1,293
Profit before tax	1,267	944	747	192	535	488
Profit after tax	946	773	619	127	433	328
Share capital	120	120	120	120	120	120
Share holder's equity	3,603	2,964	2,447	2,020	2,013	1,700
Property, plant & equipment	3,383	2,985	1,901	1,649	1,612	1,425
Total assets	10,243	8,866	6,992	6,422	5,639	4,543
Net current assets	1,061	998	1,093	974	827	727
Market Value Per Share (Rs.)	850	975	545	167	195	240
Dividend (%)						
Cash - Interim	125	100	75	-	25	-
Cash - Final	250	150	100	75	100	75
Profitability (%)						
Gross Profit	17.19	16.44	16.12	12.71	13.59	13.72
Profit Before Tax	7.22	5.73	5.09	1.58	4.63	5.18
Profit After Tax	5.39	4.69	4.21	1.05	3.75	3.48
Return to Shareholders						
R.O.E -Before Tax (%)	35.16	31.86	30.54	9.53	26.56	28.71
R.O.E -After Tax (%)	26.25	26.09	25.31	6.30	21.53	19.30
E.P.S-After Tax (Rs.)	78.63	64.28	51.49	10.59	36.03	27.28
Price Earning Ratio	10.81	15.16	10.58	15.78	5.41	8.80
Activity (Times)						
Sales To Total Assets	1.71	1.86	2.10	1.89	2.05	2.07
Sales To Fixed Assets	5.19	5.53	7.72	7.38	7.16	6.61
Inventory Turnover Ratio	5.24	5.35	5.27	4.98	5.81	6.04
Interest Coverage Ratio	5.00	3.85	3.44	1.60	3.25	3.75
Liquidity/Leverage						
Current Ratio	1.20	1.22	1.29	1.26	1.26	1.31
Break-up Value per Share	299.54	246.40	203.44	167.34	167.34	141.30
Total Liabilities To Equity	1.84	1.99	1.86	2.18	1.80	1.67
Debt Equity Ratio	23:77	27:73	20:80	19:81	14:86	16:84

Graphical Presentation

Sales

(Rupees in million)



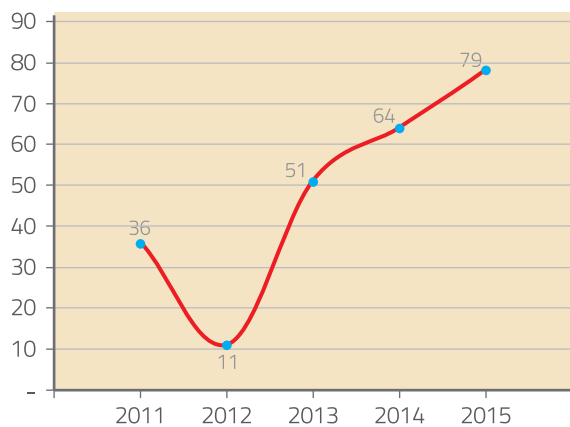
Shareholders Equity

(Rupees in million)



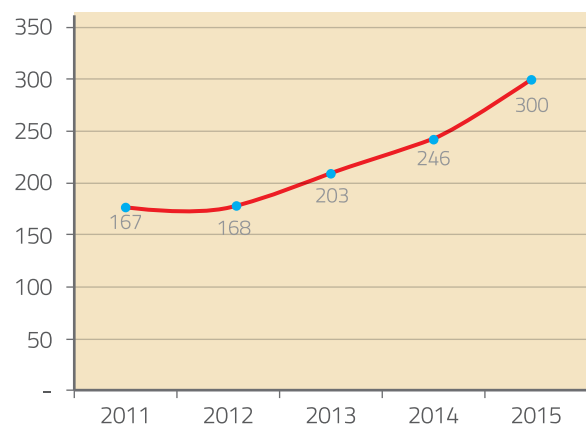
Earnings Per Share

(in Rupees)



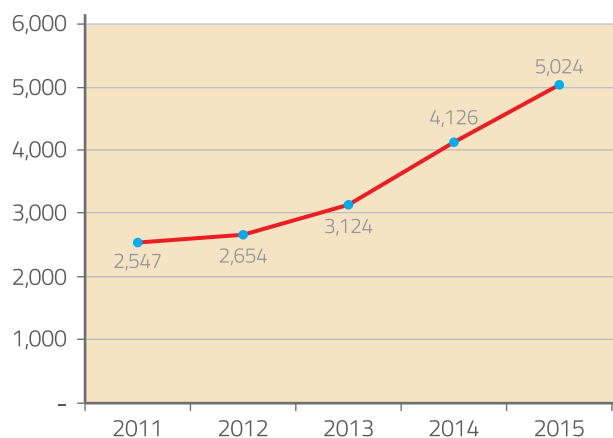
Breakup Value per Share

(in Rupees)



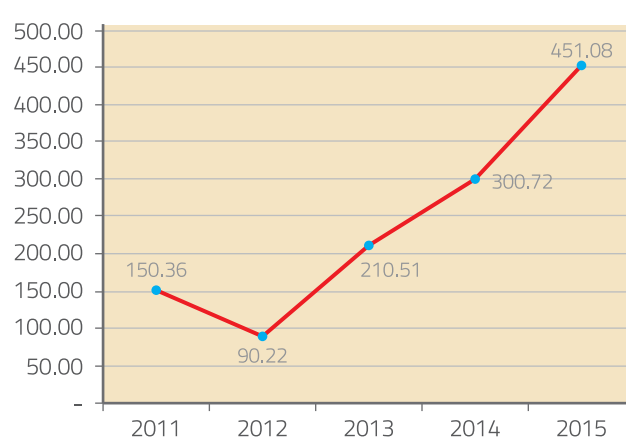
Operating Fixed Assets

(Rupees in million)



Dividend

(Rupees in million)



Horizontal and Vertical Analysis

Balance Sheet Analysis

Description	YEARS					
	2015	2014	2013	2012	2011	2010
(Change from preceding year)						
Horizontal						
Equity and Liabilities Equity						
Share Capital & Reserve	21.56%	21.12%	21.48%	0.35%	18.42%	11.67%
Non-Current Liabilities	-4.63%	66.31%	20.28%	41.56%	-3.41%	40.75%
Current Liabilities	17.29%	22.38%	0.18%	18.51%	33.64%	32.19%
Total Equity and Liabilities	15.53%	26.81%	8.88%	13.87%	24.14%	24.42%
Assets						
Non-current Assets	15.86%	52.87%	26.39%	2.92%	13.71%	39.19%
Current Assets	15.34%	15.40%	2.65%	18.35%	28.97%	18.58%
Total Assets	15.53%	26.81%	8.88%	13.87%	24.14%	24.42%

Description	YEARS					
	2015	2014	2013	2012	2011	2010
(Change from preceding year)						
Vertical						
Equity and Liabilities						
Share Capital and Reserve	35.17%	33.43%	35.00%	31.46%	35.70%	37.42%
Non-Current Liabilities	12.00%	14.53%	11.08%	9.94%	8.00%	10.28%
Current Liabilities	52.83%	52.04%	53.92%	58.60%	56.30%	52.30%
Total Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Assets						
Non-current Assets	36.82%	36.71%	30.45%	26.23%	29.02%	31.69%
Current Assets	63.18%	63.29%	69.55%	73.77%	70.98%	68.31%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Horizontal and Vertical Analysis

Profit and Loss Account Analysis

Description	YEARS					
	2015	2014	2013	2012	2011	2010
	(Change from preceding year)					
Horizontal						
Sales	6.36%	12.32%	20.70%	5.35%	22.58%	22.67%
Cost of Sales	5.41%	11.89%	15.98%	6.42%	22.78%	33.54%
Gross Profit	11.23%	14.57%	53.05%	-1.45%	21.32%	-18.84%
Distribution Cost	0.52%	19.48%	10.58%	69.01%	19.75%	50.31%
Admin & Other Expenses	14.69%	8.32%	41.16%	5.76%	36.21%	12.42%
Finance Cost	-4.57%	8.24%	-4.90%	35.53%	33.74%	10.79%
Other Income	109.57%	101.03%	0.73%	42.98%	106.48%	7.73%
Total Expenses	-1.03%	9.12%	19.61%	30.87%	28.44%	22.48%
Net Profit Before Taxation	34.15%	26.36%	288.30%	-64.01%	9.57%	-47.87%
Provision for Taxation	87.60%	33.66%	96.80%	-35.72%	-36.65%	-41.92%
Net Profit After Tax	22.32%	24.85%	386.35%	-70.62%	32.08%	-50.35%

Description	YEARS					
	2015	2014	2013	2012	2011	2010
	(Change from preceding year)					
Vertical						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	82.81%	83.56%	83.88%	87.29%	86.41%	86.27%
Gross Profit	17.19%	16.44%	16.12%	12.71%	13.59%	13.73%
Distribution Cost	4.13%	4.37%	4.11%	4.48%	2.79%	2.86%
Admin & Other Expenses	4.50%	5.05%	5.23%	4.47%	4.46%	4.01%
Financial Cost	0.94%	2.01%	2.08%	2.65%	2.06%	1.89%
Other Income	1.40%	0.71%	-0.40%	-0.48%	-0.35%	-0.21%
Total Expenses	9.97%	10.71%	11.03%	11.13%	8.96%	8.55%
Net Profit Before Taxation	7.22%	5.73%	5.09%	1.58%	4.63%	5.18%
Provision for Taxation	1.83%	1.04%	0.87%	0.53%	0.88%	1.70%
Net Profit After Tax	5.39%	4.69%	4.22%	1.05%	3.75%	3.48%

Directors' Report to the Shareholders

The Board of Directors is pleased to present its Annual Report along with the audited financial statements of the Company for the year ended December 31, 2015.

