Annual Report
2019

Taking it further..

Servis
Service Industries Limited

Cover Story

Equally valid for small enterprises and large corporations, staying ahead of the game is fine art for any organization out there.

Risk too much and you're running at loss, remain comfortable in your position and competition will steal your most valued customers. Defining an effective business strategy that can scale and evolve with time is paramount for a profitable venture eager to stay ahead.

Contents

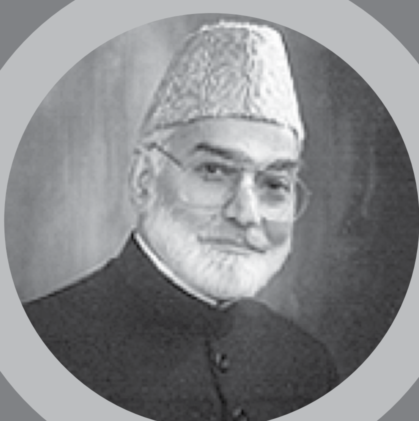
Our History

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

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

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

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



Ch. Nazar Muhammad

Ch. Muhammad Hussain

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

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

Ch Nazar Muhammad and Ch Muhammad Saeed were both Presidents of the Lahore Chamber, and Ch Nazar Muhammad also served as the President of the Federation of Chambers of Commerce and Industry as well as Chairman of the newly established Lahore Stock Exchange. He founded the Businessmen Hospital Trust and through it became the founding Chairman of the Shalamar Hospital.

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

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

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

Ch. Muhammad Saeed

Our Vision

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

" Vision is the art of seeing what is invisible to others."
- Jonathan Swift

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 conductive business environment. Evolving an effective leadership by creating a highly professional and motivated management team fully equipped to meet any challenge.

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

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

To adopt appropriate safety rules and environment friendly policies.

Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)
Non-Executive Director

Mr. Arif Saeed
(Chief Executive Officer)
Executive Director

Mr. Omar Saeed
Executive Director

Mr. Hassan Javed
Executive Director

Mr. Riaz Ahmed
Non-Executive Director

Mr. Osman Saifullah Khan
Independent Director

Mr. Rehman Naseem
Independent Director

Mr. Muhammad Amin
Independent Director

Mr. Shahid Hussain Jatoi
Independent Director

Chief Financial Officer

Mr. Badar Ul Hassan

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Muhammad Amin
Chairman

Mr. Riaz Ahmed
Member

Mr. Rehman Naseem
Member

Human Resource and Remuneration Committee

Mr. Osman Saifullah Khan
Chairman

Mr. Arif Saeed
Member

Mr. Riaz Ahmed
Member

Bankers

Allied Bank Limited
Askari Bank limited
Bank Al Habib Limited
Bank Alfalah Limited
Faysal Bank limited
Habib Bank Limited
Habib Metro Bank
ICBC Pakistan
MCB Bank Limited
MCB Islamic Bank
Meezan Bank Limited
National Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank limited
The Bank of Punjab
United Bank Limited

Auditors

M/s. Riaz Ahmad & Company,
Chartered Accountants

Legal Advisor

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

Registered Office

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

Shares Registrar

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

Pakistan Stock Exchange Limited

Stock Exchange Symbol SRVI

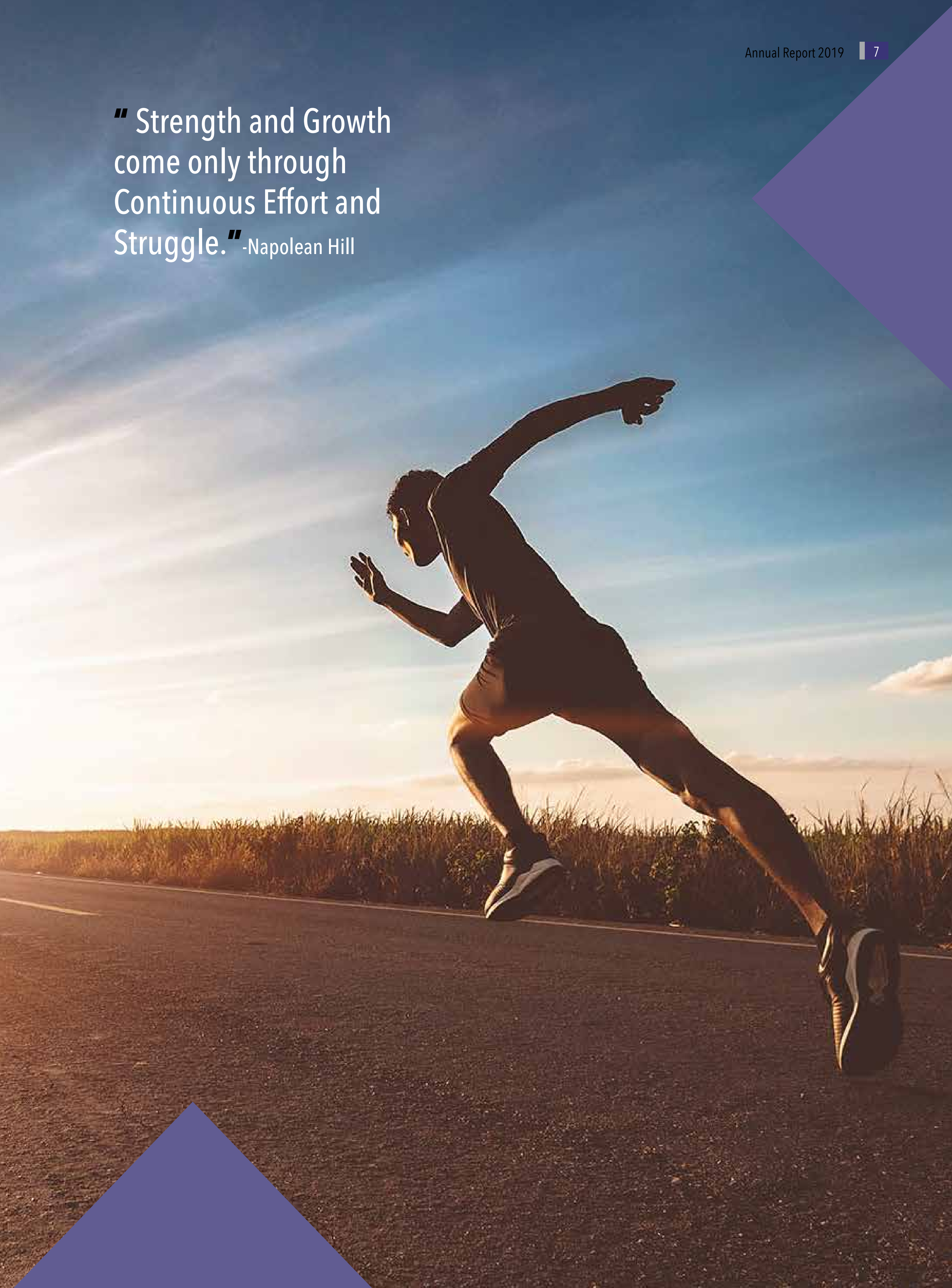
Factories

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

Web Presence

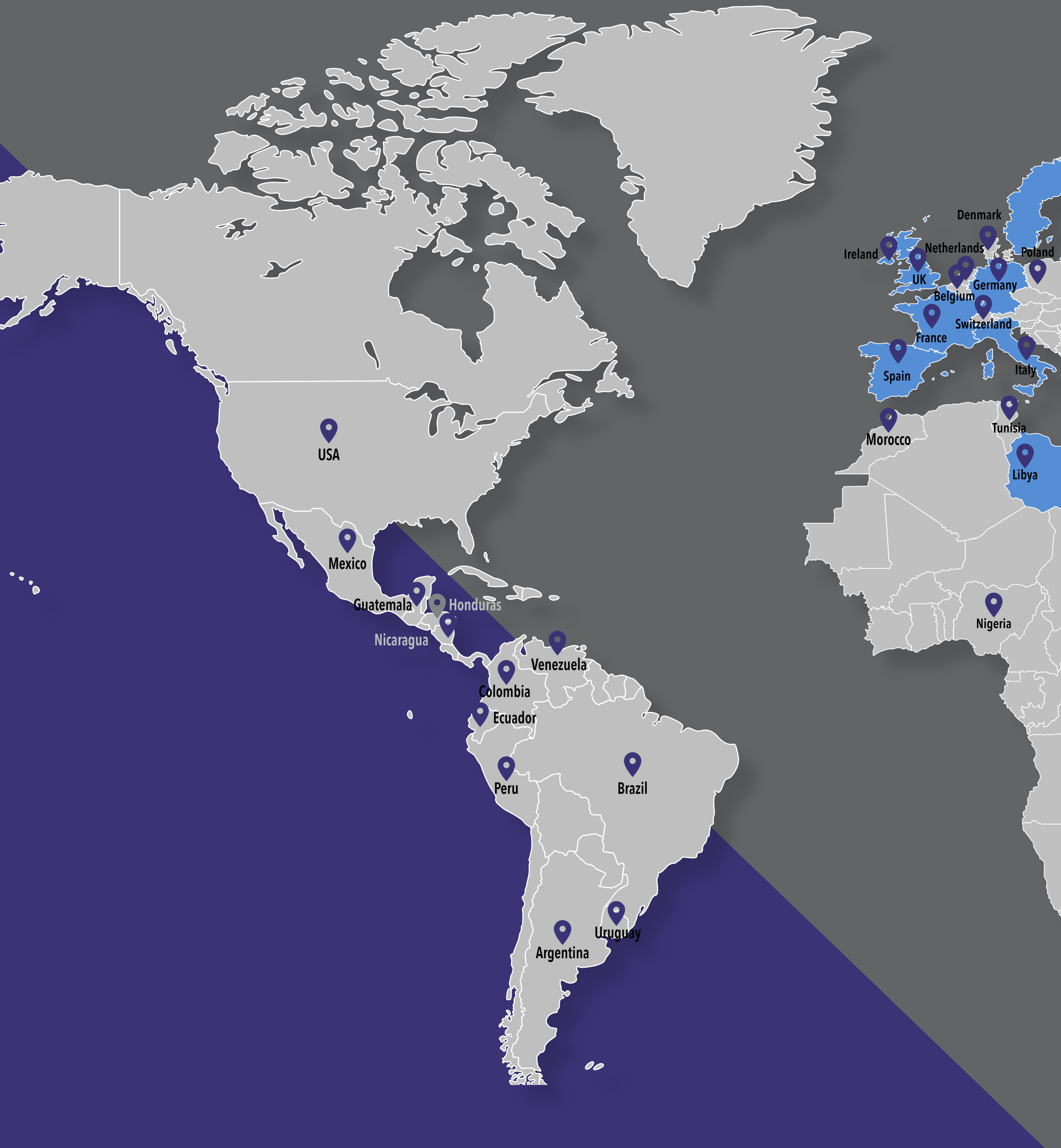
www.servisgroup.com

" Strength and Growth come only through Continuous Effort and Struggle." -Napolean Hill

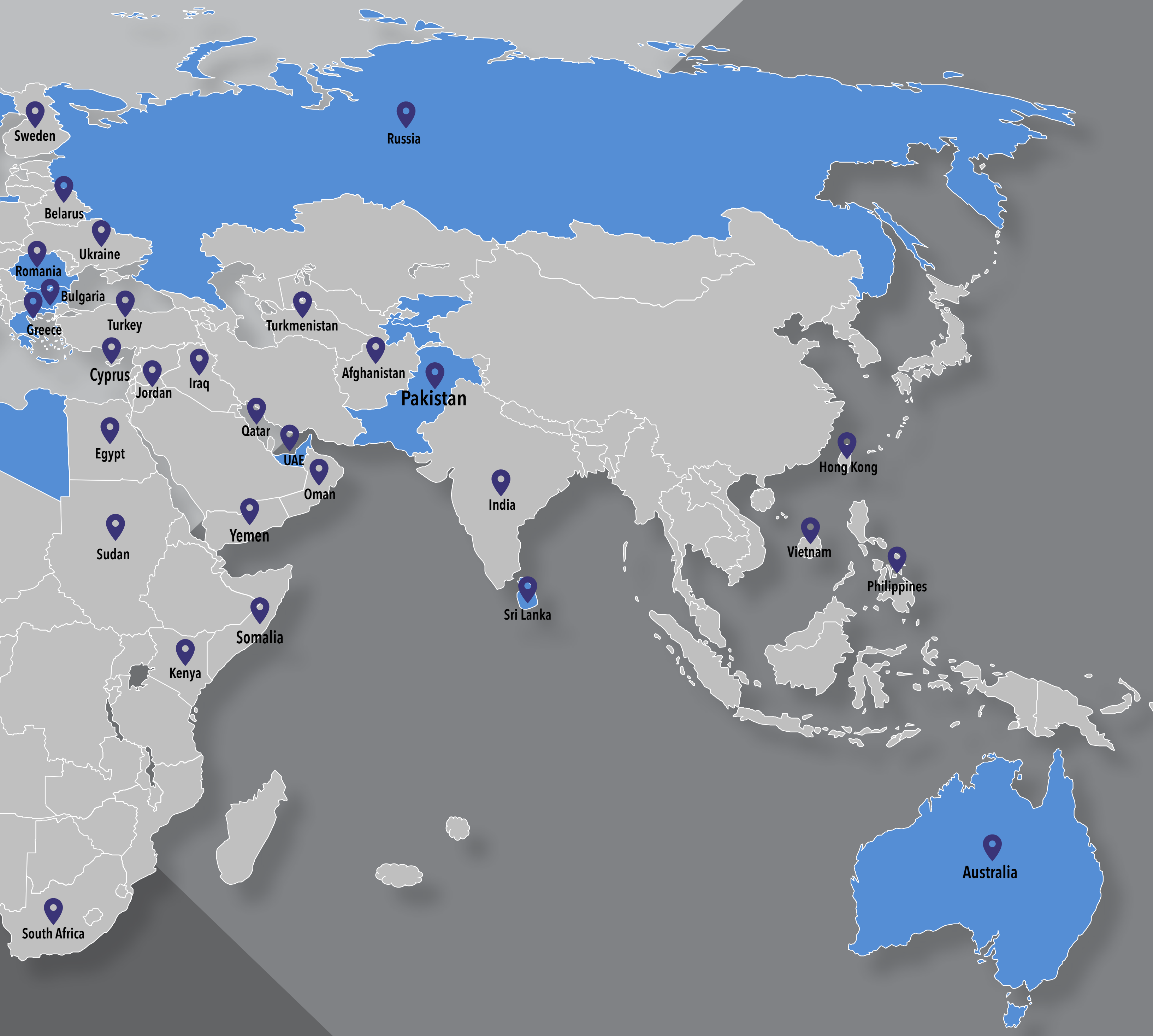


Geographical Presence

Our products are available in more than thirty countries.



" The only strategy that is guaranteed to fail is not taking risks."
– Mark Zuckerberg



Corporate Social Responsibility

"Businesses cannot be successful when the society around them fails.**"**

-Steve Jobs, Apple

INTRODUCTION

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

In late 2018, SIL decided to consolidate the delivery of this work by establishing its own independent corporate foundation by the name of Servis Foundation (SF). During 2019, as SF operationalised, it set out into becoming the custodian and implementer of all institutional CSR contributions of the company. SF, as SIL's philanthropic arm, will deliver SIL's CSR goals through a programmatic and targeted mechanism.

SIL's ultimate aim is to strive to serve its employees, customers, shareholders, communities and the environment. The intention is simple – to give back, share prosperity and help people build and grow in a sustainable way.

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

In short, our CSR & ethical business practices portfolio comprises internal initiatives, directly owned projects and institutional contributions through the Foundation.

Internal Company Initiatives

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

a) Asia's First Solar Powered Footwear Factory

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

b) Industrial Relations

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

c) Employment of females and persons with disability

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

d) Occupational Safety and Health

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

e) Consumer Protection Measures

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

f) Business Ethics and Anti-Corruption Measures

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

g) Contribution to National Exchequer

SIL has a Significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2019, SIL contributed PKR 1,155 million.


GOLDEN WHEEL

Directly Owned Community Welfare Projects

a) Chaudhry Nazar Muhammad, Muhammad Hussain Memorial Society Hospital

Located in Gandhra, Gujrat, the hospital is a primary care facility for the community, providing subsidized consultation by a General Physician, free medicines, subsidized basic lab tests and ultrasound facility. Approximately 24,000+ patient interactions are recorded at the facility annually. SIL contributed PKR 9.56 million towards the running of this set-up in 2019.

b) Shirin Javed Memorial Clinic

Located in Gujrat, the Clinic offers subsidized consultation by a General Physician, free medicines, subsidized basic lab tests and x-ray facility. 35,000+ patient interactions are recorded annually for free medication and consultation. SIL contributed PKR 2.774 million towards the running of this clinic in 2019.

c) Servis-TCF High School for Boys

Located in Gujrat and located on main GT Road, this school serves as an educational institute for the underprivileged students in the area. Operational and management control was handed over to The Citizens Foundation (TCF) in 2018; they look after the school on behalf of SF. 120+ high school students are currently enrolled here.

d) Servis-Sunbeams School, Muridke, Sheikhupura

This school is located in a village 5km from the SIL Muridke factory and enrolls more than 215 students. Operations and management are looked after by Sunbeams School System on behalf of SF since August 2019.

Institutional contributions through Servis Foundation

SIL contributed PKR 7.1 million to Servis Foundation (SF) during 2019 for the delivery of development programmes through charitable institutions. These institutional contributions included health and education spending through the following institutions:

a) Shalamar Institute of Health Sciences

SF continues SIL's tradition of annual donation to SIHS. In 2019, SF contributed PKR 5 million to SIHS chiefly for medical students' scholarships.

b) Kidney Center Gujrat

SF is the foremost donor at this facility providing free heamodialysis and subsidised kidney stone management services to almost 850 registered kidney disease patients from Gujrat and surrounding districts. SF managed the donation of a state-of-the-art lithotripter on behalf of SIL to the center in 2019. In 2019, SF contributed PKR 2 million to Kidney Center Gujrat.

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

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

d) The Citizens Foundation

SF sponsors a TCF school, namely the YPO Pakistan Campus is a primary school with a student body strength of 180 located in Mansehra District, Khyber Pakhtunkhwa. In addition, TCF has been engaged by SF to manage its own school in Gujrat as mentioned above. In 2019, SF contributed PKR 0.15 million to The Citizens Foundation.

e) Other

In 2019, SF also contributed to Lahore Biennale Foundation, to scholarships through Society for Promotion of Education, Environment and Community Health (SPEECH) for students receiving free Intermediate-level education and skills training at WISE Education Society alongside separate operational support for WISE, and Bagh-e-Rehmat High School for Girls, Lahore.