The Economy

In 2015, global economic activity remained subdued and annual growth rate remained at around 3.0%, well below its long term average. Growth in emerging markets and developing economies that accounts for over 70% of global growth declined for the fifth consecutive year, while a modest recovery continued in advanced economies.

Pakistan's economic growth for financial year 2015 was 4.1% against 3.7% during last year, led by services as growth in manufacturing slowed down. Industrial growth was hobbled by a slowdown in large-scale manufacturing to 3.3% owing to weaker external demand. However, the resilience of small-scale manufacturing and construction sustained industrial growth at 3.6%.

Inflation remained under control throughout the year and was recorded at 4.1% in December 2015, attributable mainly due to steep fall in prices of oil and other commodities.

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:

	2015	2014	Variance
	(Rs. in million)	(Rs. in million)	
Sales (Net)	17,545	16,495	6%
Gross Margin	3,016	2,712	11%
Profit before taxation	1,267	944	34%
Profit after taxation	946	773	22%
Earnings per share (Rs.)	78.63	64.28	22%

Footwear Division:

Footwear division's revenue increased from Rs. 9.2 billion to Rs. 9.3 billion during the year, representing a marginal growth of 1.3%. Growth in footwear was hampered mainly in export business which was adversely impacted due to the unprecedented

weakness of the Euro. Gross margins in footwear business decreased from 14.4% to 12.5% mainly due to Euro decline while part of downward pressure was offset by decrease in input material costs.

Tyre Division:

Tyre division continued to grow during the year at a reasonable rate. Sales grew from Rs 7.3 billion to Rs 8.2 billion, an increase of 13.3% year on year. Considerable emphasis was placed on product quality and marketing efforts, areas that continue to contribute towards much improved perception of our brands in the market.

Future Outlook:

The management has increased its efforts to expand both footwear and tyre businesses in the coming years. Your company is continuously investing in product and sales channel development, capacity expansion and modernization of machinery. Additionally, the management is pursuing a diversification plan in the current year.

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 2015:

Based on the performance of the Company, the Board of Directors is pleased to recommend a final cash dividend of Rs. 25 per share (250%), in addition to the interim cash dividend of Rs. 12.50 per share (125%).

	Rs. in million
Un-appropriated profit brought forward	1161.5
Final dividend @ Rs. 15 per share 2014	(180.4)
Interim dividend @ Rs.12.50 per share 2015	(150.4)
Net profit after tax for the year 2015	945.8
Other comprehensive income gain/ (loss)	24.1
Total available for appropriation	1,800.6
Appropriation	
Final dividend @ Rs. 25 per share 2015	(300.7)
Transfer to reserve	-
Un-appropriated profit carried forward	1499.9

Every job is a self-portrait
of the person who does it.
Autograph your work with
excellence.



Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee. During the year four 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. One meeting of the Human Resource & Remuneration Committee was held during the year.

Compliance with Code of Corporate Governance

The Board of Directors is committed to ensuring that the requirements of Corporate Governance set by Securities and Exchange Commission of Pakistan are fully met. The Company has adopted good Corporate Governance practices and the Directors are pleased to report the following statement;

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 Financial Reporting 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 purchased during the year
------	----------------------------------

Mr. Riaz Ahmed	500
-----------------------	-----

Director

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

Provident fund	(Un-Audited)	Rs. 1,446 million
Gratuity fund	(Un-Audited)	Rs. 80 million
Pension fund	(Un-Audited)	Rs. 74 million

Meetings of Board and its Committees

The Board held six (6) meetings during the year. Attendance by each Director was as follows.

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

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

Member's Name	Attendance
Mr. Manzoor Ahmed	4
Mr. Riaz Ahmed	4
Mr. Muhammad Amin	4

The Human Resource and Remuneration Committee held one (1) meeting during the year. Attendance by each member was as follows:

Member's Name	Attendance
Mr. Riaz Ahmed	1
Mr. Arif Saeed	1
Mr. Muhammad Amin	1

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

Abstract under Section 218 of the Companies Ordinance, 1984

The abstract under Section 218 of the Companies



Ordinance, 1984 is included in the report, the same has been previously circulated to the Shareholders.

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 2016.

Pattern of Shareholding

A statement of the pattern of shareholding of the Company and additional information as at December 31, 2015 is included in the report.

The Board has determined threshold under clause xvi (I) 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 25, 2016
Lahore

Omar Saeed
Chief Executive

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 Pakistan 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. Manzoor Ahmed (Resigned on March 15, 2016)
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. Riaz 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 NBFIs 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. Three directors meet the criteria of minimum 14 years of education and 15 years of experience on the Board of a listed companies.

10. There were no new appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year.
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 an Independent 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 two are non-executive directors. The Chairman of the committee is a non-executive 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 25, 2016
Lahore

Omar Saeed
Chief Executive

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, 2015, to comply with the requirements of Listing Regulations of Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not 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 alternative 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, 2015.

March 25, 2016
Lahore

S. M. MASOOD & CO.
Chartered Accountants

Audit Engagement Partner
Muhammad Danish Kamal

Auditor's Report to the Members

We have audited the annexed balance sheet of SERVICE INDUSTRIES LIMITED ("the Company") as at December 31, 2015 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

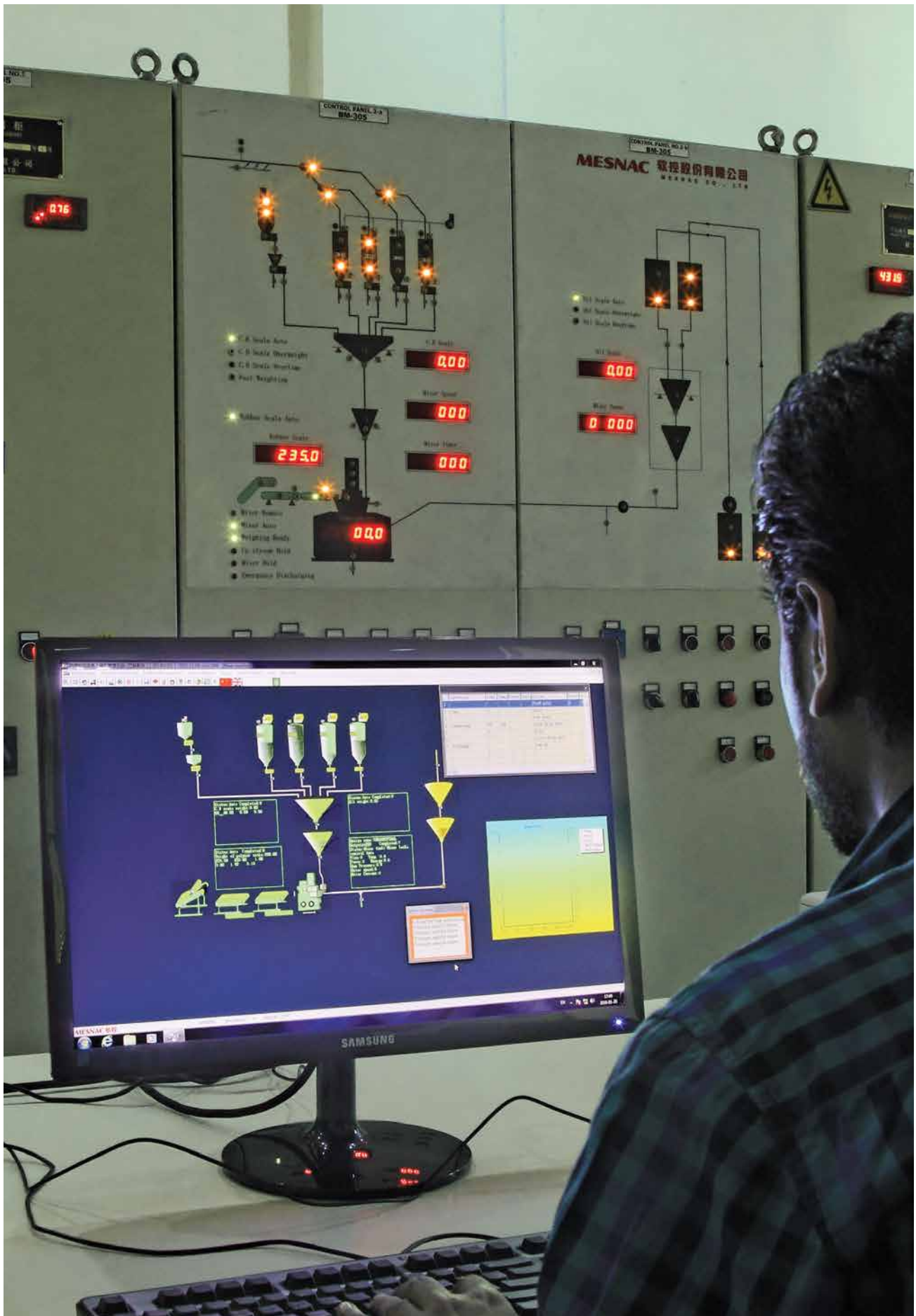
Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- (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, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
 - d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: March 25, 2016
Lahore

S. M. MASOOD & CO.
Chartered Accountants

Audit Engagement Partner
Muhammad Danish Kamal





Financial
Statements

Balance Sheet

As at December 31, 2015

	Note	2015 Amount Rupees in thousand	2014 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 20,000,000 (2014: 20,000,000) ordinary shares of Rs. 10/- each:		200,000	200,000
Paid up share capital	7	120,288	120,288
Reserves	8	3,482,781	2,843,661
		3,603,069	2,963,949
Non-current liabilities			
Long term financing	9	881,850	958,315
Long term deposits	10	3,665	3,665
Deferred liabilities	11	343,331	326,497
		1,228,846	1,288,477
Current liabilities			
Trade and other payables	12	3,223,831	2,123,617
Interest and mark-up accrued	13	52,986	87,888
Short term borrowings	14	1,662,360	2,105,352
Current portion of long term financing	9	221,170	174,365
Provision for taxation	34	251,056	122,436
		5,411,403	4,613,658
		10,243,318	8,866,084

Contingencies and commitments

15

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

Chaudhry Ahmed Javed
(Chairman)

		2015 Amount	2014 Amount
	Note	Rupees in thousand	
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,382,700	2,984,513
Intangible assets	17	5,640	8,097
Long term investments	18	323,520	204,279
Long term loans	19	7,083	6,722
Long term deposits		52,152	51,191
		3,771,095	3,254,802
Current assets			
Stores, spares and loose tools	20	114,570	108,111
Stock in trade	21	2,719,856	2,604,361
Trade debts	22	1,527,479	1,642,863
Loans and advances	23	233,671	154,741
Trade deposits and prepayments	24	76,719	17,329
Other receivables		58,126	19,379
Tax refunds due from government	25	1,281,956	1,046,056
Cash and cash equivalents	26	459,846	18,442
		6,472,223	5,611,282
		10,243,318	8,866,084

Omar Saeed
(Chief Executive)

Profit and Loss Account

For the year ended December 31, 2015

	Note	2015 Amount Rupees in thousand	2014 Amount
Sales - net	27	17,544,736	16,495,123
Cost of sales	28	14,528,670	13,783,455
Gross profit		3,016,066	2,711,668
Operating expenses			
Distribution cost	29	724,425	720,683
Administrative expenses	30	789,608	688,478
Other operating expenses	31	164,768	143,939
		1,678,801	1,553,100
Operating profit before other income		1,337,265	1,158,568
Other income	32	246,158	117,461
Operating profit		1,583,423	1,276,029
Finance cost	33	316,416	331,581
Profit before taxation		1,267,007	944,448
Taxation	34	321,160	171,196
Profit after taxation		945,847	773,252
Earnings per share - basic and diluted (Rupees)	35	78.63	64.28

The annexed notes from 1 to 46 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, 2015

	2015 Amount	2014 Amount
	Rupees in thousand	
Note		
Profit after taxation	945,847	773,252
Other comprehensive income		
Items that may reclassify to profit and loss account		
(Loss) / gain on Investments - net of tax	(8,800)	-
Items that may not reclassify to profit and loss account		
Actuarial gain / (loss) on defined benefit plans - net of tax	32,865	(15,813)
	24,065	(15,813)
Total comprehensive income for the year	969,912	757,439

The annexed notes from 1 to 46 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, 2015

	Note	2015 Amount Rupees in thousand	2014 Amount
Cash flow from operating activities			
Cash generated from operations	37	2,835,970	1,012,201
Finance cost paid		(351,318)	(294,818)
Ijarah rentals paid		(71,839)	(51,604)
Income tax paid		(313,991)	(131,839)
Staff retirement benefits paid		(15,256)	(11,988)
W.P.P.F and W.W.F paid		(52,000)	(68,597)
Net cash generated from operating activities		2,031,566	453,355
Cash flow from investing activities			
Dividend from associated Company	18	65,706	27,139
Other investment - Equity		(107,724)	-
Capital expenditure		(733,625)	(1,327,934)
Proceeds from sale of property, plant and equipment		14,227	6,119
Investment in associated company		(28,541)	-
Long term loans - net		(361)	(1,616)
Long term deposits - net		(961)	(21,354)
Net cash used in investing activities		(791,279)	(1,317,646)
Cash flow from financing activities			
Short term borrowings - net		(442,992)	591,063
Long term financing		(29,660)	504,302
Dividend paid		(326,231)	(237,048)
Long term deposits		-	10
Net cash generated from / (used in) financing activities		(798,883)	858,327
Net (decrease) / increase in cash and cash equivalents		441,404	(5,964)
Cash and cash equivalents at the beginning of the year		18,442	24,406
Cash and cash equivalents at the end of the year	26	459,846	18,442

The annexed notes from 1 to 46 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, 2015

	Paid up share capital	Capital reserves		Revenue reserves		Total
		Capital gain	Share premium	General reserve	Unappropriated profit	
-----Rupees in thousand-----						
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
Final dividend for the year ended December 31, 2014 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)
Interim dividend for the year ended December 31, 2015 @ Rs. 12.50 per share	-	-	-	-	(150,360)	(150,360)
Total comprehensive income for the year	-	-	-	-	969,912	969,912
Balance as at December 31, 2015	120,288	102,730	21,217	1,558,208	1,800,626	3,603,069

The annexed notes from 1 to 46 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, 2015

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 Pakistan Stock Exchange. 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. 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.

There are no significant judgements or estimates, which if inaccurate or wrong could materially effect the current financial statements or the next years financial statements.

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

4.1 IFRS & amendments effective for the current year

IAS 19 - Defined Benefit Plans: Employee Contributions.

IFRS 10, 12 & IAS 27 - Consolidated financial statements; Interest in other entities; Seperate financial statements.

IFRS 13 - Fair Value Measurements - effective first time in Pakistan.

Annual improvements - 2010-2012 & 2011-2013 cycles

The above amendments & improvements are either irrelevant or have no material impact on the Company's financial statements.

4.2 IFRS & amendments not yet effective & not applied

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

IFRS 1 - First-time Adoption of International Financial Reporting Standards

IFRS 9 - Financial Instruments

IFRS 14 - Regulatory Deferral Accounts

IFRS 15 - Revenue from Contracts with Customers;

IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations.

IAS 1 - Disclosure Initiative.

IAS 16 & 38 - Clarification of Acceptable Methods of Depreciation and Amortization.

IAS 16 & 41 - Agriculture: Bearer Plants

IFRS 10 & IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 10, 12 & IAS 28 - Investment Entities: Applying the Consolidation Exception

Annual improvements - 2012-2014 cycle

The above mentioned standards & improvements, when effective, are not expected to have a significant impact on the Company's financial statements.

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) Contributory provident fund

Obligations for contributions to the provident fund are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Notes to the Financial Statements

For the year ended December 31, 2015

ii) **Defined benefit plans**

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

The Company 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.

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

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

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

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 current and deferred taxes & is recognized in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

i) **Current tax**

The provision for current taxation is based on the applicable tax regimes, tax rates, credits & rebates, in accord with the income tax laws of Pakistan.

ii) **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

6.4 **Foreign currency transactions and translation**

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

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.

Notes to the Financial Statements

For the year ended December 31, 2015

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 16.1 to the financial statements using the reducing balance method.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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

6.6.2 Intangible assets

Expenditure incurred to acquire computer 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 17.1 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 Interests in equity-accounted investees

Interests in associates are accounted for, using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

6.6.4 Capital work in progress

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

6.6.5 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 of assets

6.7.1 Non-financial assets

Assets are tested for impairment, whenever circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

6.7.2 Financial Assets

Financial asset are considered impaired only if there is objective evidence of reduction in their estimated future cash flows.

Loan and receivables

The loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The loss is recognised in profit or loss. Similarly, reversals of impairment losses are also dealt in profit and loss.

Equity-accounted investments

Impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is recognised in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

6.8 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

6.9 Revenue

Sales revenue is recognised when the goods are dispatched 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.

Notes to the Financial Statements

For the year ended December 31, 2015

6.10 Financial instruments

Financial instruments are recognized, when the Company becomes a party to the contractual provisions of the instruments. Financial assets are de-recognized after all the substantial risks and rewards have been transferred. Financial liabilities are de-recognized when they are extinguished. Initial measurement is at fair value plus transaction costs. Subsequent measurement of loans & receivables is at amortized cost less impairment. Financial liabilities are subsequently measured at amortized cost. For impairments see note 6.7.