SIL seeks to strengthen SF's organisational planning, performance evaluation and governance frameworks so that meaningful programmes with promise of long-term impact may be delivered.

Notice of Annual General Meeting

Notice is hereby given that the 63rd Annual General Meeting ("AGM") of Service Industries Limited (the Company) will be held on Friday, the July 17, 2020 at 11:00 a.m. through video link facility from the registered office of the Company situated at Servis House, 2-Main Gulberg, Lahore, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the separate and consolidated audited financial statements of the Company for the year ended December 31, 2019, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

2. To approve the final cash dividend of Rs. 7.50 per share i.e. 75% 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. 20 per share i.e. 200% for the year ended December 31, 2019.

3. To appoint Auditors and to fix their remuneration. The members are hereby given notice that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s. Riaz Ahmad & Company, Chartered Accountants for re-appointment as auditors of the Company.

Special Business:

4. To approve, as recommended by the Directors, issue of bonus shares in proportion of 25 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. @ 25%).

5. To consider and if deemed fit, to pass the following resolution as Special Resolution, with or without modification, addition(s) or deletion(s):

   Resolved that pursuant to the requirements of Section 199 and other applicable provisions of the Companies Act 2017, Service Industries Limited (the Company) be and is hereby authorized to issue Cross Corporate Guarantees up to PKR 8 Billion (Rupees Eight Billion Only) in favor of financial institutions / lenders of Service Long March Tyres (Private) Limited (SLM), a subsidiary company, to secure financial assistance to be extended to SLM, for a period up to one (1) year starting from the date of issuance of the guarantees subject to terms and conditions mentioned in the statement under Section 134(3) of the Companies Act, 2017.

   Further resolved that the commission to be charged by the Company to Service Long March Tyres (Private) Limited on any outstanding amount of issued Guarantee shall be 0.1% per quarter (exclusive of all applicable taxes) on the outstanding amount of Guarantee.

   Further resolved that the Chief Executive or any Director of the Company be and is hereby singly authorized to take any and / or all actions to implement and give effect to the above resolution and to complete any or all necessary required corporate and legal formalities including signing and execution of agreement(s) for the purpose of implementation of the above resolution.

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

By Order of the Board

Lahore
June 26, 2020

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from July 10, 2020 to July 17, 2020 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on July 09, 2020 will be considered in time for the purpose of entitlement of final cash dividend and bonus shares to the transferees and to attend and vote at the AGM.

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

3. In view of the recent spike in number of Covid-19 cases, gravity of the Coronavirus Pandemic on public health, increased number of causalities and instructions of the Government / institutions to consider the provision of video link facility for conducting meetings, the Annual General Meeting will be held virtually via video-link for the safety and well being of our valued shareholders and general public.

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

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

   The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on July 10, 2020. The shareholders are also encouraged to send their comments / suggestions, related to the agenda items of the AGM on the above mentioned e-mail address or WhatsApp Number 0309 1560943 by the close of business hours (5:00 p.m.) July 10, 2020. For any query, the members may please contact at aforesaid email or WhatsApp Number.

4. In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website www.servisgroup.com and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's Broker/Participant/CDC Account Services.

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

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

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

Notice of Annual General Meeting

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

Folio / CDC Account No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder

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.

5. A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.

6. The Company has placed the Audited Annual Financial Statements for the year ended 31 December 2019 along with Auditors and Directors Reports thereon and Chairman's Review Report on its website: www.servisgroup.com.

7. Members having physical shares are requested to immediately notify the change in their addresses, if any to our Shares Registrar, whereas CDC account holders are requested to contact their CDC Participant / CDC Account Services.

8. For any query / problem / information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 35916719, e-mail address: corplink786@gmail.com and / or the Company: Mr. Tahir Maqsood, Phone No. 042-35751990, email address: shareholders@servis.com.

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

This statement sets out the material facts concerning the Special Businesses to be transacted at the Annual General Meeting of the Company to be held on July 17, 2020.

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

The Board of Directors in their meeting held on June 25, 2020 have recommended issue of bonus shares in proportion of 25 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. 25%) and decided that a sum of Rs. 46,987,450 be appropriated from the free reserves for issue of 4,698,745 Bonus Shares. After the issue of bonus shares, the paid-up capital of the Company will increase to Rs. 234,937,270. The Directors are of the opinion that the reserves of the Company are adequate for capitalization of Rs. 46,987,450 for issue of proposed bonus shares.

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

"Resolved that

(i) A sum of Rs. 46,987,450 (Rupees forty six million nine hundred eighty seven thousand four hundred fifty) out of the free reserves of the Company be capitalized and applied towards issue of 4,698,745 Ordinary Shares of Rs. 10 each as bonus shares in the proportion of 25 Ordinary Shares for every 100 Ordinary shares (i.e., @25%) held by every Member whose name appears on the Members' Register at the close of business on July 09, 2020.

(ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended December 31, 2019.

(iii) Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.

(iv) The Chief Executive Officer or any Director be and is hereby authorized to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares."

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

Item No. 5 of the Agenda - Issuance of Cross Corporate Guarantees

Service Industries Limited ("SIL") entered into a Joint Venture Agreement with, Chaoyang Long March Tyre Co. Ltd, ("LM"), a Chinese Company and Myco Corporation, Pakistan for setting up a Joint Venture Company in Pakistan for the manufacturing of Truck and Bus radial category of tyres ("TBR Tyres"). Accordingly, a Joint Venture Company under the name of Service Long March Tyres (Private) Limited ("SLM") was incorporated in Pakistan on January 07, 2020 with an authorized share capital of Rs. 10,000,000,000 (Rupees ten billion only) divided into 1,000,000,000 ordinary shares of Rs. 10 each. The Current paid-up capital of the SLM is PKR 1,500,000,000 which is held by its following shareholders:

Service Industries Limited	51%
Chaoyang Long March Tyre Co., Ltd.	44%
Mr. Shabir Ahmad of Myco Corporation, Pakistan	5%

The project cost of the Joint Venture Company in Phase 1 is estimated to be US$ 100,000,000 i.e., equivalent to PKR 16 Billion, which will be financed through equity and debt contributions equally. Hence the debt contribution in the Joint Venture Company will be up to PKR 8 Billion.

To meet the collateral requirements of the Banks, SIL is required to provide Cross Corporate Guarantees of up to PKR 8 Billion (Rupees Eight Billion Only) in favor of financial institutions / lenders of Service Long March Tyres (Private) Limited for securing financial assistance to be extended to SLM for a tenure up to 1 year.

The Directors have certified that they have carried out their due diligence for the proposed issuance of guarantees before recommending it for members approval and financial health of subsidiary will be such that it will honor its commitments with the financial institutions.

The signed recommendation of due diligence shall be made available to the members at the meeting. The subsidiary was incorporated only on 07 January, 2020 hence no financial statements are available.

Notice of Annual General Meeting

The information required to be disclosed to the members under S.R.O No. 1240(I)/2017 dated 06 December 2017 Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017, is as follows:

Ref. No.	Requirement		Information
(a)	**Disclosure for all types of investments:**		
	(A) Disclosure regarding associated company		
(i)	Name of associated company or associated undertaking		Service Long March Tyres (Private) Limited
(ii)	Basis of relationship		- Common Directorship - Subsidiary company with 51% shareholding
(iii)	Earnings per share for the last three years		Not applicable, Service Long March Tyres (Private) Limited was incorporated on 07 January 2020.
(iv)	Break-up value per share, based on latest audited financial statements		The subsidiary company was incorporated on 07 January 2020.
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements		The subsidiary company was incorporated on 07 January 2020.
(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely		
	(I)	Description of the project and its history since conceptualization	SIL entered into a joint venture agreement with Chaoyang Long March Tyre Co., Ltd., a Chinese Company and Myco Corporation of Pakistan for setting up a production facility in Pakistan ("Project") for the manufacturing and sale of truck and bus radial category of tyres ("TBR Tyres"), to serve the progressive demand of local as well as exports to other countries. Pursuant to the Agreement, a Joint Venture Company under the name and style of Service Long March Tyres (Private) Limited was incorporated on January 07, 2020. The total cost of the Project is estimated to be around US$ 250,000,000 and the targeted production capacity is 2.4 million tyres per annum. The Project will be set up in three phases. In Phase 1, the production capacity of the Project will be 0.6 million tyres per annum which will be doubled to 1.2 million tyres in Phase 2 and in Phase 3, the production capacity would be further enhanced to 2.4 million tyres per annum.

	(II)	Starting date and expected date of completion of work	The work on the project has been started in 1st quarter of 2020. The project work is expected to be completed in the 2nd Quarter of 2021.
	(III)	Time by which such project shall become commercially operational	Estimated by 2nd Quarter of 2021 approximately.
	(IV)	Expected time by which the project shall start paying return on investment	In financial year 2022/2023.
	(V)	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	The following funds have been invested by the promotors, sponsors and associated companies to date: Service Industries Limited PKR 765,000,000 Chaoyang Long March Tyre Co., Ltd. PKR 660,000,000 Mr. Shabir Ahmad of Myco Corporation PKR 75,000,000
	(B) General Disclosures		
(i)	Maximum amount of investment to be made		Cross Corporate Guarantee for an amount up to PKR 8 Billion (Rupees Eight Billion Only).
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment		To support the subsidiary for its joint venture project. The completion of the Project of SLM will be beneficial for SIL, the holding company, inter alia, in terms of dividend which will enhance the profitability of SIL and add to its shareholders value. SIL will also earn commission income over the duration of guarantee.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds		Not applicable
	(I)	Justification for investment through borrowings	Not applicable.
	(II)	Detail of Collateral, guarantees provided and assets pledged for obtaining such funds	Not applicable.
	(III)	Cost of benefit analysis	Not applicable.
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment		Agreement will be executed before issuing the guarantee with the terms and conditions as approved by the shareholders. The salient features of the agreement are as under: 1. SIL will issue Cross Corporate Guarantees up to PKR 8 Billion in favor of financial institutions / lenders on behalf of SLM for a period upto one year.

Notice of Annual General Meeting

<table>
<tr><td></td><td></td><td>2. Commission will be charged to SLM @ 0.1% per quarter (exclusive of all applicable taxes) on the outstanding amount of Guarantee.
3. The commission will be paid quarterly by SLM to SIL within 30 days of the end of each quarter.
4. In case of delay in commission payment, SIL will charge a penalty to SLM @ 8.50% per annum on the unpaid commission amount for the period for which the payment is delayed.</td></tr>
<tr><td>(v)</td><td>Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration</td><td>The Directors, Chief Executive, Sponsors, majority shareholders of SIL and their relatives have no interest, directly or indirectly, in Service Long March Tyres (Private) Limited or transactions under consideration, except in their capacities as being Directors, Chief Executive and the sponsors of Service Long March Tyres (Private) Limited.

The Company is currently holding 51% shareholding in SLM.

Moreover, none of the Director of SIL hold any share in his individual capacity in Service Long March Tyres (Private) Limited.

Service Long March Tyres (Private) Limited does not hold any share in SIL.

Following are the present shareholdings of Directors in SIL:

<table><tr><td>Name of Director</td><td>Shareholding</td></tr><tr><td>Chaudhry Ahmed Javed</td><td>824,906</td></tr><tr><td>Mr. Arif Saeed and his spouse</td><td>2,006,910</td></tr><tr><td>Mr. Omar Saeed</td><td>1,954,087</td></tr><tr><td>Mr. Hassan Javed</td><td>3,625,810</td></tr><tr><td>Mr. Osman Saifullah Khan</td><td>156</td></tr><tr><td>Mr. Rehman Naseem</td><td>1,250</td></tr><tr><td>Mr. Riaz Ahmed</td><td>4,000</td></tr><tr><td>Mr. Muhammad Amin</td><td>62</td></tr></table>
Out of above Directors of SIL, four Directors Chaudhry Ahmed Javed, Mr. Arif Saeed, Mr. Omar Saeed and Mr. Hassan Javed are also the Directors of Service Long March Tyres (Private) Limited and they hold shares in SIL as stated above.</td></tr>
</table>

(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	Service Industries Limited has already made an equity investment of US$ 4,954,021 equivalent to Rs. 765,000,000 in the subsidiary Company. Since the subsidiary company is establishing a green field project, no performance review is applicable and possible at this stage. Further, there is no impairment or write off relating to the equity investment made so far.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	**Additional disclosure in case of Investments in the form Guarantees**	
(i)	Category-wise amount of investment	PKR 8 Billion (Rupees Eight Billion Only) as Cross Corporate Guarantee.
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	The current average borrowing cost of SIL for the 1st Quarter ended March 31, 2020 is 6.15% per annum. 3 Months KIBOR as on 17-06-2020 is 8.12% per annum. SIL is paying a commission in the range of 0.04% to 0.1% per quarter to the Guarantee issuing financial institution.
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	SIL shall charge SLM a commission of 0.1% per quarter (exclusive of all applicable taxes) on the outstanding amount of Guarantee to be paid within 30 days of the end of each quarter.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Demand Promissory Note of the subsidiary company.
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	SIL shall recover the commission from SLM on quarterly basis.

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

Name of Investee Company	Service Long March Tyres (Private) Limited	S2 Power Limited
Total Investment Approved	Long term equity investment up to US$ 30,600,000 that is equivalent to Rs. 4,738,410,000 for purchase of 473,841,000 shares was approved by the members in EOGM held on February 03, 2020 for the period of three (3) years.	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. The validity of resolution for investment in S2 Power Limited was extended, in the EOGM of the Company held on July 28, 2017, for further three (3) years i.e., up to July 27, 2020.
Amount of Investment made to date	An investment of US$ 4,954,021 that is equivalent to Rs. 765,000,000 has been made so far by the Company.	An investment of Rs. 240,000 has been made so far by the Company.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time	No deviation. The investment will be made as and when funds are required by the subsidiary Company.	The investment will be made as and when funds are required by the associated Company.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company	There is no material change in the financial statement of the company since the date of passing of special resolution.	As per audited financial statements for the year ended June 30, 2018 the balance sheet size was Rs. 3, loss after tax was Rs. 125,522 and loss per share was Rs. 2.51. As per latest audited financial statements for the year ended June 30, 2019 the balance sheet size is Rs. 2,447, loss after tax is Rs. 166,306 and loss per share is Rs. 3.33.

Information under Regulation 3(4) of the Regulations.

The documents relating to special business can be inspected by the shareholders in the general meeting as provided under Regulation 3(4) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

" Without continual growth and progress, such words as improvement, achievement, and success have no meaning."
– Benjamin Franklin

Board of Directors

Chaudhry Ahmed Javed
Chairman

Mr. Arif Saeed
Chief Executive Officer

Mr. Omar Saeed
Director

Mr. Hassan Javed
Director

Mr. Muhammad Amin
Director

Mr. Riaz Ahmed
Director

Mr. Osman Saifullah Khan
Director

Mr. Rehman Naseem
Director

Mr. Shahid Hussain Jatoi
Director

Group Executive Committee

Mr. Arif Saeed
Chief Executive Officer

Mr. Arif Saeed graduated from Oxford University. He has served as the CEO of Dar Es Salaam Textile Mills Limited from 1992 to 2006. He has also been Chairman of the All Pakistan Textile Mills Association (APTMA) and the Lahore Stock Exchange, and served on the Board of Sui Northern Gas Pipelines Limited (SNGPL). Mr. Saeed has been the founder Chairman of Quaid e Azam Solar Power Company, Punjab Thermal Power Company and National Power Parks Management Company (Private) Limited which altogether successfully set up four leading power plants in the public sector.

Mr. Omar Saeed
Director

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

Omar has recently been appointed Chief Executive Officer of Service Long March Tyres (Private) Limited, a Joint Venture between Service Industries Limited and Chaoyang Long March Tyre Co., Ltd. Additionally, Omar serves as the Chief Executive Officer of Servis Foundation.

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

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

Mr. Hassan Javed
Director

Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. He is 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 (Private) Limited. He has also served as the chairman of Pakistan Footwear Manufacturers Association for a year.

Value Added and its Distribution

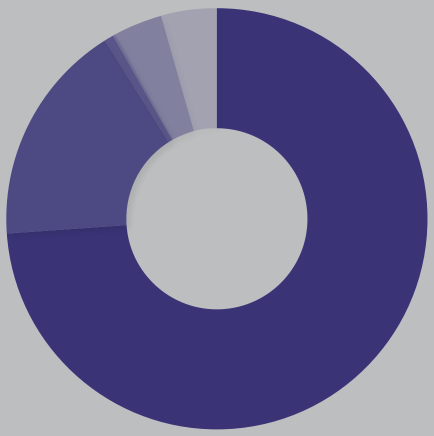
	2019 (Rs in '000)	2019 %	2018 (Rs in '000)	2018 %
Wealth Generated				
Sales	26,156,201		24,080,265	
Other income	332,450		262,420	
Bought-in-material & services	(19,711,097)		(17,993,127)	
	6,777,554	100	6,349,558	100
Wealth Distributed				
To Employees				
Remuneration, benefits, and facilities	3,847,946	57	3,897,236	61
To Government				
Taxation	186,661	3	143,978	2
Workers welfare fund	21,899	0	8,302	0
To Society				
Donation	49,705	1	48,605	1
To Lenders				
Dividend	616,474	9	264,634	4
Mark up & finance cost	1,123,589	17	588,940	9
Retained for Reinvestment & Future Growth				
Depreciation	660,075	10	600,011	9
Amortization	1,315	0	1,179	0
Retained profit	269,890	4	796,673	13
Unappropriated profit, depreciation & amortization	931,280	14	1,397,863	22
	6,777,554	100	6,349,558	100

The 2019 figures excludes financials of Muridke Footwear Undertaking for the six months, July 2019 to December 2019, in accordance with the Scheme of Compromises, Arrangements and Reconstruction entered between Service Industries Limited and its wholly owned subsidiary, Service Global Footwear Limited, sanctioned by Lahore High Court, Lahore on 15 January 2020.