6.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.12 Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

6.13 Dividend

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

		2015	2014		
		Amount	Amount		
		Rupees in thousand			
7	Paid up share capital				
	Issued, subscribed and paid up:				
		2015	2014		
		3,183,190	3,183,190	Ordinary shares of Rs. 10/- each fully paid in cash	31,832
		8,845,599	8,845,599	Ordinary shares of Rs. 10/- each issued as bonus shares	88,456
		12,028,789	12,028,789		120,288
					120,288

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

		2015	2014
		Number of Shares	
	-Shahid Arif Investments (Private) Limited	10,144	10,144

		2015	2014		
		Amount	Amount		
		Rupees in thousand			
8	Reserves				
	Capital reserves				
	Share premium	21,217	21,217	8.1	
	Capital gains	102,730	102,730		
		123,947	123,947		
	Revenue reserves				
	General reserve	1,558,208	1,558,208		
	Unappropriated profits	1,800,626	1,161,506		
		3,358,834	2,719,714		
		3,482,781	2,843,661		

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

		2015	2014		
		Amount	Amount		
		Rupees in thousand			
9	Long term financing - secured				
	Total long term financing	1,103,020	1,132,680	9.1 & 9.2	
	Less: current portion	(221,170)	(174,365)		
		881,850	958,315		

Notes to the Financial Statements

For the year ended December 31, 2015

	2015 Amount	2014 Amount
	Rupees in thousand	
9.1 Loan from banking companies		
Loan - I	-	10,415
Loan - II	-	11,196
Loan - III	-	21,455
Loan - IV	-	4,551
Loan - V	-	2,686
Loan - VI	-	2,143
Loan - VII	-	50,709
Loan - VIII	315,000	350,000
Loan - IX	250,000	250,000
Loan - X	163,922	-
	728,922	703,155
Less: current portion	(128,196)	(92,503)
	600,726	610,652
9.2 Islamic term finance		
Loan - XI	59,492	76,490
Loan - XII	20,432	26,270
Loan - XIII	100,053	111,170
Loan - XIV	143,730	215,595
Loan - XV	50,391	-
	374,098	429,525
Less: current portion	(92,974)	(81,862)
	281,124	347,663

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 These represent long term finance loans obtained from MCB Bank Limited of Rs. 164 million approved in 2015 for a period of six years, repayable on quarterly basis with a grace period of one year. The first and last installments fall due on October 03, 2016 and July 02, 2021 respectively. The markup rate is 3 month KIBOR + 150 bps per annum. The loan is secured by first pari passu charge over fixed assets of the Company with 25% margin.

XI to XV These represent long term finance loans obtained from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs. 735 million approved in 2012 and 2015 for a period of six years, repayable on bi-annual basis with a grace period of one year. The first and last installments fall due on June 30, 2014 and December 31, 2021 respectively. The markup rate is 6 month KIBOR + 40 bps per annum. The availed loans 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.

		2015 Amount	2014 Amount
		Rupees in thousand	
10	Long term deposits	3,665	3,665
10.1	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	2015 Amount	2014 Amount
		Rupees in thousand	
11	Deferred liabilities		
	Deferred taxation	322,277	265,736
	Employees benefit plans	21,054	60,761
		343,331	326,497
11.1	Deferred tax liability is made up as follows:		
	Accelerated depreciation	321,625	267,758
	Deferred tax asset against provision for doubtful debts	(6,495)	(2,022)
	Deferred tax impact on gain on employee benefit plans	9,759	-
	Deferred tax impact on investment - Available for sale	(2,612)	-
		322,277	265,736

Notes to the Financial Statements

For the year ended December 31, 2015

11.2 Employees benefit plans

	Note	Gratuity scheme		Pension scheme	
		2015 Amount	2014 Amount	2015 Amount	2014 Amount
Rupees in thousand					
11.2.1 The amounts recognized in the balance sheet					
Present value of defined benefit obligations	11.2.4	161,631	136,417	13,033	12,003
Fair value of plan assets	11.2.5	(80,080)	(75,658)	(73,530)	(69,787)
Balance sheet liability as at December 31		81,551	60,759	(60,497)	(57,784)
11.2.2 Movement in the net liability recognised in the balance sheet					
Opening balance		60,759	39,742	(57,785)	(52,628)
Charge for the year	11.2.3	24,166	17,192	(6,020)	(5,467)
Payments during the year		(15,222)	(11,988)	(34)	(34)
Remeasurements chargeable to OCI	11.2.6	11,848	15,813	3,342	345
Closing balance		81,551	60,759	(60,497)	(57,784)
11.2.3 Amounts recognized in the profit and loss account					
Current service cost		18,585	12,974	65	80
Interest cost		13,525	12,080	1,187	1,164
Expected return on plan assets		(7,944)	(7,862)	(7,257)	(6,693)
Contribution made by employees		-	-	(15)	(18)
		24,166	17,192	(6,020)	(5,467)
11.2.4 Changes in the present value of defined benefit obligation					
Opening defined benefit obligation		136,417	102,634	12,003	11,775
Current service cost		18,585	12,974	65	79
Interest cost		13,525	12,080	1,187	1,164
Benefits paid		(15,222)	(11,988)	(1,398)	(1,380)
Remeasurements:					
Actuarial losses from changes in financial assumptions		-	-	1,229	-
Experience adjustments		8,326	20,717	(53)	365
		161,631	136,417	13,033	12,003

	Gratuity scheme		Pension scheme	
	2015 Amount	2014 Amount	2015 Amount	2014 Amount
Rupees in thousand				
11.25 Changes in the fair value of the plan assets				
Opening fair value of plan assets	75,658	62,892	69,787	64,403
Expected return	7,944	7,862	7,258	6,693
Contribution by employer	15,222	11,988	49	52
Benefits paid	(15,222)	(11,988)	(1,398)	(1,380)
Experience adjustments	(3,522)	4,904	(2,166)	20
	80,080	75,658	73,530	69,788

11.26 Amounts recognized in the other comprehensive income				
Experience adjustments	(8,326)	(20,717)	(53)	365
Interest income on plan assets	(3,522)	4,904	2,166	(20)
Actuarial (gain) / loss from changes in financial assumptions	-	-	1,229	-
Actuarial (gain) / loss chargeable in OCI	(11,848)	(15,813)	3,342	345

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

	2015 Rupees in thousand	2015 %	2014 Rupees in thousand	2014 %
Gratuity scheme				
Unit trust	64,041	79.97	63,209	83.55
Term deposit	11,833	14.78	11,833	15.64
Other assets	4,206	5.25	616	0.81
	80,080	100.00	75,658	100.00
Pension Scheme				
Bank Al Habib Limited	24,684	33.56	23,690	33.95
Pak Oman Investment Company Limited	7,041	9.58	6,940	9.94
MCB - Cash Optimizer	31,454	42.78	29,278	41.96
MCB - Dynamic Cash Fund	4,274	5.81	3,925	5.62
National Investment Trust Limited	5,690	7.74	5,564	7.97
Cash at Bank(s)	387	0.53	391	0.56
	73,530	100.00	69,788	100.00

Notes to the Financial Statements

For the year ended December 31, 2015

	2015 Amount	2014 Amount	2015 Amount	2014 Amount
	Rupees in thousand		Rupees in thousand	
11.2.8 Return on plan assets				
Expected return on plan assets	7,944	7,862	7,258	6,693
Actuarial gain/ (loss) on assets	(3,522)	4,904	(2,166)	20
	4,422	12,766	5,092	6,713

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.

	2015 Percentage	2014 Percentage	2015 Percentage	2014 Percentage
11.2.9 Principal actuarial assumptions				
Discount rate	9	10.5	9	10.5
Expected rate of salary increase	8	9.5	8	9.5
Expected rate of return on investments	10.5	12.5	10.5	10.5

11.2.10 Year end sensitivity analysis (\pm 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 2014.

	2015 Amount	2014 Amount	2015 Amount	2014 Amount
	Rupees in thousand		Rupees in thousand	
Discount Rate + 100 bps	147,855	125,346	12,186	11,268
Discount Rate - 100 bps	177,668	149,243	13,992	12,826
Salary increase + 100 bps	177,902	149,429	13,033	12,003
Salary increase - 100 bps	147,408	124,991	13,028	11,996

11.2.11 The employee benefit pension scheme has net assets of Rupees 60.49 million. These are being recognised for the first time prospectively as an out of period adjustment.

	Note	2015 Amount Rupees in thousand	2014 Amount
12 Trade and other payables			
Trade creditors		1,245,430	1,119,056
Accrued liabilities		721,195	582,366
Bills payable		177,220	161,377
Advances from customers		901,513	133,767
Provident fund payable		20,802	22,361
Workers' profit participation fund	12.1	66,889	50,844
Workers' welfare fund	12.2	60,386	34,529
Unclaimed dividend		18,122	13,561
Others		6,092	4,859
Due to government agencies on account of:			
Staff income tax		466	353
Suppliers income tax		5,716	544
		3,223,831	2,123,617
12.1 Workers' profit participation fund			
Balance as at January 01		50,844	40,234
Add: provision for the year	31	68,045	50,725
		118,889	90,959
Less: payments during the year		52,000	40,115
Balance as at December 31		66,889	50,844
12.2 Workers' welfare fund			
Balance as at January 01		34,529	43,735
Add: provision for the year	31	25,857	19,276
		60,386	63,011
Less: payments / adjustments during the year		-	28,482
Balance as at December 31		60,386	34,529
13 Interest and mark-up accrued			
Long term financing - secured		22,845	42,668
Short term borrowings - secured		30,141	45,220
		52,986	87,888

Notes to the Financial Statements

For the year ended December 31, 2015

14 Short term borrowings - secured

From banks and other financial institutions:

	Sanctioned limit		Availed limit	
	2015	2014	2015	2014
	<-----Rupees in thousand<----->			
Under mark up arrangements with consortium banks:				
Cash credits	2,569,367	2,218,945	(494,513)	84,297
Export refinance	2,431,533	2,021,055	2,156,873	2,021,055
	5,000,900	4,240,000	1,662,360	2,105,352

These running finance facilities have been availed from various banks. The rates of mark up range between 3.62% to 6.12% (2014: 6.51% to 9.96% 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.

15 Contingencies and commitments Contingencies

- 15.1 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 favor of Collector of Customs, Sambrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favor 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.
- 15.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of 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 Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favor.

- 15.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is 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 favor of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI send a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 15.4 The Deputy Commissioner Inland Revenue, LTU 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.

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

Commitments

- 15.5 Guarantees issued in ordinary course of business through banks are of Rs. 1,302.83 million (2014: Rs. 52.76 million).
- 15.6 Irrevocable letters of credit outstanding at the year end are of Rs. 1,169.53 million (2014: Rs. 638.69 million).
- 15.7 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

	Note	2015 Amount Rupees in thousand	2014 Amount
Not later than one year		64,351	64,017
Later than one year and not later than five years		161,951	122,503
Later than five years		-	-
		226,302	186,520
16 Property, plant and equipment			
Operating fixed assets	16.1	3,240,772	2,618,793
Capital work in progress	16.2	141,928	365,720
		3,382,700	2,984,513

Notes to the Financial Statements

For the year ended December 31, 2015

16.1 Operating fixed assets

Particulars	Cost		Accumulated depreciation				W.D.V. as at December 31, 2015
	As at January 01, 2015	As at December 31, 2015	Rate %	Charge for the year	Adjustments / transfers	As at December 31, 2015	
December 31, 2015							
Owned							
Freehold land	7,106	-	-	-	-	-	7,106
Building on freehold land	622,266	238,343	5-10	46,352	-	269,609	591,000
Plant and machinery	2,660,808	351,721	10	190,557	951	1,148,526	1,853,226
Furniture, fixture and fittings	33,687	2,954	10	1,353	-	22,798	13,843
Vehicles	22,165	8,820	20	2,992	2,274	13,875	13,294
Service equipments	741,557	337,917	10-30	67,527	714	327,698	750,376
Leasehold improvements	10,479	12,868	33.33	941	7,799	941	11,927
Last and moulds	38,092	-	50	6,188	38,092	-	-
Total - 2015	4,136,160	952,623		315,910	49,830	1,783,447	3,240,772
December 31, 2014							
Owned							
Freehold land	7,106	-	-	-	-	-	7,106
Building on freehold land	473,316	148,950	5-10	27,385	-	223,257	399,009
Plant and machinery	2,037,823	626,726	10	149,387	3,085	958,920	1,701,888
Furniture, fixture and fittings	32,747	940	10	1,305	-	21,445	12,242
Vehicles	29,735	2,946	20	2,093	5,889	13,157	9,008
Service equipments	488,720	258,460	10-30	45,800	5,160	260,885	480,672
Leasehold improvements	17,996	190	33.33	3,506	2,385	7,799	2,680
Last and moulds	36,789	5,526	50	3,563	4,223	31,904	6,188
Total - 2014	3,124,232	1,043,738		233,039	20,742	1,517,367	2,618,793
16.1.1 Depreciation charge for the year has been allocated as follows:							
Cost of sales			Note		Amount		Amount
Administrative expenses			28		304,814		219,407
			30		11,096		13,632
					315,910		233,039

16.1.2 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Sold to	Mode of disposal
	<-----Rupees in thousand----->					
Plant & machinery						
Having book value exceeding Rs. 50,000						
Embossing Machine	165	86	79	99	SSL	Negotiation
Fusing Press	322	15	307	324	SSL	Negotiation
Fusing Press	323	16	307	325	SSL	Negotiation
Machine Numbering	421	184	237	279	SSL	Negotiation
Pneumatic Box Marking Machine	289	21	268	249	SSL	Negotiation
Pneumatic Press	389	29	360	399	SSL	Negotiation
Skiving Machine	123	10	113	117	SSL	Negotiation
Skiving Machine	123	10	113	117	SSL	Negotiation
Skiving Machine	123	10	113	117	SSL	Negotiation
Skiving Machine	123	10	113	117	SSL	Negotiation
Skiving Machine	123	10	113	117	SSL	Negotiation
Skiving Machine	123	10	113	117	SSL	Negotiation
Stitching Machine	333	17	316	320	SSL	Negotiation
Stitching Machine	333	17	316	320	SSL	Negotiation
Stitching Machine	333	17	316	320	SSL	Negotiation
Stitching Machine	333	17	316	320	SSL	Negotiation
Stitching Machine	333	17	316	320	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
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Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Stitching Machine	318	16	302	311	SSL	Negotiation
Upper Pre-Forming Machine	1,033	85	948	970	SSL	Negotiation
Zig Zag Machine	290	15	275	283	SSL	Negotiation
Zig Zag Machine	290	15	275	283	SSL	Negotiation
Zig Zag Machine	290	15	275	283	SSL	Negotiation
Having book value less than Rs. 50,000	110	100	10	840	Waris Ali Gujranwala	Negotiation
Total of plant & machinery	10,777	950	9,827	10,990		
Vehicles						
Having book value exceeding Rs. 50,000						
Honda CG-125	103	34	69	67	Taimur Sheikh (Employee)	Company policy
Honda CG-125	98	43	55	80	Bashir Ahmad (Employee)	Company policy
Toyota Corolla Altis	1,754	1,167	587	538	Khurram Motors	Negotiation
Toyota Corolla Altis	449	326	123	840	Muhammad Yousaf	Negotiation
	2,404	1,570	834	1,525		
Having book value less than Rs. 50,000	1,412	705	707	1,337	Misc.	Negotiation
Total of vehicles	3,816	2,275	1,541	2,862		
Service equipments						
Having book value exceeding Rs. 50,000						
25-KVA Generator	580	222	358	150	Z-I Homes Lahore	Negotiation
3.5 Tons AC Unit	197	33	164	114	Kohinoor Jewellers	Negotiation
	777	255	522	264		
Having book value less than Rs. 50,000	623	459	164	61	Misc.	Negotiation
Total service equipments	1,400	714	686	325		
Leasehold improvements	10,479	7,799	2,680	50	Shops Closed	
Last and moulds	38,092	38,092	-	-		
Total - 2015	64,564	49,830	14,734	14,227		
Total - 2014	31,810	20,742	11,068	6,119		

Notes to the Financial Statements

For the year ended December 31, 2015

					2015 Amount	2014 Amount	
					Rupees in thousand		
16.2	Capital work in progress						
		Building	Plant and machinery	Furniture and fixture	Service equipment	Total	
		<-----Rupees in thousand----->					
	Balance as at January 01	110,930	29,518	28	225,244	365,720	81,930
	Additions during the year	216,659	183,031	-	95,948	495,638	943,978
	Transfers / adjustments during the year	(265,285)	(172,976)	(28)	(281,141)	(719,430)	(660,188)
	Balance as at December 31	62,304	39,573	-	40,051	141,928	365,720

		Note	2015 Amount	2014 Amount
			Rupees in thousand	
17	Intangible assets			
	Oracle and other software programs	17.1	5,640	8,097
17.1	Cost			
	As at January 01		37,212	36,807
	Additions / transfers during the year		4,822	405
	Disposal		(1,923)	-
	As at December 31		40,111	37,212
	Amortization			
	As at January 01		29,115	20,688
	Charge for the year		6,638	8,427
	Disposals		(1,282)	-
	As at December 31		34,471	29,115
	Book value as at December 31		5,640	8,097
	Rate of amortization		33.33%	33.33%