Wealth Generated and Distributed

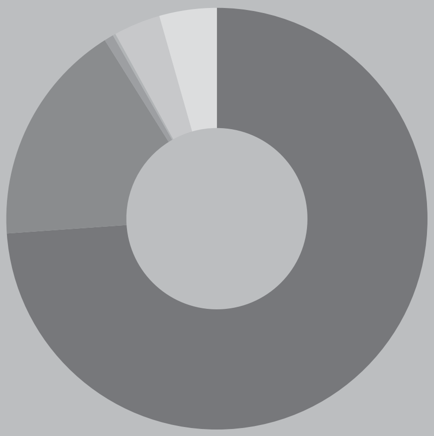
2019

	Amount	%
Bought-in-material & services	19,711,097	74.41
To Employees	3,847,946	14.53
To Government	208,560	0.79
To Society	49,705	0.19
To Lenders	1,740,063	6.57
Retained for Reinvestment & Future Growth	931,280	3.52
Total	**26,488,651**	**100**



2018

	Amount	%
Bought-in-material & services	17,993,127	73.88
To Employees	3,897,236	17.18
To Government	152,280	0.71
To Society	48,605	0.22
To Lenders	853,574	3.59
Retained for Reinvestment & Future Growth	1,397,863	4.42
Total	**24,342,685**	**100**



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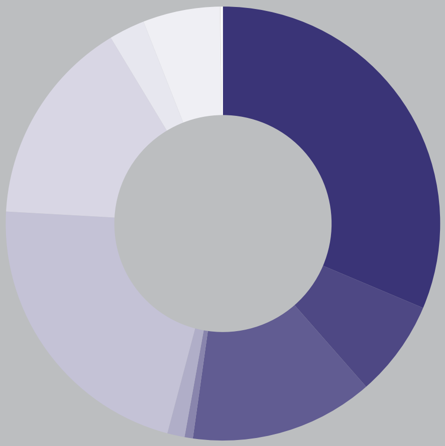
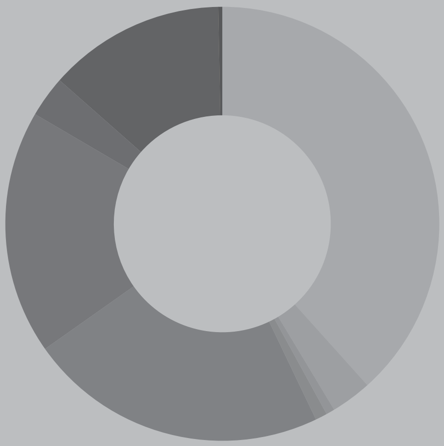
" Everyone wants to live on top of the mountain, but all the happiness & growth occurs while you're climbing it."
- Andy Rooney

Balance Sheet Composition

Fixed and Current Assets

	2019
Property, Plant and equipment	31%
Right-of-use assets	7%
Long term investments	14%
Long term loans and deposits	1%
Stores and spares	1%
Stock in trade	22%
Trade debts - net	15%
Advances and prepayments	3%
Other receivables	6%
Cash and bank balances	0%





	2018
Property, Plant and equipment	38%
Right-of-use assets	0%
Long term investments	3%
Long term loans and deposits	1%
Stores and spares	1%
Stock in trade	23%
Trade debts – net	18%
Advances and prepayments	3%
Other receivables	13%
Cash and bank balances	0%

Equities and Liabilities

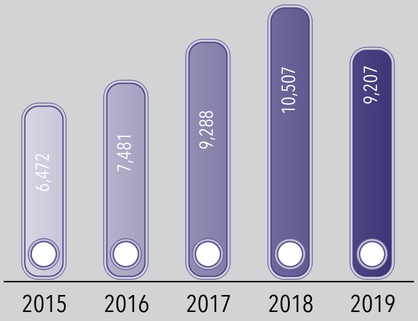
	2019
Equity & reserves	30%
Long term financing	14%
Non current liabilities	8%
Current liabilities	48%

	2018
Equity & reserves	31%
Long term financing	14%
Non current liabilities	3%
Current liabilities	52%

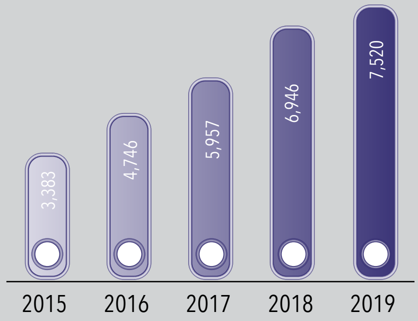
The 2019 figures excludes financials of Muridke Footwear Undertaking for the six months, July 2019 to December 2019, in accordance with the Scheme of Compromises, Arrangements and Reconstruction entered between Service Industries Limited and its wholly owned subsidiary, Service Global Footwear Limited, sanctioned by Lahore High Court, Lahore on 15 January 2020.

Analytical Review

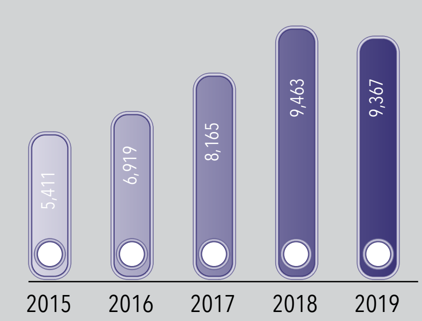
Current Assets
Rupees in million



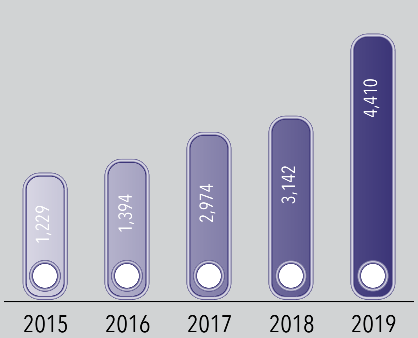
Fixed Assets and Right-of-use Asset
Rupees in million



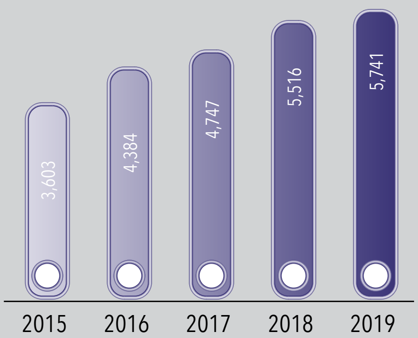
Current Liabilities
Rupees in million



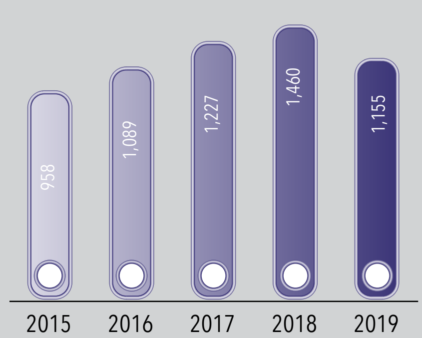
Long Term Liabilites
Rupees in million



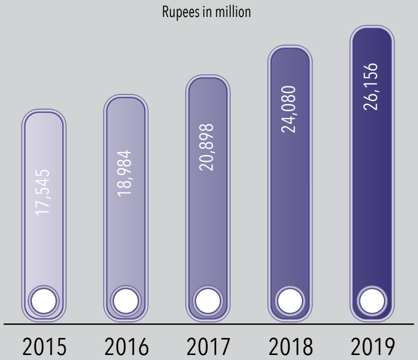
Reserve
Rupees in million



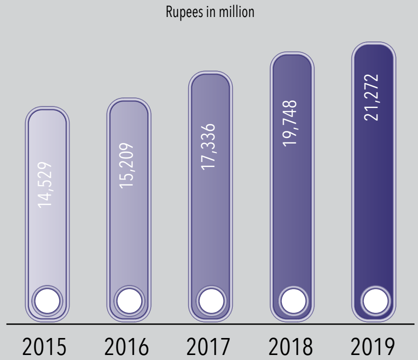
Contribution to Exchequer
Rupees in million



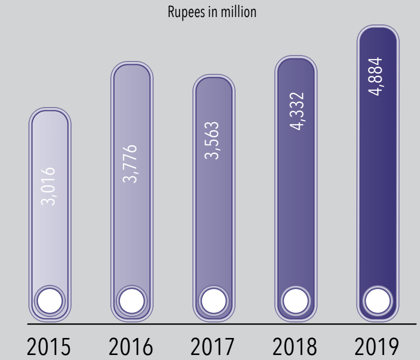
Net Sales
Rupees in million



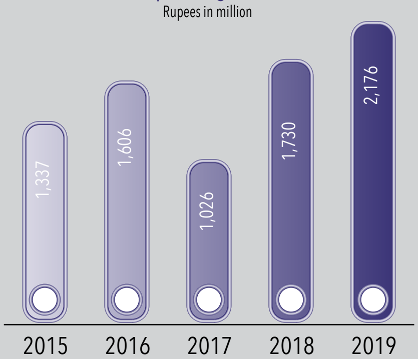
Cost of Sales
Rupees in million



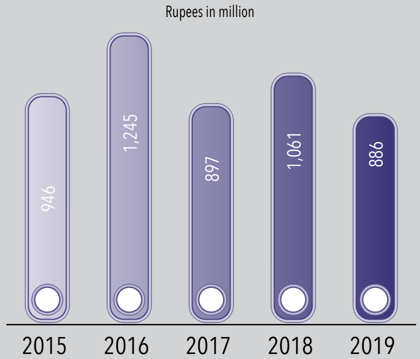
Gross Profit
Rupees in million



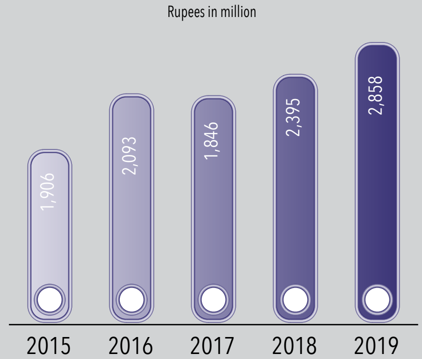
Operating Profit
Rupees in million



Net Profit
Rupees in million



EBITDA
Rupees in million



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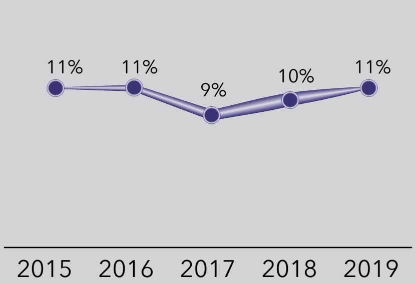
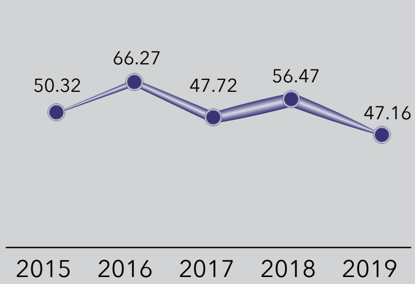
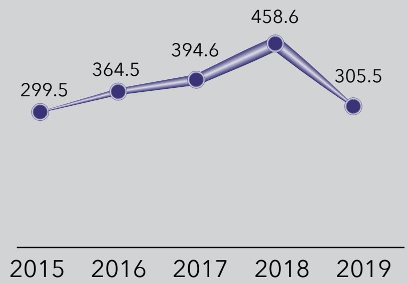
EBITDA Margins to Sales
in percentage



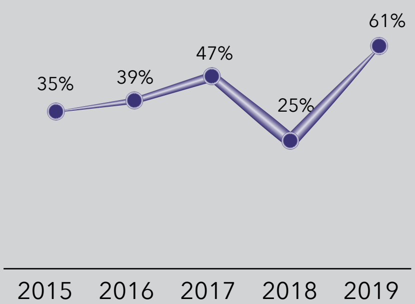
Earning per share
Rupees



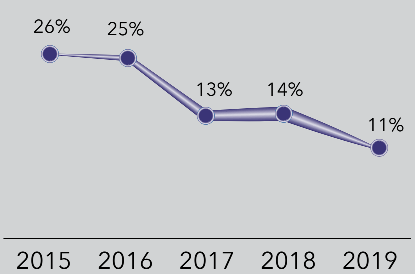
Breakup Value
Rupees



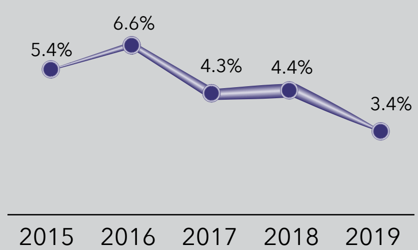
Dividend Payout
in percentage



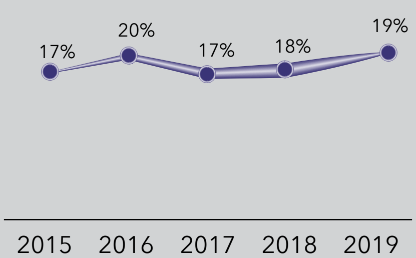
Return on Capital Employed
in percentage



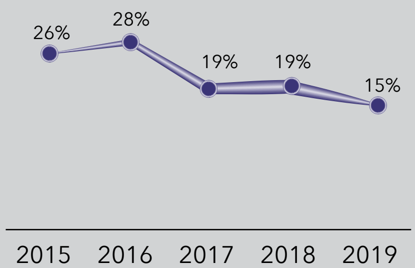
Net Profit Margin
in percentage



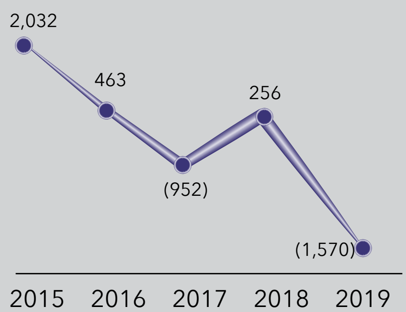
Gross Profit Margin
in percentage



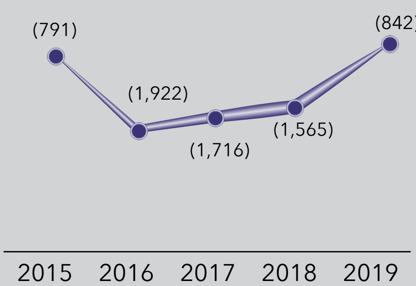
Return on Equity
in percentage



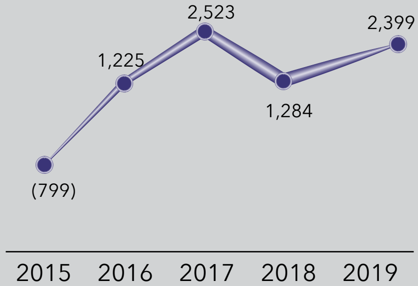
Cash Flows from Operating Activities
Rupees in million



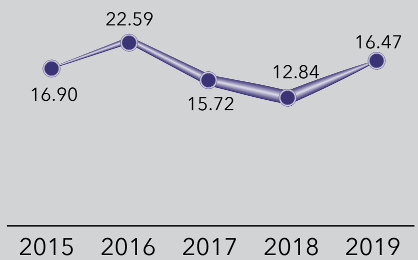
Cash Flows from Investing Activities
Rupees in million



Cash Flows from Financing Activities
Rupees in million



Price Earning Ratio
in times



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Six Years at a Glance

Description	2019	2018	2017	2016	2015	2014
	Rupees in million					
Sales	26,156	24,080	20,898	18,984	17,545	16,495
Gross profit	4,884	4,333	3,563	3,776	3,016	2,712
Profit before tax	1,073	1,205	1,042	1,469	1,267	944
Profit after tax	886	1,061	897	1,245	946	773
Share capital	188	120	120	120	120	120
Share holder's equity	5,741	5,516	4,747	4,384	3,603	2,964
Property, plant & equipment	6,117	6,946	5,957	4,746	3,383	2,985
Total assets	19,519	18,121	15,885	12,697	10,243	8,866
Net current assets	(160)	1,044	1,123	562	1,061	998
Market Value Per Share (Rs.)	777	725	750	1,497	850	975
Dividend (%)						
Cash - Interim	125	-	85	150	125	100
Cash - Final	75	300	220	265	250	150
Bonus Shares	50	25	-	-	-	-
Profitability (%)						
Gross Profit	18.67	17.99	17.05	19.89	17.19	16.44
Profit Before Tax	4.10	5.01	4.98	7.74	7.22	5.72
Profit After Tax	3.39	4.41	4.29	6.56	5.39	4.69
Return to Shareholders						
R.O.E -Before Tax (%)	18.69	21.85	21.95	33.52	35.16	31.86
R.O.E -After Tax (%)	15.43	19.24	18.89	28.41	26.25	26.09
E.P.S-After Tax (Rs.)	47.16	56.47	47.72	66.27	50.32	41.14
Price Earning Ratio	16.47	12.84	15.72	22.59	16.90	23.70
Activity (Times)						
Sales To Total Assets	1.34	1.33	1.32	1.50	1.71	1.86
Sales To Fixed Assets	4.28	3.47	3.51	4.00	5.19	5.53
Inventory Turnover Ratio	5.13	4.96	5.22	5.58	5.24	5.35
Interest Coverage Ratio	2.54	3.06	4.05	7.20	5.00	3.85
Liquidity/Leverage						
Current Ratio	0.98	1.11	1.14	1.08	1.20	1.22
Break-up Value per Share	305.46	458.58	394.62	364.45	299.54	246.40
Total Liabilities To Equity	2.40	2.29	2.35	1.90	1.84	1.99
Debt Equity Ratio	38:62	38:62	38:62	21:79	23:77	27:73

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" Every problem is a gift – without problems we would not grow.**"**
-Anthony Robbins

Horizontal Analysis

	2019		2018		2017		2016		2015	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Balance Sheet										
Equity & Reserve	5,741,208	4.1	5,516,165	16.2	4,746,761	8.3	4,383,940	21.7	3,603,069	21.6
Long term financing	2,770,768	5.9	2,617,155	7.6	2,431,930	143.7	998,021	13.2	881,850	(8.0)
Non Current Liabilities	1,639,506	212.4	524,871	(3.1)	541,668	36.8	396,060	14.1	346,996	5.1
Current Liabilities	9,367,141	-1.0	9,462,932	15.9	8,164,511	18.0	6,918,703	27.9	5,411,403	17.3
	19,518,623	7.7	18,121,123	14.1	15,884,870	25.1	12,696,724	24.0	10,243,318	15.5
Non Current Assets										
Property Plant and Equipment	6,117,464	-11.9	6,946,303	16.6	5,957,312	25.5	4,745,935	40.3	3,382,700	13.3
Right-of-use assets	1,403,090	100%	-		-		-		-	
Intangible Assets	2,688	4.9	2,562	175.8	929	(65.8)	2,720	(51.8)	5,640	(30.3)
Long term investments	2,668,005	385.2	549,917	5.4	521,663	39.5	373,855	15.6	323,520	58.4
Long term loans & deposits	120,664	4.5	115,460	(1.4)	117,155	25.5	93,387	57.7	59,235	2.3
Current Assets										
Stores, Spares and Loose Tools	252,240	58.2	159,415	30.2	122,467	22.2	100,205	(12.5)	114,570	6.0
Stock in-trade	4,247,068	5.0	4,044,171	3.2	3,917,187	43.5	2,729,738	0.4	2,719,856	4.4
Trade Debts	3,021,121	-8.5	3,300,338	18.0	2,797,402	12.7	2,483,211	62.6	1,527,479	(7.0)
Loans, Advances & Receivables	390,886	-15.7	463,549	56.9	295,456	0.8	293,228	25.5	233,671	51.0
Trade Deposits and Prepayments	131,628	40.8	93,469	(29.1)	131,883	53.8	85,769	11.8	76,719	342.7
Other Receivables	1,125,266	-53.0	2,392,179	23.0	1,944,231	33.2	1,460,044	9.0	1,340,082	25.8
Cash and Cash Equivalents	38,503	-28.4	53,761	(32.1)	79,184	(64.8)	224,887	(51.1)	459,847	2393.5
	19,518,623	7.7	18,121,123	14.1	15,884,870	25.1	12,696,724	24.0	10,243,318	15.5

	2019		2018		2017		2016		2015	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Profit & Loss										
Net Sales	26,156,201	8.0	24,080,265	15.2	20,898,174	10.1	18,984,428	8.2	17,544,736	6.4
Cost of Sales	21,271,958	7.7	19,747,583	13.9	17,335,541	14.0	15,208,729	4.7	14,528,670	5.4
Gross Profit	4,884,243	9.1	4,332,682	21.6	3,562,633	(5.6)	3,775,699	25.2	3,016,066	11.2
Administration and selling expenses	3,020,079	7.8	2,800,877	10.4	2,536,846	16.9	2,169,555	29.2	1,678,801	8.1
Other income	312,202	456.8	198,491	(44.5)	357,867	257.9	99,996	(59.4)	246,158	109.6
Operating profit	2,176,366	25.8	1,730,296	68.7	1,025,787	(36.1)	1,606,144	20.1%	1,337,265	15.4
Financial charges	1,123,589	90.8	588,940	72.3	341,885	44.3	236,845	(25.1)	316,416	(4.6)
Share of profit	20,248	(68.3)	63,929	0.0	-	0.0	-	0.0	-	-
Profit before taxation	1,073,025	(11.0)	1,205,285	15.7%	1,041,769	(29.1)	1,469,295	16.0	1,267,007	34.2
Provision for taxation	186,661	29.6	143,978	(0.7)	144,954	(35.2)	223,808	(30.3)	321,160	87.6
Profit after taxation	886,364	(16.5)	1,061,307	18.3	896,815	(28.0)	1,245,487	31.7	945,847	22.3

The 2019 figures excludes financials of Muridke Footwear Undertaking for the six months, July 2019 to December 2019, in accordance with the Scheme of Compromises, Arrangements and Reconstruction entered between Service Industries Limited and its wholly owned subsidiary, Service Global Footwear Limited, sanctioned by Lahore High Court, Lahore on 15 January 2020.