	Note	2015 Amount Rupees in thousand	2014 Amount
18 Long term investments			
These represents long term investments in:			
Related parties	18.1	227,208	204,279
Others	18.2	96,312	-
		323,520	204,279
18.1 Investment at equity method:			
Speed (Private) Limited - associated company			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each (2014: 142,839)		190,949	162,408
Share of post acquisition reserve			
As at the beginning of the year		41,871	14,624
Share of post acquisition profit for the year / period		60,094	54,386
Less: Dividends received during the year		(65,706)	(27,139)
		36,259	41,871
		227,208	204,279
18.1.1 The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.			
		2015 Amount	2014 Amount
		Rupees in thousand	
18.1.2 Current assets		687,230	593,816
Non current assets		174,648	169,272
Current liabilities		96,337	93,225
Non current liabilities		2,170	2,270
Revenue - net for the year / period		1,554,133	1,386,180
Expenses for the year / period		1,282,711	1,141,416
Profit for the year / period		271,422	244,764
Other comprehensive income for the year		-	-
Total comprehensive income for the year		271,422	244,764
Net assets of the associate		763,371	667,593
Percentage of holding		21.90%	22.22%
Share in net assets of associate		167,178	148,339
18.1.3 Breakup value per share (Rupees)		1,040	1,000

Notes to the Financial Statements

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	Note	2015 Amount Rupees in thousand	2014 Amount
18.1.4	Reconciliation of share in net assets of associate with carrying value of investment		
	Share in net assets of associate	167,178	148,339
	Add: Goodwill	60,030	55,940
	Carrying value of investment in associate	227,208	204,279
18.2	Investment in quoted securities - Available for sale investments		
	Hub Power Company		
	Equity held 0.033% (2014: Nil)		
	385,000 fully paid ordinary shares of Rs.10 each	39,501	-
	Fauji Cement Company Limited		
	Equity held 0.045% (2014: Nil)		
	600,000 fully paid ordinary shares of Rs.10 each	22,092	-
	K Electric Limited		
	Equity held 0.017% (2014: Nil)		
	4,666,500 fully paid ordinary shares of Rs.3.5 each	34,719	-
		96,312	-
19	Long term loans		
	Considered good		
	- due from executives	19.1	9,434
	- due from other employees		859
			10,622
	Current portion of long term loans	23	(3,210)
			7,083
			6,722
19.1	Reconciliation of loans to executives		
	Balance as at January 01		10,622
	Add: Disbursements during the year		4,461
	Repayments during the year		(5,649)
	Balance as at December 31		9,434
			5,775
			7,501
			(2,654)
			10,622

19.2 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 maximum 10 years and are secured by a charge on the assets purchased and / or amount due to the employees against retirement benefits. These are stated at cost.

19.3 The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs. 13.90 million (2014: Rs. 10.62 million).

	Note	2015 Amount Rupees in thousand	2014 Amount
20			
Stores, spares and loose tools			
Machinery spares		56,849	50,745
Stores		71,082	66,278
Loose tools		3,596	2,691
Provision for slow moving and obsolete items	20.1	(16,957)	(11,603)
		114,570	108,111
20.1			
Movement for provisions:			
Balance at the beginning of the year		11,603	10,854
Provisions made during the year		6,605	6,793
Reversals made during the year		(1,251)	(6,044)
Charge for the year		5,354	749
Balance at the end of the year		16,957	11,603
21			
Stock in trade			
Raw material		1,213,355	1,251,540
Packing material		38,739	37,264
Work in process		392,647	441,215
Finished goods: Own production		864,755	722,192
Purchased		193,204	35,206
Goods in transit		183,162	219,891
Provision for slow moving, obsolete items and net realizable value	21.1	(166,006)	(102,947)
		2,719,856	2,604,361
21.1			
Movement for provisions:			
Balance at the beginning of the year		102,947	89,886
Provisions made during the year		105,807	106,764
Reversals made during the year		(42,748)	(93,703)
Charge for the year		63,059	13,061
Balance at the end of the year		166,006	102,947

Notes to the Financial Statements

For the year ended December 31, 2015

21.2 Finished goods of Rs. 88.4 million (2014: Rs. 83.55 million) are being carried at net realizable value and an amount of Rs. 43.62 million (2014: Rs. 7.78 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	Note	2015 Amount Rupees in thousand	2014 Amount
22 Trade debts			
Secured - Against irrevocable letters of credit		328,501	567,629
Unsecured - Considered good		1,198,978	1,075,234
Unsecured - Considered doubtful		45,939	71,399
Provision for doubtful debts		(45,939)	(71,399)
		1,527,479	1,642,863
23 Loans and advances			
Advances - considered good:			
- Staff		1,166	381
- Suppliers		141,525	48,179
- Others		4,201	2,676
Letters of credit		83,569	98,525
Current portion of long term loans	19	3,210	4,980
		233,671	154,741
24 Trade deposits and prepayments			
Security deposits		58,979	9,670
Prepayments		17,740	7,659
		76,719	17,329
25 Tax refunds due from government			
Custom duty rebate		161,841	135,655
Excise duty		49	83
Advance income tax		775,780	604,936
Sales tax		344,286	305,382
		1,281,956	1,046,056

	2015 Amount	2014 Amount
	Rupees in thousand	
26 Cash and cash equivalents		
Cash in hand	1,697	1,449
Balances with banks in current accounts:		
- Local currency	29,055	11,751
- Foreign currency	4,836	3,023
Term deposits with banks	424,258	-
Cash in transit	-	2,219
	459,846	18,442
27 Sales - net		
Export sales	5,152,464	5,617,572
Discounts, commissions, etc.	(113,500)	(87,060)
	5,038,964	5,530,512
Local sales	15,007,563	12,966,629
Sales tax and excise duty	(1,813,123)	(1,578,318)
Discounts, commissions, etc.	(688,668)	(423,700)
	12,505,772	10,964,611
	17,544,736	16,495,123

27.1 Export sales include net exchange rate gain of Rupees 199.6 million (2014: 49 million gain).

	2015 Amount	2014 Amount
	Rupees in thousand	
27.2 Sale of footwear (Net)		
Export sales	4,488,753	5,124,780
Local sales	4,839,952	4,083,468
	9,328,705	9,208,248
Sale of tyres and tubes (Net)		
Export sales	550,211	398,714
Local sales	7,665,719	6,852,803
	8,215,930	7,251,517
Sale of technical rubber products (Net)		
Export sales	-	7,018
Local sales	101	28,340
	101	35,358
	17,544,736	16,495,123

Notes to the Financial Statements

For the year ended December 31, 2015

	Note	2015 Amount Rupees in thousand	2014 Amount	
28	Cost of sales			
	Raw material consumed	28.1	9,660,367	9,571,841
	Salaries, wages and benefits	28.2	2,292,956	1,931,172
	Stores and spares consumed		224,430	234,126
	Packing material consumed		549,376	498,374
	Fuel and power		693,393	813,530
	Insurance		17,012	14,409
	Travelling expenses		13,455	11,976
	Repair and maintenance		108,779	109,516
	Entertainment		2,756	4,264
	Depreciation	16.1.1	304,814	219,407
	Provision for slow moving items, obsolete items and net realizable value		84,412	13,811
	Other manufacturing charges		176,555	229,591
			14,128,305	13,652,017
	Work in process: As at January 01		441,215	345,118
	As at December 31		(392,647)	(441,215)
			48,568	(96,097)
	Cost of goods manufactured		14,176,873	13,555,920
	Finished goods: As at January 01		757,398	711,603
	Purchases during the year		652,357	273,330
	As at December 31		(1,057,958)	(757,398)
			351,797	227,535
			14,528,670	13,783,455
28.1	Raw material consumed			
	Balance as at January 01		1,251,540	1,136,077
	Purchases during the year	28.3	9,622,182	9,687,304
	Balance as at December 31		(1,213,355)	(1,251,540)
			9,660,367	9,571,841
28.2	Salaries, wages and benefits			
	Salaries, wages and benefits		2,195,560	1,837,903
	Provident fund contribution		79,583	71,842
	Gratuity contribution		17,730	21,347
	Pension fund contribution		83	80
			2,292,956	1,931,172

28.3 Custom duty rebate for the year amounting to Rs. 79.68 million (2014: Rs. 99.14 million) has been adjusted against raw material consumed.

	Note	2015 Amount	2014 Amount
		Rupees in thousand	
29	Distribution cost		
	Freight and insurance	216,840	239,567
	Salaries and benefits	118,678	84,528
	Advertisement and publicity	203,411	204,965
	Entertainment	6,031	6,358
	Samples	78,511	86,897
	Others	100,954	98,368
		724,425	720,683
29.1	This includes export expenses of Rs. 98.68 million (2014: Rs. 140.99 million).		
29.2	Salaries and benefits		
	Salaries and benefits	114,739	81,407
	Gratuity contribution	56	194
	Provident fund contribution	3,880	2,918
	Pension fund contribution	3	9
		118,678	84,528
30	Administrative expenses		
	Salaries and benefits	521,908	435,218
	Communication	9,164	8,836
	Printing and stationery	5,294	4,638
	Travelling and conveyance	16,933	24,368
	Entertainment	20,319	19,962
	Motor car expenses	18,694	25,958
	Insurance	5,009	3,878
	Rent, rates and taxes	12,693	8,350
	Fuel and power	19,664	20,290
	Repairs and maintenance	10,355	14,252
	General expenses	30,190	23,253
	Auditor's remuneration	4,272	3,887
	Legal and professional charges	12,935	6,704

Notes to the Financial Statements

For the year ended December 31, 2015

	Note	2015 Amount	2014 Amount
Rupees in thousand			
Subscription		1,439	1,886
Depreciation	16.1.1	11,096	13,632
Amortization on intangible assets	17.1	6,638	8,427
Ijarah rentals		71,839	51,604
Computer running expenses		10,971	11,931
Advertisement		195	1,404
		789,608	688,478
30.1 Salaries and benefits			
Salaries and benefits		508,803	428,513
Gratuity contribution		6,380	(4,349)
Provident fund contribution		12,726	11,035
Pension fund contribution		(6,001)	19
		521,908	435,218
30.2 Auditor's remuneration			
Audit fee		1,863	1,863
Half yearly review		513	513
Taxation and other advisory services		1,701	1,331
Out of pocket expenses		195	180
		4,272	3,887
31 Other operating expenses			
Donations	31.1	42,708	64,780
Workers' profit participation fund		68,045	50,725
Workers' welfare fund		25,857	19,276
Provision for doubtful debts		28,158	9,158
		164,768	143,939

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

	2015 Amount	2014 Amount
	Rupees in thousand	
32	Other income	
	Income from financial assets	
	3,018	5,376
	-	21,503
	60,094	54,386
	77,939	-
	141,051	81,265
	Income from non-financial assets	
	(1,148)	(4,949)
	96,446	32,286
	9,809	8,859
	105,107	36,196
	246,158	117,461
33	Finance cost	
	Interest / markup on:	
	165,807	200,576
	99,883	93,795
	50,726	37,210
	316,416	331,581
34	Taxation	
	251,056	122,436
	49,393	48,760
	20,711	-
	321,160	171,196

Notes to the Financial Statements

For the year ended December 31, 2015

	2015 Amount Rupees in thousand	2014 Amount
34.1 Numerical reconciliation of tax charge for the year		
Profit before taxation	1,267,007	944,448
Applicable tax rate 32% (2014: 33%)	405,442	311,668
Tax effect of amounts that are:		
Inadmissible expenses	11,158	10,882
Tax effect of dividend	17,607	3,159
Admissible expenses	(3,045)	(17,570)
Exempt income	(43,277)	(41,587)
Presumptive tax regime	(41,183)	(28,164)
Minimum tax credit / tax credit	(38,200)	(60,810)
Effect of change in tax rates	(8,053)	(6,382)
Super tax	20,711	-
	(84,282)	(140,472)
	321,160	171,196
Average effective tax rate charged to profit and loss account	25.35%	18.13%
35 Earnings per share - basic and diluted		
35.1 Basic earnings per share		
Profit after tax	945,847	773,252
Weighted average number of ordinary shares outstanding during the year	12,028,789	12,028,789
Basic earnings per share (Rupees)	78.63	64.28

35.2 Diluted earnings per share

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

36 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	<-----Rupees in thousand----->					
	2015			2014		
	Directors	Chief executive	Executives	Directors	Chief executive	Executives
Managerial remuneration	58,067	15,708	172,454	48,373	13,042	128,066
Utilities	11,613	3,142	110,501	9,675	2,608	86,890
Retirement and other benefits	56,724	25,786	86,574	38,320	16,983	27,872
Total	126,404	44,636	369,529	96,368	32,633	242,828
No. of persons	4	1	151	4	1	125

Meeting fee of rupees 1.77 million (2014: rupees 1.28 million) 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	2015 Amount Rupees in thousand	2014 Amount
37			
Cash generated from operations			
Profit before taxation		1,267,007	944,448
Adjustments for non-cash charges and other items:			
Depreciation	16.1.1	315,910	233,039
Amortization	17.1	6,638	8,427
Employee benefit plans	11.2.3	18,146	17,192
Finance cost	33	316,416	331,581
Provision for slow moving and obsolete items		68,413	13,811
Provision for workers' profit participation fund		68,045	50,725
Provision for workers' welfare fund		25,857	19,276
Provision for doubtful debts		28,372	9,158
Ijarah rentals		71,839	51,604
Share of profit from Speed (Private) Limited	18.1	(60,094)	(54,386)
Loss / (Profit) on sale of property, plant and equipment		1,148	4,949
		860,690	685,376
Operating profit before working capital changes		2,127,697	1,629,824
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(11,813)	6,931
Stock in trade		(178,554)	(294,990)
Trade debts		87,012	(407,551)
Loans and advances		(78,930)	86,358
Trade deposits and prepayments		(59,390)	(296)
Tax refunds, due from / to government		(65,056)	(138,183)
Other receivables		(38,747)	(12,990)
		(345,478)	(760,721)
Increase / (decrease) in current liabilities			
Trade and other payables		1,053,751	143,098
Cash generated from operations		2,835,970	1,012,201

Notes to the Financial Statements

For the year ended December 31, 2015

38. Financial risk management

38.1 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

(i) Credit risk

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

(a) Exposure to credit risk

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

	2015 Amount	2014 Amount
	Rupees in thousand	
Long term loans	7,083	6,722
Long term deposits	52,152	51,191
Trade debts	1,573,418	1,714,262
Loans and advances	8,577	8,037
Trade deposits	58,979	9,670
Other receivables	58,126	19,379
Bank balances	458,149	14,774
	2,216,484	1,824,035
Trade debts		
Foreign parties	328,501	567,629
Local parties	1,244,917	1,146,633
	1,573,418	1,714,262

	2015			2014		
	Gross debtors	Provision	Net debtors	Gross debtors	Provision	Net debtors
	<-----Rupees in thousand----->					
Neither past due nor impaired	1,481,168	-	1,481,168	1,636,471	-	1,636,471
Impaired	92,250	45,939	46,311	77,791	71,399	6,392
	1,573,418	45,939	1,527,479	1,714,262	71,399	1,642,863

(b) Credit rating of major bank accounts

Banks	Rating		Rating agency	2015	2014
	Short term	Long term		Amount	Amount
Rupees in thousand					
Bank Alfalah Limited	A1+	AA	PACRA	224,248	2,971
Askari Bank Limited	A-1+	AA-	JCR-VIS	173,500	-

(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 date.

	<-----Rupees in thousand<----->				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2015					
Long term financing	1,103,020	1,103,020	221,170	847,183	34,667
Long term deposits	3,665	3,665	-	3,665	-
Trade and other payables	2,316,136	2,316,136	2,316,136	-	-
Interest and mark-up accrued	52,986	52,986	52,986	-	-
Short term borrowings	1,662,360	1,662,360	1,662,360	-	-
	5,138,167	5,138,167	4,252,652	850,848	34,667
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	1,988,953	1,988,953	1,988,953	-	-
Interest and mark-up accrued	87,888	87,900	87,900	-	-
Short term borrowings	2,105,352	2,105,352	2,105,352	-	-
	5,318,538	5,318,550	4,356,570	914,070	47,910

Notes to the Financial Statements

For the year ended December 31, 2015

	2015 Amount	2014 Amount
	Rupees in thousand	
(a) Financial instruments by categories		
Assets as per balance sheet		
Long term loans	7,083	6,722
Long term deposits	52,152	51,191
Trade debts	1,573,418	1,714,262
Loans and advances	8,577	8,037
Trade deposits	58,979	9,670
Other receivables	58,126	19,379
Cash and bank balances	459,846	18,442
	2,218,181	1,827,703
Liabilities as per balance sheet		
Long term financing	1,103,020	1,132,680
Liabilities against assets subject to finance lease	-	-
Long term deposits	3,665	3,665
Interest and mark-up accrued	52,986	87,888
Short term borrowings	1,662,360	2,105,352
Trade and other payables	2,316,136	1,988,953
	5,138,167	5,318,538

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
USD in ('000)	2015	796	-	796	(524)	272
USD in ('000)	2014	2,156	-	2,156	(1,817)	339
EURO in ('000)	2015	2,145	42	2,187	-	2,187
EURO in ('000)	2014	2,860	25	2,885	(270)	2,615

Significant exchange rates

	<-----Rupees per----->			
	US Dollar		Euro	
	Average	Reporting date	Average	Reporting date
2015	102.74	104.60	113.53	114.32
2014	101.00	100.65	134.30	122.13

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.

	2015 Amount	2014 Amount
	Rupees in thousand	
Effect on profit and loss		
US Dollar	2,845	3,415
Euro	25,002	31,936
	27,847	35,351

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, 2015

(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:

	2015	2014	2015	2014
	Effective interest rate		Carrying amount	
	%	%	Rupees in thousand	
Fixed rate instruments				
Financial liabilities				
Long term financing	10.00 to 10.70	10.00 to 10.70	-	103,155
Floating rate instruments				
Financial liabilities				
Long term financing	6.81 to 10.60	10.50 to 10.64	1,103,020	1,029,525
Short term borrowings:				
Cash credit	6.81 to 11.07	10.41 to 11.12	(494,513)	84,297
Export refinance	4.00 to 7.00	7.00 to 9.00	2,156,873	2,021,055
			1,662,360	2,105,352
			2,765,380	3,238,032

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 2014.