Vertical Analysis

	2019		2018		2017		2016		2015	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Balance Sheet										
Equity & Reserve	5,741,208	29.4	5,516,165	30.4	4,746,761	29.9	4,383,940	34.5	3,603,069	35.2
Long term financing	2,770,768	14.2	2,617,155	14.4	2,431,930	15.3	998,021	7.9	881,850	8.6
Non Current Liabilities	1,639,506	8.4	524,871	2.9	541,668	3.4	396,060	3.1	346,996	3.4
Current Liabilities	9,367,141	48.0	9,462,932	52.2	8,164,511	51.4	6,918,703	54.5	5,411,403	52.8
	19,518,623	100.0	18,121,123	100.0	15,884,870	100.0	12,696,724	100.0	10,243,318	100.0
Non Current Assets										
Property Plant and Equipment	6,117,464	31.3	6,946,303	38.3	5,957,312	37.5	4,745,935	37.4	3,382,700	33.0
Right-of-use assets	1,403,090	7.2	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Intangible Assets	2,688	0.0	2,562	0.0	929	0.0	2,720	0.0	5,640	0.1
Long term investments	2,668,005	13.7	549,917	3.0	521,663	3.3	373,855	2.9	323,520	3.2
Long term loans & deposits	120,664	0.6	115,460	0.6	117,155	0.7	93,387	0.7	59,235	0.6
Current Assets										
Stores, Spares and Loose Tools	252,240	1.3	159,415	0.9	122,467	0.8	100,205	0.8	114,570	1.1
Stock in-trade	4,247,068	21.8	4,044,171	22.3	3,917,187	24.7	2,729,738	21.5	2,719,856	26.6
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Trade Deposits and Prepayments	131,628	0.7	93,469	0.5	131,883	0.8	85,769	0.7	76,719	0.7
Other receivables	1,125,266	5.8	2,392,178	13.3	1,944,231	12.2	1,460,044	11.5	1,340,082	13.1
Short term Investments	-	0.0	-	0.0	-	0.0	103,745	0.8	-	0.0
Cash and Cash Equivalents	38,503	0.2	53,761	0.3	79,185	0.5	224,887	1.8	459,847	4.5
	19,518,623	100.0	18,121,123	100.0	15,884,870	100.0	12,696,724	100.0	10,243,318	100.0

	2019		2018		2017		2016		2015	
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Profit & Loss										
Net Sales	26,156,201	100.0	24,080,265	100.0	20,898,174	100.0	18,984,428	100.0	17,544,736	100.0
Cost of Sales	21,271,958	81.3	19,747,583	81.5	17,335,541	83.0	15,208,729	80.1	14,528,670	82.8
Gross Profit	4,884,243	18.7	4,332,682	18.5	3,562,633	17.0	3,775,699	19.9	3,016,066	17.2
Administration and selling expenses	3,020,079	11.5	2,800,877	11.6	2,536,846	12.1	2,169,555	11.4	1,678,801	9.6
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Financial charges	1,123,589	4.3	588,940	2.4	341,885	1.6	236,845	1.2	316,416	1.8
Share of profit	20,248	0.1	63,929	0.3	-	0.0	-	0.0	-	0.0
Profit before taxation	1,073,025	4.1	1,205,285	5.0	1,041,769	5.0	1,469,295	7.7	1,267,007	7.2
Provision for taxation	186,661	0.7	143,978	0.6	144,954	0.7	223,808	1.2	321,160	1.8
Profit after taxation	886,364	3.4	1,061,307	4.4	896,815	4.3	1,245,487	6.6	945,847	5.4

The 2019 figures excludes financials of Muridke Footwear Undertaking for the six months, July 2019 to December 2019, in accordance with the Scheme of Compromises, Arrangements and Reconstruction entered between Service Industries Limited and its wholly owned subsidiary, Service Global Footwear Limited, sanctioned by Lahore High Court, Lahore on 15 January 2020.

Chairman's Review

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Service Industries Limited ("the Company") showing overall performance of the Company and effectiveness of the leadership in attaining the Company's aims and objectives for the year ended December 31, 2019.

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

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

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

During the financial year 2019, the Board successfully achieved targets and objectives set for the growth of the Company by performing the following functions:

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

The Board of the company is fully committed to add value to the shareholders' wealth. Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final cash dividend of Rs. 7.50 per share and bonus shares of @ 25%.

Chaudhry Ahmed Javed
Chairman

June 25, 2020
Lahore

" Growth is never by mere chance, it is the result of forces working together."

- Jmaes cash Penney

Directors' Report to the Shareholders

The Board of Directors of Service Industries Limited (SIL) is pleased to present to you its Annual Report along with the audited financial statements of the Company for the year ended December 31, 2019 ("FY 2019").

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017. This report is to be submitted to the members at the Annual General Meeting of the Company to be held on 17 July 2020.

We are pleased to report that the core manufacturing operations of the Company have shown significantly improved performance in a challenging and competitive environment. We continue to believe that both Pakistan's Footwear and Tyre Industries have great potential for growth.

In 2019, the Company continued to operate in challenging circumstances amid trade disputes between the largest trading countries in the world, uncertainly surrounding Brexit and Pakistan's own current account deficit problems. After a 26% devaluation in 2018, the Pakistan Rupee lost its value against the US Dollar by a further 12% in 2019. However, the overall effect of the devaluation was a gradual but certain improvement in the current account, largely on the back of import suppression. Your Company is reasonably diversified, and has significant export business in the footwear division, and increasingly also in tyres and tubes.

Economic growth was subdued which affected our local businesses in the shape of lower motorcycle and tractor sales (down 22% and 38% respectively in 2019 compared with 2018). Footwear retail sales, both for our Company and for our customers showed hardly any growth over the previous year. Against this backdrop your Company was able to achieve a 24% growth in sales from Rs 24.230 billion in 2018 to Rs 30.058 billion in 2019 in its consolidated financial statements.
The company performed well by delivering revenue growth in spite of the challenging environment and managed a healthy profitability in both Footwear and Tyre Divisions against last year.

Scheme of Compromises, Arrangements and Reconstruction

In accordance with the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017 entered between SIL and its wholly owned subsidiary, Service Global Footwear Limited (SGFL), approved by the shareholders of SIL and shareholders of SGFL on 14 December 2019 and sanctioned by the Honorable Lahore High Court, Lahore vide its order dated 15 January 2020, the undertaking comprising the assets, liabilities, rights, entitlements and obligations of SIL has been split into two (2) separate segments i.e. Muridke Footwear Undertaking and Retained Undertaking. The segment comprising all the assets, liabilities, rights, entitlements and obligations of Muridke Footwear Plant has been carved out / bifurcated from SIL and stand merged / amalgamated with, transferred to, vested in, and be assumed by SGFL with effect from 01 July 2019 against issuance of shares by SGFL to SIL in accordance with the Scheme.

This bifurcation / merger / amalgamation will allow SIL to act as a Holding Company in respect of SGFL and to oversee, supervise and control the same (to the extent applicable). The managements of SIL and SGFL shall independently operate the businesses on a regular basis. This structure will result in the businesses being managed and carried out in a more effective and efficient manner, thus benefitting the shareholders.

The Financial Statements of SIL for the year ended December 31, 2019 have been prepared in accordance with the sanctioned scheme. Hence, the financial results of Muridke Footwear Plant for the six months (July to December 2019) are not included in the financial statements of SIL. These financial results have been included in the separate financial statements of SGFL. Since SGFL is a wholly owned subsidiary of SIL, the consolidated financials of SIL and its subsidiaries will reflect these results.

Below you will find a comparison between "SIL financial results of 2018" and "SIL financial results of 2019 minus financial results of Muridke Footwear Plant for July to December 2019". The comparison of consolidated financial results of SIL and its subsidiaries of 2018 with consolidated financial results of SIL and its subsidiaries of 2019 is also given below.

Key Performance Indicators (KPIs) for FY 2019 v/s FY 2018
Please find below key performance indicators of separate financials of Service Industries Limited (including financials of Muridke Footwear Undertaking for six months only i.e. January 2019 to June 2019) for the year ended December 31, 2019.

Particulars	FY 2019 Rs'000	FY 2018 Rs'000 Restated	Percentage Change
Net Sales	26,156,201	24,080,265	9%
Operating profit	2,176,366	1,730,296	26%
Profit before tax	1,073,025	1,205,285	-11%
Net profit after tax	886,364	1,061,307	-16%

Please find below key performance indicators of consolidated financials of Service Industries Limited and its Subsidiaries (including SGFL) for the year ended December 31, 2019.

Particulars	FY 2019 Rs'000	FY 2018 Rs'000 Restated	Percentage Change
Net Sales	30,058,321	24,229,643	24%
Operating profit	2,615,818	1,668,450	57%
Profit before tax	1,586,621	1,176,802	35%
Net profit after tax	1,359,009	1,029,697	32%

Export Footwear

Footwear Export Business of SIL showed impressive growth in revenue and profitability as compared to last year, as a result of our strategy of investing in diversification of our export customer base and in business development.

The combined export revenue of SIL and SGFL increased by 35% in the year ended December 31, 2019 as compared to the previous year. We also enhanced production capacity by 14% in 2019 to 3.2 million pairs. Our Muridke plant also earned the status of an Export Oriented Unit (EOU), taking advantage of the government's export facilitation scheme of duty and import tax exemption. This will result in significant savings and improve our cash flows.

The benefits of investment in diversifying our customer base resulted in adding a renowned US men's footwear brand to our customer list. The scale of the opportunity in the US market has led us to invest in additional production capacity and manpower in 2019.

Our core strength is in-house product development to cater the demand of new markets and the fast-changing retail landscape of the world. This facility helps us participate prominently in international fairs, and in developing new markets. This is an essential part of our strategy to develop new customers and continue to grow our export sales.

Domestic Footwear

Our domestic footwear sales showed a slight increase as compared to last year. We are looking towards broadening our domestic customer base. Product development and innovation will be our main focus for reviving growth in domestic manufacturing. Management is focused on increasing corporate sales emphasizing mainly on sales to law enforcing agencies of Pakistan which have become an increasingly important customer of SIL in recent years.

In our retail business, we faced a slight decline in the top line which can be associated with the eroding purchasing power of the consumer and price escalation driven by rising inflation. Some of the measures taken for enhancing retail business helped us in achieving cash break even at shop level. These include increase in intake margin by price increases and product localization, staff rationalization to enhance sales force productivity and rental re-negotiations wherever possible.

The wholesale business was able to sustain its profitability through a strong product portfolio. Gross margin improvement through product localization was one of the key areas of focus in year 2019 for this business. Due to the slowdown in the economy, debt collection remained a challenge in 2019.

Tyre Division

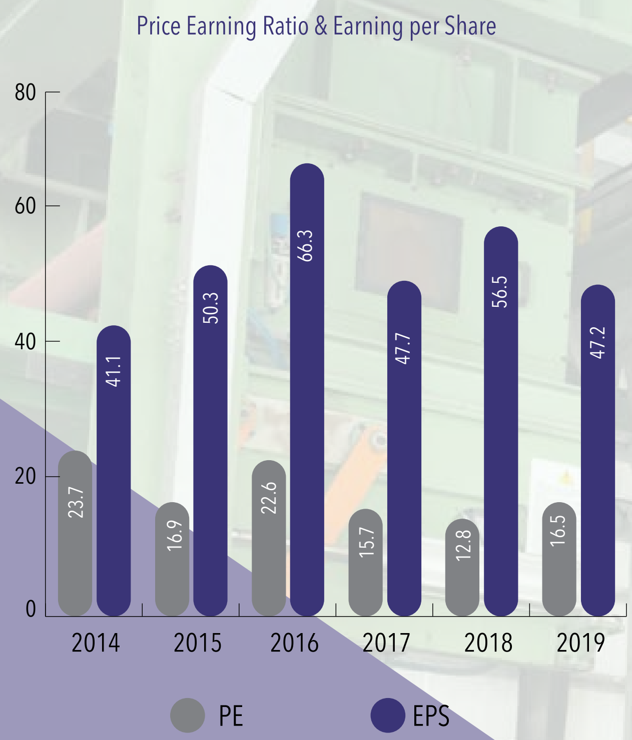
Tyre Division, as the major revenue contributor, has shown a top line growth of almost 27% in 2019 with a better profitability compared to 2018. In the aftermath of an election year, 2019 witnessed its own set of economic challenges including current account deficit, an IMF bailout package with conditions leading to massive inflation, balance of payment crisis and continued rupee devaluation. Another challenge faced by the Tyre division was inclusion of tyres and tubes in the Third Schedule of Sales Tax Act 1990 by the Federal Board of Revenue. There was also widespread uncertainty due to the condition of mentioning CNIC number on all sales above Rs 50,000. Despite these challenges, our Tyre Division strategically managed its market position and capitalized on the brand image of Servis Tyres.

The agricultural tyre production facility went online in 2019, and at the time of writing, our products have been very well received in the market. This new product line will help us continue to grow our topline and also improve our profitability. The addition of Ultra-Light Truck (ULT) and AGRI Tyre segments will also help us to capitalize on the more profitable segments of the market.

Earning Per Share (EPS)

The earnings per share of the Company stood at PKR 47.16 during the year ended 31st December as compared to PKR 56.47 during last year reflecting a decrease of 16.49%. This decrease in EPS is primarily due to the presentation of financial statements of SIL in accordance with the approved Scheme of Compromises, Arrangement and Reconstruction entered between SIL and SGFL, wherein the financial results of Muridke Footwear Plant for the six months from July 2019 to December 2019 are not included in the separate Financial Statements of SIL but are included in the separate financial statements of SGFL (and subsequently reflected in the Consolidated Financial Statements of SIL).

Directors' Report to the Shareholders



There is retrospective effect on EPS due to issuance of bonus shares in FY 2019

Dividend and Appropriations

Following is the summary of appropriations made during FY 2019

	PKR in million
Accumulated equity as at January 01, 2019	5,394
Total comprehensive income for FY 2019	896
Final Dividend @ PKR 30 per ordinary share for FY 2018	(361)
Interim Dividend @ PKR 12.5 per ordinary share	(188)
Accumulated equity as at December 31, 2019	5,741

The Board of Directors of the Company has recommended final cash dividend of Rs. 7.50 per share (2018: Rs. 30 per share) in their meeting held on 25 June 2020 along with the issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by its members i.e. @ 25% (2018: 25%). The Board of Directors of the Company had also approved an interim cash dividend of Rs. 12.50 per share in their meeting held on 24 October, 2019 along with issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by the members i.e. @ 25% .

Key Operating and Financial Data of last 6 Years

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

Evaluation of Company's Performance

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

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

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

The Board ensures that the Company adopts the best practices of Corporate Governance. The Board also reviews performance of business segments at each quarter with an aim to improve the low performing segments and at the same time further opportunities of growth are emphasized in all profitable segments.

Cash Flows & Capital Expenditure

The Company's cash requirements for working capital are managed mainly through internal cash generation with some reliance on external financing. For Capital Expenditure, financing is done through banks and Financial Institutions. The cash flow and funding requirements are effectively monitored. The company continuously re-invests its surplus funds to make the required levels of investments in business necessary to sustain long term growth. Cash outflows from operations were recorded at negative PKR (1,571) million in the year ended 2019 as compared to positive PKR 257 million recorded in the last year. The negative impact of operating cash flow is due to the presentation of financial statements of SIL in accordance with the approved Scheme of Compromises, Arrangement and Reconstruction entered between SIL and SGFL. wherein the financial results of Muridke Footwear Undertaking for the six months from July 2019 to December 2019 are not included in the separate Financial Statements of SIL but are included in the separate financial statements of SGFL. During the current year, the company made a capital investment of Rs.723 million (2018: Rs. 1.6 billion) mainly on account of Capex incurred in Agri tyre & tube segment.

" All change is not growth, as all movement is not forward."

– Ellen Glasgow

Directors' Report to the Shareholders

Risks, Uncertainties and Mitigations.

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

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

Environment, Health and Safety (Ehs)

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

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

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

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

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

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

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

g) Contribution to National Exchequer
SIL has a significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2019, SIL contributed PKR 1,155 million on this account.

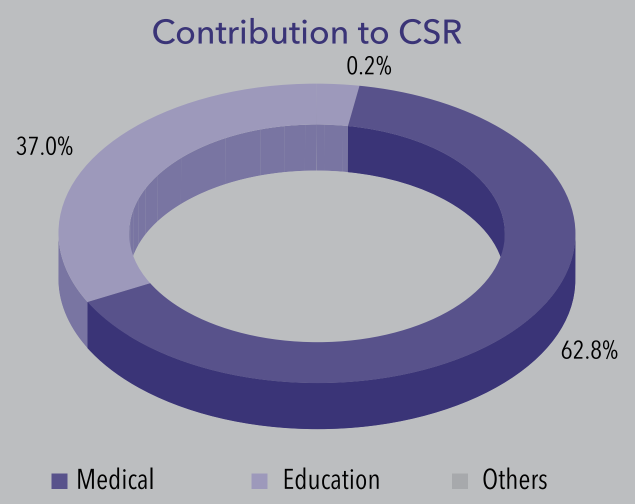
CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

In late 2018, SIL decided to consolidate the delivery of this work by establishing its own independent corporate foundation by the name of Servis Foundation (SF). During 2019, as SF operationalized, it set out into becoming the custodian and implementer of all institutional CSR contributions of the Company. SF, as SIL's philanthropic arm, will deliver SIL's CSR goals through a programmatic and targeted mechanism.

During the year, the Company contributed PKR 49.7 million on account of CSR activities in various sectors.

Growth is a spiral process, doubling back on itself, reassessing and regrouping.
– Julia Margaret Cameron



COMPANY'S FUTURE OUTLOOK

We are hopeful that the Company's ability to deliver strong, profitable growth by driving a robust investment strategy, supported by conducive customer-oriented needs will help the Company to accelerate growth.
Management at SIL is truly committed to delivering strong shareholder value in tough economic environment in Pakistan. The strength of our Brands coupled with the unique mix of talent and capability that we add to the market makes us well positioned to continue as a leader in both Footwear and Tyre business.

COVID-19

The COVID-19 outbreak has developed rapidly in 2020. The pandemic has not only resulted in significant number of infections but has also adversely impacted the global economy. The Punjab Government through Notification NO. SO (IS-II) dated March 23, 2020 ordered lockdown in entire province giving exemptions to specific institutes and industries. The management of your Company has established crisis management team. This team is analyzing the situation on daily basis and taking prompt actions to implement all possible preventive measures and to ensure continuity of business operations. During this time, your Company has endeavored to maintain business performance despite slowed down economic activity.

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

EQUITY INVESTMENT IN SERVICE LONG MARCH TYRES (PRIVATE) LIMITED.

SIL entered into a Joint Venture Agreement with, Chaoyang Long March Tyre Co. Ltd, ("LM"), a Chinese Company and Myco Corporation, Pakistan for setting up a Joint Venture Company in Pakistan for the manufacturing and sale of Truck and Bus radial category of all steel tyres ("TBR Tyres") on November 18, 2019. Accordingly, a Joint Venture Company under the name of Service Long March Tyres (Private) Limited ("SLM") was incorporated in Pakistan on January 07, 2020 with an authorized share capital of Rs. 10,000,000,000 (Rupees ten billion only) divided into 1,000,000,000 ordinary shares of Rs. 10 each. The current paid-up capital of the SLM is PKR 1,500,000,000 which is held by the shareholders in the following proportion:

Service Industries Limited	51%
Chaoyang Long March Tyre Co., Ltd.	44%
Mr. Shabir Ahmad (Myco Corporation)	5%

The total cost of the Project is estimated to be USD 250 million and the targeted production capacity is 2.4 million tyres per annum.

The project is expected to be installed in following Phases:

- Phase I: The Project will commence with a production capacity of 0.6 million tyres per annum with an investment of around USD 100 million.

- Phase 2: The Project capacity will be doubled to 1.2 million tyres per annum with a further investment of around USD 50 million.

- Phase 3: Production capacity would be gradually increased to 2.4 million tyres per annum with further investment of around USD 100 million. This is the size of the plant which is mandatory to achieve sustainable economic viability & to go deep in the global market and also to compete with big giants from China as well as around the globe.

SLM is the first TBR tyres manufacturing and research-based Project of its kind in Pakistan with complete transfer of technology right from the commencement of the Project.

The Project will be set up on land measuring 50 acres in Sindh Industrial Trading Estate ("S.I.T.E"), Nooriabad, Sindh. Commercial production of the Project is tentatively expected to commence in the second quarter of 2021. The Project is expected to export around 85 % of the total production capacity to other countries all over the world.

The shareholders of the Company in their Extraordinary General Meeting (EOGM) held on February 03, 2020 authorized the company to make an equity investment of USD 30.60 million in equivalent Pakistan rupees in SLM. To date, the Company has made an equity investment of Rs. 765 million in SLM.

ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is determined to meet and wherever possible, exceed in all legal and ethical requirements and to conduct all businesses according to the highest professional and ethical standards and practices. The Board defines a path of continuous improvement constantly challenging existing processes. It also requires the Company to embrace change so that the Company is in the right place when new opportunities open. This also means attracting the best talent in the marketplace and giving them the skills and opportunities, they need to become high achievers. The Company constantly reviews its portfolio to provide answers to society's most vital challenges, enabling it to create sustainable value for its shareholders.

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

STATEMENT OF COMPLIANCE

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

DIRECTORS' STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK.

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

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account have been maintained by the Company.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements.

e) The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

h) The Key operating and financial data for the last six years is annexed to the annual report.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

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

DIRECTORS' REMUNERATION

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

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

During the year ended December 31, 2019, the following amounts were charged in the financial statements for remuneration including benefits to Chief Executive Officer and Executive Directors:

a) Rs. 63.723 million (2018: 57.970) was paid to the Chief Executive Officer.

b) Rs. 62.746 million (2018: 55.106) was paid to one Executive Director and Rs. 27.219 million (2018: 55.106 million) was paid to the other Executive Director.

Composition of Board and Committees

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

Audit Committee

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

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

Name of Member	Attendance
Mr. Muhammad Amin - Chairman	4
Mr. Riaz Ahmed – Member	4
Mr. Rehman Naseem – Member	0

Human Resource and Remuneration Committee

The Human Resource & Remuneration Committee comprises of three members one of whom is Independent Director, one is Non-Executive Director and one is Executive Director. The Chairman of the Committee is an Independent Director. The Committee is involved in making recommendations to the Board regarding executives' remuneration, performance evaluation and succession planning etc. The Committee held one (1) meeting during the year. Attendance by each member was as follows:

Name of Member	Attendance
Mr. Osman Saifullah Khan - Chairman	1
Mr. Arif Saeed - Member	0
Mr. Riaz Ahmed - Member	1

Meetings of the Board of Directors

During the year under review, seven (7) meetings of the Board of Directors of the Company were held and the attendance position is as follows:

Name of Director	Attendance
Mr. Ahmed Javed	0
Mr. Arif Saeed	7
Mr. Omar Saeed	7
Mr. Hassan Javed	5
Mr. Osman Saifullah Khan	4
Mr. Rehman Naseem	3
Mr. Riaz Ahmed	7
Mr. Muhammad Amin	7
Mr. Shahid Hussain Jatoi	7

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

Management Committee

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

External Auditors

The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending December 31, 2020.

Investments in Retirement Benefits

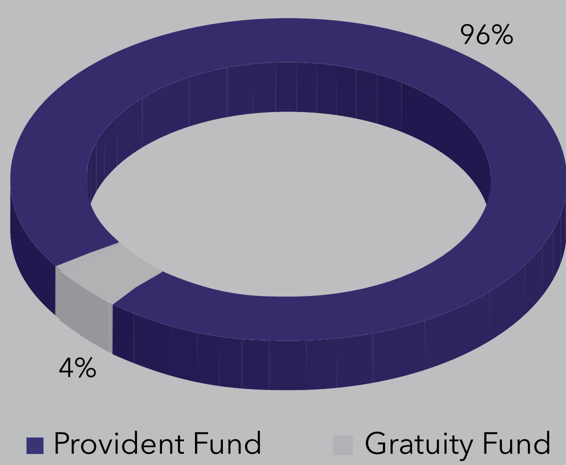
The Company maintains retirement benefits plans for its employees which are regulated through the respective Board of trustees. The value of investments of these funds as per their respective audited financial statements, are as follows

	December 31, 2019	December 31, 2018
	(Rupees in million)	
Provident Fund	1,523	1,013
Gratuity Fund	64	82

Pattern of Shareholding

The pattern of shareholding as at December 31, 2019 along with disclosure as required under the Code of Corporate Governance is included in this Annual Report. All trades in the shares of the Company, if any, carried out by the Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children are also annexed.

Value of Investment



Post Balance Sheet Event

No material changes and commitments affecting the financial position of the Company occurred between 31 December 2019 and 25 June 2020 except for the declaration of final cash dividend of Rupees 7.50 per share (i.e. 75%) along with issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by the members (i.e. 25%) which is subject to approval of members in the forthcoming Annual General Meeting and as disclosed in the accompanying audited financial statements of the Company for the year ended 31 December 2019 more specifically in Note 46.2 which shed light on the challenges and risks emanating from the outbreak of the COVID-19 and specific measures undertaken by the Company.

Acknowledgment

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

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

For and on behalf of the board

Chaudhry Ahmed Javed
Chairman

Arif Saeed
Chief Executive

June 25, 2020
Lahore

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

Name of Company: Service Industries Limited
Year ended: December 31, 2019

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

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

    a. Male: 9
    b. Female: 0

2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Osman Saifullah Khan Mr. Rehman Naseem Mr. Muhammad Amin Mr. Shahid Hussain Jatoi
Non-Executive Directors	Chaudhry Ahmed Javed Mr. Riaz Ahmed
Executive Directors	Mr. Omar Saeed Mr. Arif Saeed Mr. Hassan Javed

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

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

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

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

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

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

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

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

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

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

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

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

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

a) Audit Committee

Names	Designation held
Mr. Muhammad Amin	Chairman
Mr. Riaz Ahmed	Member
Mr. Rehman Naseem	Member

b) HR and Remuneration Committee

Names	Designation held
Mr. Osman Saifullah Khan	Chairman
Mr. Arif Saeed	Member
Mr. Riaz Ahmed	Member

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

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

    a) Audit Committee:
    Four quarterly meetings were held during the financial year ended December 31, 2019.

    b) HR and Remuneration Committee:
    One meeting of HR and Remuneration Committee was held during the financial year ended December 31, 2019.

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

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

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

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

Chaudhry Ahmed Javed	**Arif Saeed**
Chairman	Chief Executive

June 25, 2020
Lahore

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2019.

RIAZ AHMAD & COMPANY
Chartered Accountants

Place: Lahore.
Date: June 25, 2020

Auditors' Report to The Members

To the members of Service Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Service Industries Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No	Key audit matters	How the matters were addressed in our audit
1	**Revenue recognition** The Company recognized net sales of Rupees 26,156.201 million for the year ended 31 December 2019. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets. For further information on revenue, refer to the following: - Summary of significant accounting policies, Revenue from contracts with customers note 2.19 to the financial statements. - Sales – net note 28 to the financial statements.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; and • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. We also considered the appropriateness of disclosures in the financial statements.
2	**Stock-in-trade** As at 31 December 2019, stock-in-trade is stated at Rupees 4,247.068 million. Stock-in-trade is measured at the lower of cost and net realizable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 21.76% of total assets of the Company as at 31 December 2019, and the judgment involved in valuation. For further information on stock-in-trade, refer to the following: - Summary of significant accounting policies, Stock-in-trade note 2.16 to the financial statements. - Stock-in-trade note 22 to the financial statements.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; and • Assessing accuracy of inventory ageing reports and adequacy of provisions.

Sr. No	Key audit matters	How the matter was addressed in our audit
3	**Application of IFRS 16 'Leases'** The Company has adopted IFRS 16 'Leases' with effect from 01 January 2019. IFRS 16 introduces a single on statement of financial position lease accounting model for leases entered into by lessees. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Company has changed its accounting policy for operating leases which are now recognized on the statement of financial position. The Company has accordingly recognized right-of-use assets and lease liabilities amounting to Rupees 1,358.761 million and Rupees 1,350.879 million respectively as at 01 January 2019. The comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions of the standard. The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this a key audit matter. For further information on leases, refer to the following: - Summary of significant accounting policies, Leases note 2.9 to the financial statements. - Lease liabilities and Right-of-use assets note 8 and note 17 to the financial statements respectively.	Our audit procedures included the following: • obtaining an understanding of the management's process for identification of agreements which contain leasing arrangements; • evaluating the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts; • on a sample basis, testing the underlying data used by the management from the lease contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on a test basis to assess the accuracy of computations performed by the management; and • assessing whether the presentation and disclosures relating to the adoption of IFRS 16 in the financial statements are in compliance with the applicable financial reporting framework.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The financial statements for the year ended 31 December 2018 were audited by another firm of Chartered Accountants whose auditor's report dated 03 April 2019 expressed unqualified opinion.

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.
Date: June 25, 2020

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Financial Statements

Statement of Financial Position

As at December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2018: 100,000,000)			
Ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, Subscribed and Paid up share capital	4	187,950	120,288
Reserves	5	5,553,258	5,395,877
		5,741,208	5,516,165
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	2,770,768	2,617,155
Long term deposits	7	2,406	3,243
Lease liabilities	8	1,302,055	-
Employees' retirement benefit	9	148,408	180,446
Deferred income tax liability - net	10	186,637	341,182
		4,410,274	3,142,026
CURRENT LIABILITIES			
Trade and other payables	11	2,707,757	2,739,985
Accrued mark-up	12	256,471	146,917
Short term borrowings	13	5,078,215	5,633,361
Current portion of non-current liabilities	14	918,111	699,725
Unclaimed dividend		37,784	32,002
Provision for taxation		368,803	210,942
		9,367,141	9,462,932
Total liabilities		13,777,415	12,604,958
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		19,518,623	18,121,123

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

Chaudhry Ahmed Javed
(Chairman)

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	16	6,117,464	6,946,303
Right-of-use assets	17	1,403,090	-
Intangible assets	18	2,688	2,562
Long term investments	19	2,668,005	549,917
Long term loans to employees	20	14,770	20,450
Long term security deposits		105,894	95,010
		10,311,911	7,614,242
CURRENT ASSETS			
Stores, spares and loose tools	21	252,240	159,415
Stock-in-trade	22	4,247,068	4,044,171
Trade debts	23	3,021,121	3,300,338
Loans and advances	24	390,886	463,549
Trade deposits and prepayments	25	131,628	93,469
Other receivables	26	1,125,266	2,392,178
Cash and bank balances	27	38,503	53,761
		9,206,712	10,506,881
TOTAL ASSETS		19,518,623	18,121,123

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Profit or Loss

For the year ended December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
			Restated
Sales – net	28	26,156,201	24,080,265
Cost of sales	29	(21,271,958)	(19,747,583)
Gross profit		4,884,243	4,332,682
Distribution cost	30	(1,697,756)	(1,523,334)
Administrative expenses	31	(1,117,181)	(1,129,694)
Other expenses	32	(205,142)	(147,849)
		(3,020,079)	(2,800,877)
		1,864,164	1,531,805
Other income	33	312,202	198,491
Profit from operations		2,176,366	1,730,296
Finance cost	34	(1,123,589)	(588,940)
		1,052,777	1,141,356
Share of profit in equity accounted investee - net of taxation		20,248	63,929
Profit before taxation		1,073,025	1,205,285
Taxation	35	(186,661)	(143,978)
Profit after taxation		886,364	1,061,307
Earnings per share - basic and diluted (Rupees)	36	47.16	56.47

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

Chaudhry Ahmed Javed	Arif Saeed	Badar Ul Hassan
(Chairman)	(Chief Executive)	(Chief Financial Officer)

Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
			Restated
Profit after taxation		886,364	1,061,307
Other comprehensive income / (loss)			
Items that will not be reclassify to profit or loss:			
Surplus arising on remeasurements of investment at fair value through other comprehensive income - net of tax		2,500	-
Remeasurements of employees' retirement benefit obligation - net of tax		6,961	(27,269)
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income / (loss) for the year - net of tax		9,461	(27,269)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		895,825	1,034,038

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

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Changes in Equity

For the year ended December 31, 2019

	Share Capital	RESERVES									
		Capital reserves					Revenue reserves				
		Capital gains	Fair value reserve FVTOCI investment	Share premium	Share of reserve held by equity accounted investee	Sub total	General reserve	Un-appropriated profit	Sub total	Total	TOTAL EQUITY
	Rupees in thousand										
Balance as at December 31, 2017	120,288	102,730	-	21,217	-	123,947	1,558,208	2,944,318	4,502,526	4,626,473	4,746,761
Proportionate share of reserve of equity accounted associate [Note 3 (ii)]	-	-	-	-	23,935	23,935	-	(23,935)	(23,935)	-	-
Balance as at 31 December 2017 - restated	120,288	102,730	-	21,217	23,935	147,882	1,558,208	2,920,383	4,478,591	4,626,473	4,746,761
Transaction with owners:											
Final dividend for the year ended 31 December 2017 @ Rupees 22 per share	-	-	-	-	-	-	-	(264,634)	(264,634)	(264,634)	(264,634)
Profit for the year	-	-	-	-	-	-	-	1,061,307	1,061,307	1,061,307	1,061,307
Other comprehensive income for the year - restated	-	-	-	-	-	-	-	(27,269)	(27,269)	(27,269)	(27,269)
Total comprehensive income for the year - restated	-	-	-	-	-	-	-	1,034,038	1,034,038	1,034,038	1,034,038
Balance as at 31 December 2018 - restated	120,288	102,730	-	21,217	23,935	147,882	1,558,208	3,689,787	5,247,995	5,395,877	5,516,165
Adjustment on adoption of IFRS 9 [Note 2.14 (vii)]	-	-	-	-	-	-	-	(51,358)	(51,358)	(51,358)	(51,358)
Adjustment on adoption of IFRS 15 [Note 2.19 (viii)]	-	-	-	-	-	-	-	(70,612)	(70,612)	(70,612)	(70,612)
Adjusted total equity as at 01 January 2019	120,288	102,730	-	21,217	23,935	147,882	1,558,208	3,567,817	5,126,025	5,273,907	5,394,195
Transaction with owners:											
Final dividend for the year ended 31 December 2018 @ Rupees 30 per share	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	(360,862)
Issue of bonus shares for the year ended 31 December 2018 @ 25%	30,072	-	-	-	-	-	-	(30,072)	(30,072)	(30,072)	-
Interim divided for the year ended 31 December 2019 @ Rupees 12.50 per share	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(187,950)
Issue of bonus shares for the year ended 31 December 2019 @ 25%	37,590	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	-
	67,662	-	-	-	-	-	-	(616,474)	(616,474)	(616,474)	(548,812)
Profit for the year	-	-	-	-	-	-	-	886,364	886,364	886,364	886,364
Other comprehensive income for the year	-	-	2,500	-	-	2,500	-	6,961	6,961	9,461	9,461
Total comprehensive income for the year	-	-	2,500	-	-	2,500	-	893,325	893,325	895,825	895,825
Balance as at 31 December 2019	187,950	102,730	2,500	21,217	23,935	150,382	1,558,208	3,844,668	5,402,876	5,553,258	5,741,208

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

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Statement of Cash Flows

For the year ended December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
			Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	37	(274,499)	1,091,980
Finance cost paid		(996,679)	(550,088)
Income tax paid		(258,374)	(276,074)
Employees' retirement benefits paid		(15,186)	(10,735)
Long term loans - net		(7,698)	(2,688)
Long term deposits - net		(18,251)	4,383
Net cash (used in) / generated from operating activities		(1,570,687)	256,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(722,930)	(1,600,636)
Intangible asset acquired		(1,441)	(2,812)
Proceeds from sale of operating fixed assets		14,355	2,057
Long term investments - net		(131,819)	7,550
Dividend received from associated company		-	28,124
Net cash used in investing activities		(841,835)	(1,565,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,311,774	609,100
Repayment of long term financing		(846,800)	(175,792)
Repayment of lease liabilities		(74,459)	-
Long term deposits - net		(837)	(2,015)
Short term borrowings - net		2,551,507	1,112,629
Dividend paid		(543,030)	(260,406)
Net cash from financing activities		2,398,155	1,283,516
Net decrease in cash and cash equivalents		(14,367)	(25,423)
Cash and cash equivalents at the beginning of the year		53,761	79,184
Cash transferred to Service Global Footwear Limited - subsidiary			
Company pursuant to the Scheme		(891)	-
Cash and cash equivalents at the end of the year		38,503	53,761

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

Chaudhry Ahmed Javed	Arif Saeed	Badar Ul Hassan
(Chairman)	(Chief Executive)	(Chief Financial Officer)

Notes to the Financial Statements

For the year ended December 31, 2019

1 The company and its operations

Service Industries Limited (the Company) was incorporated as a private limited Company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017), converted into a public limited company on 23 September 1959 and got listed on 27 June 1970. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. These financial statements are the separate financial statements of the Company. Consolidated financial statements of the Company are prepared separately. Details of the Company's investment in subsidiaries and associates are stated in note 19 to these financial statements.