	Interest rate 100 bps	
	Decrease in profit	Increase in profit
	Rupees in thousand	
As at December 31 2015		
Cash credit	(4,945)	(4,945)
Export refinance	21,569	21,569
	16,624	16,624
As at December 31 2014		
Cash credit	843	843
Export refinance	20,211	20,211
	21,054	21,054

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

38.2 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 9. 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.

		2015 Amount	2014 Amount
	Note	Rupees in thousand	
The gearing ratio as at year ended December 31			
Long term debt	9	881,850	958,315
Equity	7 & 8	3,603,069	2,963,949
Total capital employed		4,484,919	3,922,264
Gearing ratio		19.66%	24.43%

Notes to the Financial Statements

For the year ended December 31, 2015

39 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 36 are as follows:

Party name	Relationship	Nature of transactions	Amount of transactions	2015		2014	
				Closing balance Debit	Closing balance Credit	Closing balance Debit	Closing balance Credit
<---- Rupees in thousand ---->							
Speed (Private) Limited	Associated company	Investment Interest	28,541	227,208	-	204,279	-
Service Provident Fund Trust	Provident fund	Contribution	96,189	-	20,802	-	22,361
Service Industries Pension Fund Trust	Pension fund	Contribution	(5,915)	60,497	-	-	2
Service Industries Limited Employees Gratuity Fund	Gratuity fund	Contribution	24,166	-	81,551	-	60,759

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

40 Plant capacity

Footwear division

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

	Installed capacity		Actual production	
	2015	2014	2015	2014
Number of tyres	12,906,400	12,363,104	9,125,152	7,757,151
Number of tubes	30,248,400	26,969,280	27,020,832	21,726,879

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

	Un-audited	Audited
	2015	2014
Amount		
Rupees in thousand		
41 Provident fund related disclosures		
Size of the fund - Total assets	1,446,151	1,466,278
Cost of investments	941,229	910,000
Fair value of investments	1,328,783	1,356,900
Percentage of investments made	91.88%	92.54%

41.1 The break-up of investments is as follows:

	2015		2015	
	Cost of investment		Fair value of investment	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	65%	602,541	50%	659,302
PIBs / Treasury bills	9%	86,798	7%	87,187
Mutual funds	11%	106,428	8%	107,648
Listed securities	15%	145,462	35%	474,646
	100%	941,229	100%	1,328,783

	2014		2014	
	Cost of investment		Fair value of investment	
	Percentage	Amount Rupees in thousand	Percentage	Amount Rupees in thousand
Fixed income SMA / TDR	55%	501,400	38%	521,400
PIBs / Treasury bills	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

41.2 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 2015 is based on unaudited accounts.

42	Number of employees	2015	2014
	Number of employees as on December 31	9,830	9,039
	Average number of employees during the year	9,435	8,854

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

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

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

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

- Footwear
- Tyre and tube
- Technical rubber products

Notes to the Financial Statements

For the year ended December 31, 2015

< ----- Rupees in thousand----- >

	Footwear		Tyre division		Technical rubber products		Total	Total
	2015	2014	2015	2014	2015	2014	2015	2014
External sales	9,328,705	9,208,248	8,215,930	7,251,517	101	35,358	17,544,736	16,495,123
Inter - segment sales	-	-	-	-	-	-	-	-
Total revenue	9,328,705	9,208,248	8,215,930	7,251,517	101	35,358	17,544,736	16,495,123
Profit / (loss) before tax and unallocated expenses	693,978	754,181	1,380,950	968,390	(9,577)	14,635	2,065,351	1,737,206
Unallocated corporate expenses:								
Finance cost							(271,913)	(298,468)
Other operating expenses							(686,795)	(586,745)
Other operating income							160,364	92,455
Taxation							(321,160)	(171,196)
Profit after taxation							945,847	773,252
Total assets for reportable segments	4,423,137	3,908,524	4,026,899	3,346,660	21,133	39,329	8,471,169	7,294,513
Unallocated assets:							1,772,149	1,571,571
Total assets as per balance sheet							10,243,318	8,866,084
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							6,640,249	5,902,135
Total Liabilities as per balance sheet							6,640,249	5,902,135
Segment capital expenditure	343,620	121,336	374,484	916,128	-	-	718,104	1,037,464
Unallocated capital expenditure	-	-	-	-	-	-	15,521	290,470
Consolidated capital expenditure							733,625	1,327,934
Non-cash expenses other than depreciation and amortization								
Provision for slow moving stock	(58,343)	(7,545)	(10,070)	(6,266)	-	-	(68,413)	(13,811)
Depreciation and amortization expense								
Depreciation and amortization	106,226	83,097	200,526	141,745	1,770	1,980	308,522	226,822
Unallocated depreciation and amortization	-	-	-	-	-	-	14,026	6,217
Consolidated depreciation and amortization							322,548	233,039
43.1 Total profit for reportable segments							2,065,351	1,737,206
Unallocated expenses							(798,344)	(792,758)
Profit before tax							1,267,007	944,448

43.2 Revenues from one customer of the Group's footwear segments represented approximately Rs. 3,863.09 million (2014: 3,688.48 million) of the Company's total revenues.

44 **Authorization date**

These financial statements were authorized for issue by the Board of Directors on March 25, 2016.

45 **Events after the balance sheet date**

The Board of Directors in its meeting held on March 25, 2016 has proposed a final cash dividend of Rs. 25 per share (2014: Rs. 15 per share) for approval of the members at the annual general meeting to be held on April 25, 2016. The Board has also recommended to transfer Rs. Nil (2014: Nil) to general reserve from unappropriated profit.

46 **General**

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

46.2 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, 2015

Number of ShareHolders	Shareholding		Total Number of Shares Held
	From	To	
555	1	100	20,555
357	101	500	101,355
200	501	1000	145,172
149	1001	5000	324,765
28	5001	10000	198,027
8	10001	15000	90,220
3	15001	20000	58,974
3	20001	25000	68,342
3	25001	30000	80,550
1	30001	35000	33,450
3	35001	40000	107,446
2	40001	45000	82,249
2	45001	50000	95,759
1	60001	65000	64,900
1	70001	75000	72,017
1	80001	85000	82,482
2	90001	95000	187,977
1	100001	105000	104,048
1	115001	120000	118,900
1	150001	155000	153,773
1	215001	220000	215,150
1	475001	480000	477,218
1	490001	495000	493,507
1	610001	615000	610,460
1	755001	760000	758,015
1	775001	780000	780,000
1	840001	845000	842,126
2	995001	1000000	1,995,441
1	1655001	1660000	1,655,975
1	2005001	2010000	2,009,936
1,333			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	5,380,116	44.7270
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	24	874,243	7.2679
Insurance Companies	2	7,554	0.0628
Modarabas and Mutual Funds	13	2,265,753	18.8361
General Public			
a. Local	1,243	2,685,870	22.3287
b. Foreign	-	-	-
Others	39	234,215	1.9471
	1,333	12,028,789	100.0000
Shareholders holding 10% or more	2	3,665,911	30.4762

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 UBL STOCK ADVANTAGE FUND	118,900	0.9885
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	26,000	0.2161
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,655,975	13.7668
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	10,150	0.0844
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	215,150	1.7886
CDC - TRUSTEE AKD INDEX TRACKER FUND	1,288	0.0107
CDC - TRUSTEE ABL STOCK FUND	33,450	0.2781
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	35,050	0.2914
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY	27,050	0.2249
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SU	1,750	0.0145
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	93,040	0.7735
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1,200	0.0100
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	46,750	0.3887

Pattern of Shareholding

As at December 31, 2015

Categories of Shareholders	Number of Shares held	Percentage
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	4,500	0.0374
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		
	881,797	7.330
Shareholders holding five percent or more voting rights		
CH. AHMAD 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	787,500	6.5468
MR. HASSAN JAVED	758,015	6.3017
NATIONAL BANK OF PAKISTAN	842,126	7.0009
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,655,975	13.7668

To: All Shareholders of the Company

ABSTRACT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

We are pleased to inform you that the Board of Directors of the Company in their meeting held on August 27, 2015 has revised the remuneration of the Chief Executive and Working Directors of the Company. The detail is as under:

- Chief Executive Officer – Rs. 20,880,000/- per annum
- Working Directors (4) – Rs. 19,296,000/- per annum

In addition to the above, the Board also approved a Bonus @ 6% of net profit after tax to the Group Executive Committee which comprises Chief Executive Officer, Mr. Omar Saeed and Two Working Directors, Mr. Arif Saeed and Mr. Hassan Javed, for the financial year ending December 31, 2015.

There is no change in other terms and conditions of their appointment.

Yours faithfully,



Waheed Ashraf
Company Secretary

Form of Proxy

59th Annual General Meeting

I/we _____ of _____
 _____ being a member(s) of
 Service Industries Limited and holder of _____ ordinary Shares hereby appoint
 Mr. / Mrs. / Miss _____ of _____
 or failing him / her _____ of _____ as my/our proxy in my /
 our absence to attend and vote for me / us on my / our behalf at the 59th Annual General Meeting
 of the Company to be held on April 25, 2016 and / or at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _____
 day of _____ 2016 in the presence of _____

Signed this _____ day of _____ 2016

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.

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





The Company Secretary
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