1.2 Geographical location

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

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Registered and Head Office	Servis House, 2 – Main Gulberg, Lahore
Karachi office	Adamjee House, 10th Floor, I.I. Chundrigar Road, Karachi.
Factory site	G.T. Road, Gujrat.
Retail outlets	
Shoe Box M.M. Alam Road	R-2, M.M. Alam Road, Gulberg II, Lahore.
Shoe Box Mall Road	Near Urban Sole, Mall Road, Lahore.
Shoe Box Baghban Pura	17-A, Main G.T Road, Lahore.
Shoe Box Allama Iqbal Town	Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore.
Shoe Box Wapda Town	8, PIA Society, Wapda Town, Lahore.
Shoe Box Link Road	Opposite Raja Sb, Link Road, Model Town, Lahore.
Shoe Box Karim Block	23-Karim Block, Allama Iqbal Town, Lahore.
Shoe Box DHA Y Block	133-Y Block, Phase 3, DHA, Lahore.
Shoe Box Gujranwala 1	College Chowk, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 2	751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujrat	Hassan Chowk, Kacheri Road, Gujrat.
Shoe Box Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Faisalabad	D-Ground, Faisalabad.
Shoe Box Burewala	Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala.
Shoe Box Bahawalpur 1	Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur.
Shoe Box Bahawalpur 2	Railway Road, Bahawalpur.
Shoe Box Mandi Baha-ud-Din	Kacheri Road, Mandi Baha-ud-Din.
Shoe Box Multan	Zain Tower, 10-A Gulgshat Colony, Multan.
Shoe Box Rahim Yar Khan	Shahi Road, Rahim Yar Khan.
Shoe Box Rawalpindi	Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi.
Shoe Box Sargodha	City Tower, City Road, Sargodha.
Shoe Box Sargodha 2	03 Jinnah Park, University Road, Sargodha.
Shoe Box Sialkot	Shoe Box Daruma Wala Chowk, Trunk Bazar, Opposite Bata Shoes, Sialkot.
Shoe Box Sahiwal	Near Metro Shoes, Girls College Road, Sahiwal.
Shoe Box Peshawar	University Road, Peshawar.
Shoe Box Peshawar 2	Saddar Road, Peshawar.
Shoe Box Multan Cantt.	Property No. 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt.
Shoe Box Chakwal	Al-Fateh Plaza, Talagang Road, Near GPO, Chakwal
Budget Box Sheikhupura	Bhatti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhupura.
Factory Outlet Vehari	Klara, 143-C, Club Road, Vehari.

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Factory Outlet Muridke	10-KM Sheikhupura Road, Muridke.
Factory Outlet Gujrat	Servis Factory, Main G.T. Road, Gujrat.
Factory Outlet Township	Shop No. 5-A-1, Al-Madina Road, Township, Lahore.
Factory Outlet Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Franchise	Al-Hafeez Center, 26-A, Model Town, Lahore.
KLARA Warehouses	
Lahore	26-KM, Multan Road, Opposite Maraka Telephone Exchange, Lahore.
Lahore	19-A, Main Ravi Road, Near Kasur Pura Stop, Yadgar, Lahore.
Rawalpindi	Near Bagar Dhair, Tippu Sultan Masjid I-J-P Road, Rawalpindi.
Faisalabad	Jhang Road, Opposite Nayab Energy Gate, Faisalabad.
Bahawalpur	6-A, Adil Town, Dubai Mehal Road, Near City School, Bahawalpur.

1.3 Scheme of Compromises, Arrangements and Reconstruction

In accordance with the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017 between Service Industries Limited and its members and Service Global Footwear Limited and its members ("the Scheme") approved by the shareholders of Service Industries Limited and shareholders of Service Global Footwear Limited on 14 December 2019 and sanctioned by the Lahore High Court, Lahore vied its order dated 15 January 2020 and filed with the Registrar of Companies on 3 February 2020, the Muridke Footwear Undertaking of Service Industries Limited has been demerged with effect from 01 July 2019 ("Effective Date") and transferred to and vested in Service Global Footwear Limited. Completion Date for the Purposes of the Scheme was 25 June 2020.

As per sanctioned order dated 15 January 2020 of the Lahore High Court, Lahore, the Scheme has become effective from 01 July 2019. In accordance with the Scheme, the net assets of Muridke Footwear Undertaking have been transferred to and vested in Service Global Footwear Limited. However, the scheme shall finally take effect upon and from the date in which the last of the orders or approvals or transfers in respect of matters provided for in Article 18.1 of the Scheme are obtained and such date shall be the completion date. Hence, cost of investment in Service Global Footwear Limited shall be finally determined on the basis of the net assets, including surplus on revaluation of land, building and plant and machinery of the Muridke Footwear Undertaking on the completion date. Net assets, including surplus on revaluation of land, building and plant and machinery, of the Muridke Footwear Undertaking on the completion date shall be determined by Service Industries Limited - Holding Company in accordance with approved accounting standards as applicable in Pakistan. In return, Service Global Footwear Limited shall issue 150,000,000 fully paid ordinary shares of Rupees 10 each to the Company.

The separation of Muridke Footwear Undertaking and the transfer to and vesting in the Service Global Footwear Limited in accordance with the Scheme shall be treated as having taken effect from the Effective Date (i.e. 01 July 2019) and from that time until the Completion Date (i.e. 25 June 2020), the Muridke Footwear Undertaking was deemed to have been carried on for and on account and for the benefit of Service Global Footwear Limited by Service Industries Limited.

Main features of the Scheme

Under the Scheme, the undertaking comprising the assets, liabilities, rights, entitlements and obligations of Service Industries Limited has been splitted into two (2) separate segments i.e. Muridke Footwear Undertaking and Retained Undertaking.

The segment comprised all the assets, liabilities, rights, entitlements and obligations of Muridke Footwear Undertaking has been carved out / bifurcated and stand merged / amalgamated with, transferred to, vested in, and be assumed by Service Global Footwear Limited as on the completion date against issuance of shares by Service Global Footwear Limited to Service Industries Limited in accordance with the Scheme.

The bifurcation / merger / amalgamation allowed the Service Industries Limited to act as a Holding Company in respect of Service Global Footwear Limited and to oversee, supervise and control the same (to the extent applicable). The managements of Service Industries Limited and Service Global Footwear Limited shall independently operate the businesses on a regular basis. This structure will result in the businesses being managed and carried out in a more

Notes to the Financial Statements

For the year ended December 31, 2019

effective and efficient manner, thus benefiting the shareholders.

Net assets transferred as at 01 July 2019

The demerger of Muridke Footwear Undertaking has resulted in the transfer of Service Industries Limited's assets and liabilities to Service Global Footwear Limited on the basis of audited special purpose financial statements as at 30 June 2019. The details of the assets and liabilities transferred to Service Global Footwear Limited are disclosed below:

	Muridke Footwear Undertaking Rupees in thousand
Assets	
Non-Current Assets	
Fixed assets	872,288
Long term loans to employees	11,233
Long term security deposits	7,367
	890,888
Current Assets	
Stores, spares and loose tools	26,891
Stock-in-trade	1,479,283
Trade debts	603,469
Loans and advances	366,139
Trade deposits and prepayments	5,336
Other receivables	1,388,110
Receivable from Service Industries Limited	1,888,967
Cash and bank balances	891
	5,759,086
Total Assets	6,649,974
Liabilities	
Non-Current Liabilities	
Long term financing	278,779
Employees' retirement benefit	61,861
	340,640
Current Liabilities	
Trade and other payables	1,121,796
Accrued mark-up	17,356
Short term borrowings	3,106,653
Current portion of long term financing	25,629
Provision for taxation	74,379
	4,345,813
Total Liabilities	4,686,453
Net Assets	1,963,521

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

a) Statement of compliance

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

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

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

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

b) Accounting convention

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

c) Use of estimates and judgments

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

i) Useful lives, patterns of economic benefits and impairments

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

ii) Inventories

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

iii) Taxation

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

iv) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

v) Allowance for expected credit losses

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2019

vii) Revenue from contracts with customers involving sale of goods

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

d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 January 2019:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Lease'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IAS 28 (Amendments) 'Investments in Associates and Joint Ventures'
- IASB's Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to IFRSs more specifically in IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 16, IFRS 9 and IFRS 15. These are disclosed in note 2.9, note 2.14 and note 2.19. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standard and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2020 or later periods:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

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

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

2.2 Functional and presentation currency

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

2.3 Foreign currency transactions and translation

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

2.4 Employees' retirement benefits

i) Contributory provident fund

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

ii) Defined benefit plan

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

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

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

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

iii) Compensated absences

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

Notes to the Financial Statements

For the year ended December 31, 2019

2.5 Taxation

Current

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

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.6 Borrowings

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

2.7 Borrowing costs

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

2.8 Fixed assets

Owned

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

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

Depreciation

Depreciation on operating fixed assets except for leasehold improvements is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in note 16.1. Depreciation on leasehold improvements is charged to the statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives or the shorter lease term at the rates given in note 16.1. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

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

2.9 IFRS 16 "Leases"

The Company has adopted IFRS 16 from 01 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the statement of profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 has been adopted using the modified retrospective approach and as such the comparatives have not been restated. The impacts of adoption as at 01 January 2019 are as follows:

	Rupees in thousand
Right-of-use assets increased by	1,358,761
Lease liabilities increased by	1,350,879
Prepaid rent decreased by	7,882

Right-of-use assets

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

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

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

Lease liabilities

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

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

2.10 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprise purchase price, non-refundable

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For the year ended December 31, 2019

purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition, an intangible asset is carried at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.11 Investment in subsidiary companies

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

2.12 Investment in associate - (with significant influence)

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

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

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

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investee have been changed where necessary to ensure consistency with the policies adopted by the Company.
Investment in equity method accounted for associate is tested for impairment in accordance with the provision of IAS 36 `Impairment of Assets`

2.13 Ijarah transactions

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

2.14 IFRS 9 "Financial instruments"

The Company has adopted IFRS 9 "Financial Instruments" from 01 January 2019. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 January 2019, the Company classifies its financial assets in the following measurement categories:

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

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

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

Notes to the Financial Statements

For the year ended December 31, 2019

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

Financial liabilities - classification and measurement

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

iii) Impairment of financial assets

From 01 January 2019, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

iv) De-recognition

a) Financial assets

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

b) Financial liabilities

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

v) Offsetting of financial instruments

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

vi) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended 31 December 2019.

vii) Impacts of adoption of IFRS 9 on these financial statements as on 01 January 2019

On 01 January 2019, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 January 2019) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – (01 January 2019)

	Available for sale (AFS)	FVTOCI	Trade debts Loans and receivables	categorized as Amortised cost
Opening balance (before reclassification)	22,050	-	3,300,338	-
Adjustment on adoption of IFRS 9 reclassification of equity investment from available for sale to FVTOCI	(22,050)	22,050	-	-
Reclassification of trade debts	-	-	(3,300,338)	3,300,338
Recognition of expected credit losses on trade debts	-	-	-	(51,358)
Opening balance (after reclassification)	-	22,050	-	3,248,980

The impact of these changes on the Company's un-appropriated profit and equity is as follows:

Un-appropriated profit and equity (01 January 2019)

	Effect on un-appropriated profit	Effect on total equity
	-------Rupees in thousand-----	
Opening balance	3,689,787	5,516,165
Adjustment on adoption of IFRS 9 due to recognition of expected credit losses on trade debts	(51,358)	(51,358)
	3,638,429	5,464,807

Equity investment previously classified as available-for-sale

The Company elected to present in other comprehensive income changes in the fair value of its equity investment previously classified as available-for-sale, as this investment is not held for trading. As a result, asset with a fair value of Rupees 22.050 million was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income (FVTOCI) on 01 January 2019.

Reclassifications of financial instruments on adoption of IFRS 9

Notes to the Financial Statements

For the year ended December 31, 2019

On the date of initial application, 01 January 2019, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Measurement category		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees in thousand		
Long term investment	Available for sale	FVTOCI	22,050	22,050	-
Long term loans to employees	Loans and receivables	Amortised cost	20,450	20,450	-
Long term security deposits	Loans and receivables	Amortised cost	95,010	95,010	-
Current financial assets					
Trade debts	Loans and receivables	Amortised cost	3,300,338	3,248,980	51,358
Loans and advances	Loans and receivables	Amortised cost	33,787	33,787	-
Trade deposits	Loans and receivables	Amortised cost	47,854	47,854	-
Other receivables	Loans and receivables	Amortised cost	74,259	74,259	-
Cash and bank balances	Loans and receivables	Amortised cost	53,761	53,761	-
Non-current financial liabilities					
Long term financing	Amortised cost	Amortised cost	3,316,880	3,316,880	-
Long term deposits	Amortised cost	Amortised cost	3,243	3,243	-
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	2,585,219	2,585,219	-
Accrued mark-up	Amortised cost	Amortised cost	146,917	146,917	-
Short term borrowings	Amortised cost	Amortised cost	5,633,361	5,633,361	-
Unclaimed dividend	Amortised cost	Amortised cost	32,002	32,002	-

2.15 Impairment of non-financial assets

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

2.16 Inventories

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

Stores, spares and loose tools

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

Stock-in-trade

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

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

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stocks are valued at net realizable value.
Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.17 Trade and other payables

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

2.18 Trade and other receivables

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

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.19 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

i) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

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

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Interest

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

Rent

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

Dividend

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

Other revenue

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

ii) Contract assets

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

iii) Customer acquisition costs

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

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

iv) Customer fulfilment costs

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

v) Right of return assets

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

vi) Contract liabilities

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

vii) Refund liabilities

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

viii) Impacts of adoption of IFRS 15 on these financial statements as on 01 January 2019

The following adjustments were made to the amounts recognized in the financial statements at 01 January 2019:

	31 Dec 2018 Reported	Adjustment	01 Jan 2019 Restated
		Rupees in thousand	
Current assets			
Stock in trade	4,044,171	227,996	4,272,167
Trade debts	3,300,338	(302,324)	2,998,014
Current liabilities			
Trade and other payables	2,739,985	(3,716)	2,736,269
Equity			
Reserves	5,395,877	(70,612)	5,325,265

2.20 Cash and cash equivalents

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

2.21 Provisions

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

2.22 Earnings per share

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

2.23 Contingent assets

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

2.24 Contingent liabilities

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

2.25 Share capital

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

2.26 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.27 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages

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For the year ended December 31, 2019

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

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

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

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

2.28 Dividend and other appropriations

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

3. PRIOR PERIOD ADJUSTMENTS

i) TRG Pakistan Limited

During the year ended 31 December 2017, the Company purchased 1,000,000 ordinary shares of TRG Pakistan Limited at Rupees 61.824 million. In accordance with International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' which was then applicable, this investment was classified as available-for-sale. As per IAS 39, gains or losses on available-for-sale investments were recognized directly in other comprehensive income until the investment was sold, de-recognized, at which time the cumulative gain or loss previously reported in other comprehensive income was included in statement of profit or loss. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment. Previously, significant decline in value of the aforesaid investment during the years ended 31 December 2017 and 31 December 2018 amounting to Rupees 32.224 million and Rupees 7.550 million respectively was inadvertently recognized through other comprehensive income which should had been recognized in the statement of profit or loss. This has now been adjusted retrospectively in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This adjustment has following impacts on these financial statements:

	Rupees in thousand
Statement of profit or loss	
- For the year ended 31 December 2018	
Other operating expenses increased by	7,550
Earnings per share – basic and diluted decreased by (Rupees)	0.45
Statement of comprehensive income	
- For the year ended 31 December 2018	
Loss on investments decreased by	7,550

ii) Speed (Private) Limited

During the year ended 31 December 2013, the Company purchased 142,839 ordinary shares of Speed (Private) Limited at Rupees 167.979 million. In accordance with International Accounting Standard (IAS) 28 'Investment in Associates and Joint Ventures' this investment was classified as investment in associate under equity method. During the year ended 31 December 2015, the Company purchased further 17,870 ordinary shares of Speed (Private) Limited at Rupees 28.541 million. At the year end, share of share premium reserve of Speed (Private) Limited amounting to Rupees 23.935 million was inadvertently recognized through statement of profit or loss as share of profit from associate instead of recognition as share of reserve held by equity accounted investee in share premium in the statement of changes in equity. This has now been adjusted retrospectively in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This adjustment has following impacts on these financial statements.

	Rupees in thousand
Statement of changes in equity	
Capital reserves	
- Share of reserve held by equity accounted investee increased by	23,935
Revenue reserves	
- Unappropriated profit decreased by	(23,935)

4. Issued, Subscribed and Paid-Up Share Capital

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
Ordinary shares of Rupees 10 each fully paid in cash	3,183,190	3,183,190	31,832	31,832
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	15,611,792	8,845,599	156,118	88,456
	18,794,982	12,028,789	187,950	120,288

4.1 Movement during the year

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
At 01 January	12,028,789	12,028,789	120,288	120,288
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	6,766,193	-	67,662	-
	18,794,982	12,028,789	187,950	120,288

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

	2019	2018
	Number of shares	
4.3 Ordinary shares of the Company held by associated company / associated undertaking:		
Shahid Arif Investments (Private) Limited - associated company	15,850	10,144
Service Charitable Trust	18,103	11,587
Service Provident Fund Trust	872,510	558,407

Notes to the Financial Statements

For the year ended December 31, 2019

		2019 Amount	2018 Amount
		Rupees in thousand	
			Restated
5 RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Capital gains		102,730	102,730
Fair value reserve FVTOCI investment		2,500	-
Share premium	(Note 5.1)	21,217	21,217
Share of reserve held by equity accounted investee		23,935	23,935
		150,382	147,882
Revenue reserves			
General reserve		1,558,208	1,558,208
Unappropriated profits		3,844,668	3,689,787
		5,402,876	5,247,995
		5,553,258	5,395,877

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

6. LONG TERM FINANCING

		2019	2018
From banking companies - secured			
Long term loans	(Note 6.1)	3,207,446	2,972,111
Long term musharaka	(Note 6.2)	270,000	344,769
		3,477,446	3,316,880
Less: Current portion shown under current liabilities	(Note 14)		
Long term loans		646,678	636,073
Long term musharaka		60,000	63,652
		706,678	699,725
		2,770,768	2,617,155

6.1 Long term loans

LENDER	2019	2018	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE
	Rupees in thousand					
Allied Bank Limited	35,000	105,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 19 September 2015 and ending on 19 March 2020.	Half yearly	Half yearly
Allied Bank Limited	50,000	100,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 18 March 2016 and ending on 18 September 2020.	Half yearly	Half yearly
MCB Bank Limited	150,000	225,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2022.	Half yearly	Half yearly
Allied Bank Limited	270,000	360,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 20 June 2018 and ending on 20 December 2022.	Half yearly	Half yearly
Habib Bank Limited	11,144	129,968	SBP rate for LTFF + 0.50%	Thirty Two equal quarterly instalments commenced on 14 June 2019 and ending on 13 June 2027.	-	Quarterly
MCB Bank Limited	560,000	720,000	6-month KIBOR + 0.14%	Ten equal half yearly instalments commenced on 30 December 2018 and ending on 30 June 2023.	Half yearly	Half yearly
MCB Bank Limited	400,000	500,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commenced on 27 June 2019 and ending on 27 December 2023.	Half yearly	Half yearly
Habib Bank Limited	205,734	235,125	SBP rate for LTFF + 0.50%	Sixteen equal quarterly instalments commenced on 22 September 2019 and ending on 22 June 2023.	-	Quarterly
Habib Bank Limited	-	75,110	SBP rate for LTFF + 0.50%	Forty two equal quarterly instalments commenced on 6 January 2018 and ending on 6 July 2027.	-	Quarterly
Allied Bank Limited	450,000	500,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 29 December 2019 and ending on 29 June 2024.	Half yearly	Half yearly
Allied Bank Limited	-	21,908	SBP rate for LTFF + 0.25%	Forty equal quarterly instalments commenced on 7 April 2019 and ending on 21 October 2029.	-	Quarterly
Allied Bank Limited	75,568	-	SBP rate for LTFF + 0.25%	Eighteen equal half yearly instalments commencing on 2 November 2020 and ending on 27 November 2029.	-	Quarterly
MCB Bank Limited	1,000,000	-	6-month KIBOR +0.25%	Ten equal half yearly instalments commencing on 11 June 2021 and ending on 11 December 2025.	Half yearly	Half yearly
	3,207,446	2,972,111				

6.2 Long term musharaka

Meezan Bank Limited	-	8,499	6-months KIBOR + 0.15%	Ten equal half yearly instalments commenced on 23 November 2014 and ended on 23 May 2019.	Half yearly	Half yearly
Meezan Bank Limited	-	2,919	6-months KIBOR + 0.15%	Ten equal half yearly instalments commenced on 27 December 2014 and ended on 2 June 2019.	Half yearly	Half yearly
Meezan Bank Limited	-	33,351	6-months KIBOR + 0.15%	Ten equal half yearly instalments commenced on 2 January 2016 and ending on 20 August 2019.	Half yearly	Half yearly
Meezan Bank Limited	270,000	300,000	6-months KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 November 2019 and ending on 18 May 2024.	Half yearly	Half yearly
	270,000	344,769				

6.3 Long term loans are secured by first joint pari passu charge over fixed assets of the Company with 25% margin and ranking charge on all present and future fixed assets of the Company with 25% margin.

6.4 Long term musharaka are secured by exclusive charge over plant and machinery of the Company with 15% margin and ranking charge on all present and future fixed assets of the Company with 20% margin.

7 Long term deposits

These represent deposits of dealers and others, who have permitted the utilization of such money by the Company in pursuance of section 217 of the Companies Act, 2017.

Notes to the Financial Statements

For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
8	Lease liabilities			
	Total lease liabilities		1,513,488	-
	Less: Current portion shown under current liabilities	(Note 14)	211,433	-
			1,302,055	-

9. Employees' Retirement Benefit

The latest actuarial valuation of the Fund as at 31 December 2019 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

9.1 The amounts recognized in the statement of financial position are as follows:

	2019	2018
Present value of defined benefit obligations	212,148	262,604
Fair value of plan assets	(63,740)	(82,158)
Net defined benefit obligation	148,408	180,446

9.2 Movement in the present value of net defined benefit obligation

	2019	2018
Net liability as at beginning of the year	180,446	128,449
Current service cost	26,919	25,360
Past service cost	2,358	-
Net interest on defined benefit obligation	22,693	10,153
Net remeasurements for the year	(6,961)	27,269
Contributions made during the year	(15,186)	(10,785)
Net liability transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	(61,861)	-
Net liability as at end of the year	148,408	180,446

9.3 Movement in the present value of defined benefit obligation

	2019	2018
Present value of defined benefit obligation as at beginning of the year	262,604	213,626
Current service cost	26,919	25,360
Past service cost	2,358	-
Interest cost	31,943	17,182
Benefits paid during the year	(13,913)	(10,735)
Remeasurements on obligation:		
Actuarial (gains) / losses from changes in financial assumptions	(869)	2,790
Experience adjustments	(12,935)	14,381
Liability transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	(83,959)	-
Present value of defined benefit obligation as at end of the year	212,148	262,604

		2019 Amount	2018 Amount
		Rupees in thousand	
9.4	**Movement in the fair value of the plan assets**		
	Fair value of plan assets as at beginning of the year	82,158	85,178
	Interest income on plan assets	9,250	7,029
	Contributions made during the year	15,186	10,785
	Benefits paid during the year	(13,913)	(10,735)
	Remeasurements on fair value of plan assets	(6,843)	(10,099)
	Assets transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	(22,098)	-
	Fair value of plan assets as at end of the year	63,740	82,158

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

Term deposit receipts	-	11,608
Mutual funds	88,788	67,603
Bank balances	408	2,947
Total plan assets	89,196	82,158
Allocated to the Company	63,740	-
Allocated to the Service Global Footwear Limited - subsidiary company pursuant to the Scheme	25,456	-
	-	82,158

		2019	2018
9.5	Amounts recognized in the statement of profit or loss		
	Current service cost	26,919	25,360
	Past service cost	2,358	-
	Interest cost	31,943	17,182
	Interest income on plan assets	(9,250)	(7,029)
	Net expense charged in the statement of profit or loss	51,970	35,513

		2019	2018
9.6	Remeasurements charged to statement of other comprehensive income		
	Experience adjustments	12,935	14,381
	Return on plan assets excluding interest income	(6,843)	10,099
	Actuarial loss from changes in financial assumptions	869	2,790
	Total remeasurements charged to statement of other comprehensive income	6,961	27,270

Notes to the Financial Statements

For the year ended December 31, 2019

9.7 Comparison of present value of defined benefit obligation and the fair value of plan assets for five years is as follows:

	2019	2018	2017	2016	2015
		-----------------------------	Rupees in thousand	-----------------------------	
Present value of defined benefit obligation	212,148	262,604	213,626	186,612	161,631
Fair value of the plan assets	(63,740)	(82,158)	(85,177)	(101,576)	(80,080)
Deficit in the plan	148,408	180,446	128,449	85,036	81,551
Remeasurement loss / (gain) on obligation	(13,804)	17,171	24,124	7,997	8,326
Remeasurement gain / (loss) on plan assets	(6,843)	(10,099)	(16,202)	15,733	(5,718)

9.8 Principal actuarial assumptions used:

		2019	2018
Discount rate used for interest cost	% per annum	13.25	8.25
Discount rate used for year end obligation	% per annum	11.25	13.25
Expected rate of salary increase	% per annum	10.25	12.25

9.9 Sensitivity analysis for actuarial assumptions:

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

		Defined benefit obligation	
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees in thousand	
Discount rate	100	188,723	229,728
Future salary increase	100	230,029	188,131

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

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

9.11 The average duration of the benefit obligation is 9.9 years.

9.12 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
			Rupees in thousand		
10,316	27,429	78,696	130,979	2,520,558	2,767,978

			2019 Amount	2018 Amount
			Rupees in thousand	
10	**Deferred income tax liability - net**			
	The deferred income tax liability originated due to timing differences relating to:			
	Taxable temporary differences:			
	Accelerated tax depreciation		503,473	450,525
	Investment in associate		17,111	24,889
			520,584	475,414
	Deductible temporary differences:			
	Expected credit losses		(37,230)	(13,936)
	Provision for slow moving and obsolete stores		(5,871)	(4,843)
	Provision for slow moving and obsolete stock in trade		(25,326)	(25,813
	Minimum tax carry forward		(265,520)	(89,640)
			(333,947)	(134,232)
	Deferred income tax liability - net		186,637	341,182
11.	**Trade and other payables**			
	Trade creditors		1,438,369	1,544,752
	Accrued liabilities		856,027	905,545
	Letters of credit		180,220	124,482
	Advances from customers		160,793	139,361
	Provident fund payable		20,761	30,250
	Provision for service warranties		23,177	-
	Workers' profit participation fund	(Note 11.1)	(7,574)	(23,147)
	Workers' welfare fund	(Note 11.2)	22,269	8,302
	Income tax deducted at source		3,866	2,329
	Others		9,849	8,111
			2,707,757	2,739,985
11.1	**Workers' profit participation fund**			
	Balance as at the beginning of the year		(23,147)	(1,585)
	Less: Impact of adjustment due to adoption of IFRS 15	[Note 2.19 (viii)]	(3,716)	-
	Less: Allocation to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		(6,260)	-
	Add: Allocation for the year	(Note 32)	42,284	41,734
			9,161	40,149
	Less: Payments made during the year		16,735	63,296
	Balance at the end of the year		(7,574)	(23,147)
11.2	**Workers' welfare fund**			
	Balance as at the beginning of the year		8,302	6,492
	Less: Allocation to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		(1,308)	-
	Add: Provision for the year	(Note 32)	21,899	8,302
			28,893	14,794
	Less: Payments during the year		6,624	6,492
	Balance at the end of the year		22,269	8,302

Notes to the Financial Statements

For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
12.	**Accrued mark-up**			
	Long term financing		25,112	58,854
	Short term borrowings	(Note 12.1)	231,359	88,063
			256,471	146,917

12.1 This includes accrued mark-up of Rupees 134.821 million on loan obtained from Service Global Footwear Limited - subsidiary company.

			2019	2018
13.	**Short term Borrowings**			
	From banking companies - secured			
	Short term running finances	(Notes 13.1 and 13.2)	854,992	2,136,006
	Export refinance	(Notes 13.1 and 13.3)	1,774,833	3,497,355
	Import loans	(Notes 13.1 and 13.4)	303,512	-
	Loan from Service Global Footwear Limited - subsidiary company	(Note 13.5)	2,144,878	-
			5,078,215	5,633,361

13.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of present and future current assets of the Company. These form part of total credit facilities of Rupees 7,180 million (2018: Rupees 9,641 million).

13.2 The rates of mark-up range from 10.75% to 14.86% (2018: 2.10% to 11.15%) per annum.

13.3 The rates of mark-up range from 2.20% to 3% (2018: 2.20% to 2.25%) per annum.

13.4 The rates of mark-up range from 2.4% to 3.75% (2018: Nil) per annum.

13.5 This represents unsecured loan from Service Global Footwear Limited - subsidiary company for working capital requirement. This loan amount will be finally determined as on the completion date pursuant to the Scheme. This carries mark-up at the rate of 1 month KIBOR plus 0.05 percent per annum. The maximum aggregate amount payable to subsidiary company at the end of any month during the period was Rupees 2,144.878 million. Effective rate of mark-up charged on this short term loan is 13.31% per annum.

			2019 Amount	2018 Amount
			Rupees in thousand	
14.	**Current portion of non-current liabilities**			
	Long term financing	(Note 6)	706,678	699,725
	Lease liabilities	(Note 8)	211,433	-
			918,111	699,725

14.1 The Company has availed the deferment of principal payments of Rupees 631.607 million of long term financing falling between 26 March 2020 to 25 March 2021. The principal payments have been deferred for one year in line with the BPRD Circular Letter No.13 dated 26 March 2020 of State Bank of Pakistan. It has been treated as non-adjusting subsequent event in these financial statements.

15. Contingencies and Commitments

15.1 Contingencies

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

15.1.2 Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rupees 4.804 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 1.98 million is recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. In the third case, Rupees 31.807 million is recoverable by PESSI. This case was decided in the favor of the Company in the year 2013, however, but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore against the aforesaid cases. During the pendency of the matter PESSI sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.

15.1.3 Deputy Commissioner Inland Revenue (DCIR) initiated a case against the Company after post sales tax refund audit in which demand of Rupees 27.92 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.65 million. The Company had further filed an appeal before ATIR against said points. The management of the Company is confident that decision will be in favour of the Company. Hence, no provision has been made in these financial statements.

15.1.4 DCIR initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back certain charges to the tune of 172.7 million. The Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. The management of the Company is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

15.1.5 DCIR initiated income tax audit for the year 2014 in which a demand of Rupees 123.412 million was created. The Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

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

15.1.7 Honorable Lahore High Court has allowed a petition filed by the Company against show-cause notice issued by DCIR amounting to Rupees 13.076 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision of Honorable Lahore High Court in Honorable Supreme Court of Pakistan which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

15.1.8 DCIR conducted income tax audit for the year 2011 in which a demand of Rupees 19.605 million was created. The Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

Notes to the Financial Statements

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15.1.9 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has claimed input sales tax on packing material of Rupees 58.123 million in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.

15.1.10 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court, Lahore has passed order against the Company and the Company being aggrieved with the order has preferred Intra Court Appeal before the Honourable Lahore High Court, Lahore. The Company has claimed input sales tax of Rupees 21.784 million on such goods in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.

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

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

15.2 Commitments

15.2.1 Guarantees issued in ordinary course of business through banks are of Rupees 879.505 million (2018: Rupees 523 million).

15.2.2 Contracts for capital expenditure are approximately of Rupees 82.054 million (2018: Rupees 11.86 million).

15.2.3 Letters of credit other than capital expenditure are of Rupees 483.486 million (2018: Rupees 486.71 million).

15.2.4 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of five years. Future Ujrah payments under Ijarah are as follows:

	2019 Amount	2018 Amount
	Rupees in thousand	
Not later than one year	63,299	61,109
Later than one year and not later than five years	103,214	87,154
	166,513	148,263

16. FIXED ASSETS

		2019	2018
Operating fixed assets	(Note 16.1)	5,969,030	5,726,524
Capital work-in-progress	(Note 16.2)	148,434	1,219,779
		6,117,464	6,946,303

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

Description	Operating fixed assets – Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total Assets
	<---------------------------Rupees in thousand------------------------>							
At 31 December 2017								
Cost	7,071	1,261,889	4,448,779	52,093	38,330	1,250,884	201,440	7,260,486
Accumulated depreciation	-	(392,522)	(1,565,418)	(26,862)	(15,594)	(479,296)	(41,782)	(2,521,474)
Net book value	**7,071**	**869,367**	**2,883,361**	**25,231**	**22,736**	**771,588**	**159,658**	**4,739,012**
Year ended 31 December 2018								
Opening net book value	7,071	869,367	2,883,361	25,231	22,736	771,588	159,658	4,739,012
Additions	-	354,290	1,007,169	6,991	5,483	103,950	121,275	1,599,158
Disposals:								
Cost	-	-	(7,223)	(212)	(719)	(4,231)	(15,340)	(27,725)
Accumulated depreciation	-	-	6,041	18	435	3,594	6,002	16,090
	-	-	(1,182)	(194)	(284)	(637)	(9,338)	(11,635)
Depreciation	-	(96,395)	(360,451)	(3,037)	(5,433)	(101,076)	(33,619)	(600,011)
Closing net book value	**7,071**	**1,127,262**	**3,528,897**	**28,991**	**22,502**	**773,825**	**237,976**	**5,726,524**
At 31 December 2018								
Cost	7,071	1,616,179	5,448,725	58,872	43,094	1,350,603	307,375	8,831,919
Accumulated depreciation	-	(488,917)	(1,919,828)	(29,881)	(20,592)	(576,778)	(69,399)	(3,105,395)
Net book value	7,071	1,127,262	3,528,897	28,991	22,502	773,825	237,976	5,726,524

Operating fixed assets

Description	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total Assets
	<---------------------------Rupees in thousand------------------------>							
Year ended 31 December 2019								
Opening net book value	7,071	1,127,262	3,528,897	28,991	22,502	773,825	237,976	5,726,524
Additions	-	317,963	1,161,615	9,195	7,399	158,132	24,436	1,678,740
Disposals / written off:								
Cost	(655)	-	(6,964)	(13)	(2,426)	(11,899)	(14,514)	(36,471)
Accumulated depreciation	-	-	5,780	13	1,583	6,774	2,915	17,065
	(655)	-	(1,184)	-	(843)	(5,125)	(11,599)	(19,406)
Transferred to Service Global Footwear Limited								
- Subsidiary company pursuant to the Scheme:								
Cost	(1,395)	(223,405)	(835,362)	(6,358)	(1,048)	(268,597)	-	(1,336,165)
Accumulated depreciation	-	114,260	362,393	3,994	820	97,945	-	579,412
	(1,395)	(109,145)	(472,969)	(2,364)	(228)	(170,652)	-	(756,753)
Depreciation	-	(121,064)	(403,975)	(3,160)	(4,904)	(96,393)	(30,579)	(660,075)
Closing net book value	**5,021**	**1,215,016**	**3,812,384**	**32,662**	**23,926**	**659,787**	**220,234**	**5,969,030**
At 31 December 2019								
Cost	5,021	1,710,737	5,768,014	61,696	47,019	1,228,239	317,297	9,138,023
Accumulated depreciation	-	(495,721)	(1,955,630)	(29,034)	(23,093)	(568,452)	(97,063)	(3,168,993)
Net book value	**5,021**	**1,215,016**	**3,812,384**	**32,662**	**23,926**	**659,787**	**220,234**	**5,969,030**
Annual rate of depreciation (%)		5-10	10	10	20	10-30	10	

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	<------	------	Rupees in thousand	------	------>		
Freehold land	655	-	655	6,800	6,145	Negotiation	Injection System (Private) Limited
Leasehold improvements							
Chungi Amarsadu Shop	2,377	475	1,902	-	(1,902)	Written off	-
Faisalabad Gulberg Shop	5,373	1,298	4,075	-	(4,075)	Written off	-
Swat Shop	6,387	1,062	5,325	-	(5,325)	Written off	-
Plant and machinery							
UPS 300KV	1,280	377	903	1,180	277	Insurance claim	Jubilee General Insurance Company Limited
Service equipment							
Water turbine	3,144	1,040	2,104	2,077	(27)	Insurance claim	Jubilee General Insurance Company Limited
Generator	7,882	5,091	2,791	2,791	-	Negotiation	Service Global Footwear Limited
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	9,373	7,722	1,651	1,507	(144)	-	-
	36,471	17,065	19,406	14,355	(5,051)		

Notes to the Financial Statements

For the year ended December 31, 2019

		2019 Amount	2018 Amount
		Rupees in thousand	
16.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	(Note 29)	600,678	531,143
Administrative expenses	(Note 31)	18,263	18,221
Distribution cost	(Note 30)	41,134	50,647
		660,075	600,011

16.1.3 Particulars of immovable properties are as follows:

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

	2019 Amount	2018 Amount
	Rupees in thousand	
16.2 Capital work-in-progress		
Building	26,940	360,490
Plant and machinery	109,745	775,906
Furniture and fixtures	380	549
Service equipment	11,369	82,834
	148,434	1,219,779

17. Right-of-use assets

		Buildings Rupees in thousand
Net carrying amount		
01 January 2019		1,358,761
31 December 2019		1,403,090
Depreciation expense for the year ended 31 December 2019	(Note 30)	192,739
Addition during the year ended 31 December 2019		237,068

17.1 Lease of buildings

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

			2019 Amount	2018 Amount
			Rupees in thousand	
18	**Intangible Assets**			
	Balance at the beginning of the year		2,562	929
	Add: Addition during the year		1,441	2,812
	Less: Amortization during the year	(Note 18.2)	(1,315)	(1,179)
	Balance at the end of the year		2,688	2,562
18.1	Cost at the end of the year		44,916	43,475
	Less: Accumulated amortization		(42,228)	(40,913)
	Net book value at the end of the year		2,688	2,562
18.2	Amortization on intangible assets has been allocated as follows:			
	Administrative expenses	(Note 31)	462	882
	Distribution cost	(Note 30)	853	297
			1,315	1,179

18.3 Intangible assets have been amortized at the rate 33.33% per annum.

19.	**Long term investments**			
	Investment in subsidiary companies - at cost	(Note 19.1)	2,314,021	218,681
	Investment in associate (with significant influence) - under equity method	(Note 19.2)	328,954	308,706
	Investment in joint ventures - at cost	(Note 19.3)	480	480
	Other investment - at FVTOCI	(Note 19.4)	24,550	22,050
			2,668,005	549,917

19.1	**Investment in subsidiary companies - at cost**		
	Service Industries Capital (Private) Limited		
	29,999,997 (2018: 21,868,097) fully paid ordinary shares of Rupees 10 each.		
	Equity held 100% (2018: 100%)	300,000	218,681
	Service Global Footwear Limited		
	5,050,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.		
	Equity held 100% (2018: Nil)	50,500	-
	150,000,000 shares to be issued pursuant to the Scheme	1,963,521	-
		2,014,021	-
		2,314,021	218,681

19.2	**Investment in associate (with significant influence) - under equity method**		
	Speed (Private) Limited		
	160,709 (2018: 160,709) fully paid ordinary shares of Rupees 100 each	190,949	190,949
	Share of post acquisition reserve		
	As at the beginning of the year	117,757	81,953
	Share of post acquisition profit for the year	20,248	63,928
	Dividend received during the year	-	(28,124)
		138,005	117,757
		328,954	308,706

Notes to the Financial Statements

For the year ended December 31, 2019

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

			2019 Amount	2018 Amount
			Rupees in thousand	
19.2.2	Summarized financial statements			
	Current assets		1,373,164	1,179,245
	Non-current assets		269,050	252,094
	Current liabilities		412,281	293,863
	Non-current liabilities		1,970	1,970
	Revenue - net for the year		2,298,065	2,336,356
	Expenses for the year		2,205,659	2,044,445
	Profit for the year		92,406	291,911
	Total comprehensive income for the year		92,406	291,911
	Net assets of the associate		1,227,963	1,135,506
	Percentage of holding		21.90%	21.90%
	Share in net assets of associate		268,924	248,676
19.2.3	Breakup value per share (Rupees)		1,674	1,548
19.2.4	Reconciliation to carrying amount:			
	Share in net assets of associate		268,924	248,676
	Add: Goodwill		60,030	60,030
	Carrying value of investment in associate		328,954	308,706
19.3	Investment in joint ventures - at cost			
	S2 Power Limited			
	24,000 (2018: 24,000) fully paid ordinary shares of Rupees 10 each		240	240
	S2 Hydro Limited			
	24,000 (2018: 24,000) fully paid ordinary shares of Rupees 10 each		240	240
			480	480
			Fair value through other comprehensive income	Available for Sale
19.4	Other investment - at FVTOCI			
	TRG Pakistan Limited			
	1,000,000 (2018: 1,000,000) fully paid ordinary shares of Rupees 10 each		22,050	29,600
	Fair value adjustment		2,500	(7,550)
			24,550	22,050
20.	Long term loans to employees			
	Considered good:			
	Executives	(Notes 20.1, 20.2 and 20.3)	25,680	28,877
	Other employees	(Note 20.3)	1,253	1,591
			26,933	30,468

			2019 Amount	2018 Amount
			Rupees in thousand	
	Less: Current portion shown under current assets	(Note 24)		
	Executives		11,620	7,413
	Other employees		543	2,605
			12,163	10,018
			14,770	20,450
20.1	**Reconciliation of carrying amount of loans to executives:**			
	Balance as at 01 January		28,877	22,013
	Add: Disbursements		24,630	15,638
	Less: Repayments		14,448	8,774
	Less: Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		13,379	-
	Balance as at 31 December		25,680	28,877

20.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 28.805 million (2018: Rupees 28.877 million).

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

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

21. Stores, spares and loose tools

		2019	2018
Machinery spares		56,203	32,805
Stores		221,660	146,864
Loose tools		1,013	4,141
		278,876	183,810
Less: Provision for slow moving and obsolete items	(Note 21.1)	26,636	24,395
		252,240	159,415

21.1 Provision for slow moving and obsolete items

	2019	2018
Balance at the beginning of the year	24,395	29,230
Less: Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	3,744	-
Add: Provision made during the year	6,749	2,986
Less: Reversal of provision made during the year	(764)	(7,821)
Net charge / (reversal) of provision for the year	5,985	(4,835)
Balance at the end of the year	26,636	24,395

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			2019 Amount	2018 Amount
			Rupees in thousand	
22.	**Stock-In-Trade**			
	Raw materials		1,182,782	1,500,550
	Packing materials		65,780	75,718
	Work-in-process		225,852	398,416
	Finished goods			
	- Own production		1,621,623	1,083,533
	- Purchased		791,629	875,582
			2,413,252	1,959,115
	Goods in transit		474,313	240,401
			4,361,979	4,174,200
	Less: Provision for slow moving and obsolete items	(Note 22.1)	114,911	130,029
			4,247,068	4,044,171

		2019	2018
22.1	**Provision for slow moving and obsolete items**		
	Balance at the beginning of the year	130,029	141,006
	Less: Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	95,899	-
	Add: Provision made during the year	129,921	-
	Less: Reversal of provision made during the year	(48,951)	(10,977)
	Less: Stock written off against provision during the year	(189)	-
		80,781	(10,977)
	Balance at the end of the year	114,911	130,029

22.2 Finished goods of Rupees 252.393 million (2018: Rupees 233 million) are being carried at net realizable value.

22.3 The aggregate amount of Rupees 52.572 million (2018: Rupees 76 million) has been charged to cost of sales, being the cost of inventory written down during the year.

			2019	2018
23.	**Trade debts**			
	Considered good:			
	Secured:			
	- Against irrevocable letters of credit		19,605	369,260
	Unsecured:			
	- Related party	(Note 23.1, 23.2 and 23.3)	-	51,936
	- Others	(Note 23.4)	3,170,434	2,950,071
			3,170,434	3,002,007
			3,190,039	3,371,267
	Less: Allowance for expected credit losses	(Note 23.5)	168,918	70,929
			3,021,121	3,300,338

23.1 This represented amount due from Service Shoes Lanka (Private) Limited - subsidiary of the subsidiary company.

23.2 The maximum aggregate amount receivable from Service Shoes Lanka (Private) Limited - subsidiary of the subsidiary company at the end of any month during the year was Rupees 79.693 million (2018: Rupees 63.154 million).

23.3 As at 31 December 2018, trade debt due from related party was past due but not impaired. The age analysis of this trade debt was as follows:

		2019 Amount	2018 Amount
		Rupees in thousand	
Upto 1 month		-	4,678
1 to 6 months		-	23,284
More than 6 months		-	23,974
Balance at the end of the year		-	51,936

23.4 As at 31 December 2019, trade debts due from other than related parties of Rupees 569.353 million (2018: Rupees 1,008.487 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

		2019	2018
Upto 1 month		56,526	69,189
1 to 6 months		310,068	716,063
More than 6 months		202,759	223,235
		569,353	1,008,487

23.5 Allowance for expected credit losses

		2019	2018
Balance at the beginning of the year		70,929	39,232
Impact of adjustment due to adoption of IFRS 9	[Note 2.14 (vii)]	51,358	-
		122,287	39,232
Less: Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		1,008	-
Add: Recognition of expected credit losses during the year		86,203	31,697
Less: Trade debts written off		38,564	-
		47,639	31,697
Balance at the end of the year		168,918	70,929

23.6 During the year, trade debts of Rupees 38.564 million have been written off against allowance for expected credit losses. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.

24. Loans and advances

		2019	2018
Considered good:			
Advances to staff		4,282	2,933
Current portion of long term loans to employees	(Note 20)	12,163	10,018
Advances to suppliers		81,958	60,740
Letters of credit		266,832	369,022
Others	(Note 24.1)	25,651	20,836
		390,886	463,549

24.1 These include amount due from following related parties:

	2019	2018
S2 Power Limited - joint venture	2,073	1,901
S2 Hydro Limited - joint venture	11,476	11,476
SBL Trading (Private) Limited - associated company	-	-
	13,549	13,377

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For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
24.1.1	The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:			
	S2 Power Limited - joint venture		2,073	1,901
	S2 Hydro Limited - joint venture		11,476	11,476
	SBL Trading (Private) Limited - associated company		94	-
25	Trade deposits and prepayments			
	Security deposits		115,372	47,854
	Prepayments		16,256	45,615
			131,628	93,469
26.	Other Receivables			
	Considered good:			
	Duty draw back		75,468	415,798
	Custom duty rebate		80,596	134,083
	Advance income tax		773,215	1,129,740
	Sales tax		186,548	638,298
	Others		9,439	74,259
			1,125,266	2,392,178
27.	Cash and bank balances			
	With banks:			
	On current accounts			
	Local currency		16,786	15,428
	Foreign currency	(Note 27.1)	2,057	688
			18,843	16,116
	On saving accounts			
	Local currency	(Note 27.2)	5,112	26,435
			23,955	42,551
	Cash in transit		2,178	4,953
	Cash in hand		12,370	6,257
			38,503	53,761

27.1 This represents USD 1,395 (2018: USD 1,575) and EURO 10,575.25 (2018: EURO 3,406).

27.2 Rate of profit on saving accounts range from 8.25% to 11.25% (2018: 4.5% to 8%) per annum.

		2019	2018
28.	SALES - net		
	Export sales	6,333,807	7,294,532
	Discounts, commissions etc.	(178,585)	(136,454)
		6,155,222	7,158,078
	Local sales	24,409,749	20,299,768
	Sales tax	(3,300,119)	(2,428,504)
	Discounts, commissions etc.	(1,306,998)	(1,262,828)
		19,802,632	16,608,436
	Duty draw back	198,347	313,751
		26,156,201	24,080,265

			2019 Amount	2018 Amount
			Rupees in thousand	
28.1	**Sales of footwear - net**			
	Export sales		4,856,664	6,250,345
	Local sales		4,909,417	4,892,011
	Duty draw back		198,347	313,751
			9,964,428	11,456,107
	Sales of tyres - net			
	Export sales		1,298,558	904,117
	Local sales		14,662,034	11,699,282
			15,960,592	12,603,399
	Sales of technical rubber products - net			
	Export sales		-	3,617
	Local sales		231,181	17,142
			231,181	20,759
			26,156,201	24,080,265
29.	**Cost of sales**			
	Raw materials consumed	(Note 29.1)	13,466,222	11,759,451
	Salaries, wages and other benefits	(Note 29.2)	2,709,226	2,832,874
	Stores and spares consumed		237,064	274,647
	Packing materials consumed		626,836	635,158
	Fuel and power		997,862	725,126
	Insurance		24,129	21,589
	Travelling		18,665	18,156
	Repair and maintenance		162,547	148,811
	Entertainment		3,909	4,574
	Depreciation	(Note 16.1.2)	600,678	531,143
	Provision / (reversal of provision) for slow moving and obsolete inventory		86,766	(15,813)
	Other manufacturing charges		149,612	151,463
			19,083,516	17,087,179
	Work-in-process			
	Opening stock		398,415	294,957
	Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		(205,501)	-
	Less: Closing stock		225,852	(398,415)
			(32,938)	(103,458)
	Cost of goods manufactured		19,050,578	16,983,721
	Finished goods			
	Opening stock	(Note 29.3)	2,187,110	2,208,141
	Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		(446,373)	-
	Add: Purchases during the year		2,893,895	2,514,835
	Less: Closing stock		2,413,252	1,959,114
			2,221,380	2,763,862
			21,271,958	19,747,583

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For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
29.1	Raw materials consumed			
	Opening stock		1,500,550	1,315,442
	Add: Purchases during the year		13,777,863	11,944,559
	Less: Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme		629,409	-
	Less: Closing stock		1,182,782	1,500,550
			13,466,222	11,759,451

29.2 Salaries, wages and other benefits include Rupees 98.314 million (2018: Rupees 99.767 million) and Rupees 20.864 million (2018: Rupees 13.715 million) in respect of provident fund contribution and gratuity fund contribution by the Company respectively.

29.3 Opening stock includes an impact of Rupees 227.996 million due to adoption of IFRS 15.

29.4 Custom duty rebate for the year amounting to Rupees 93.186 million (2018: Rupees 114.45 million) has been adjusted against raw materials consumed.

			2019 Amount	2018 Amount
30.	Distribution Cost			
	Salaries and other benefits	(Note 30.1)	330,499	260,065
	Freight and insurance		418,120	393,104
	Advertisement and publicity		318,717	206,723
	Entertainment		12,009	13,248
	Samples		115,495	129,058
	Depreciation	(Note 16.1.2)	41,134	50,647
	Depreciation on right-of-use-asets	(Note 17)	192,739	-
	Amortization on intangible assets	(Note 18.2)	853	297
	Rent, rates and taxes		7,288	222,683
	Postage and courier		59,553	44,040
	Fuel and power		42,031	34,255
	Travelling and conveyance		76,542	36,964
	Others		82,776	132,250
			1,697,756	1,523,334

30.1 Salaries and other benefits include Rupees 9.188 million (2018: Rupees 8.392 million) and Rupees 15.459 million (2018: Rupees 4.973 million) in respect of provident fund contribution and gratuity fund contribution by the Company respectively.

			2019 Amount	2018 Amount
			Rupees in thousand	
31.	**Administrative Expenses**			
	Salaries and other benefits	(Note 31.1)	765,937	762,563
	Communication		22,007	24,395
	Printing and stationery		10,269	6,504
	Travelling and conveyance		45,110	34,693
	Entertainment		26,004	23,728
	Vehicles' running		28,892	31,823
	Insurance		2,819	3,444
	Rent, rates and taxes		18,970	21,759
	Fuel and power		22,833	21,712
	Repairs and maintenance		12,317	23,197
	Auditor's remuneration	(Note 31.2)	5,289	3,819
	Legal and professional		28,919	30,806
	Subscription		1,344	2,432
	Depreciation	(Note 16.1.2)	18,263	18,221
	Amortization on intangible assets	(Note 18.2)	462	882
	Ijarah rentals		57,324	68,700
	Computer running		10,307	1,894
	Advertisement		307	2,858
	General		39,808	46,264
			1,117,181	1,129,694

31.1 Salaries and other benefits include Rupees 19.808 million (2018: Rupees 20.328 million) and Rupees 15.647 million (2018: Rupees 16.824 million) in respect of provident fund contribution and gratuity fund contribution by the Company respectively.

			2019 Amount	2018 Amount
31.2	**Auditor's remuneration:**			
	Audit fee		2,677	2,555
	Special audit fee		1,695	-
	Half yearly review		670	609
	Taxation and other certification services		75	494
	Reimbursable expenses		172	161
			5,289	3,819
32.	**Other Expenses**			
	Donations	(Note 32.1 and 32.2)	49,705	48,605
	Workers' profit participation fund	(Note 11.1)	42,284	41,734
	Workers' welfare fund	(Note 11.2)	21,899	8,302
	Impairment loss on investment		-	7,550
	Loss on sale of operating fixed assets - net		5,051	9,961
	Allowance for expected credit losses		86,203	31,697
			205,142	147,849

32.1 These include Rupees 3.344 million (2018: Rupees 5.171 million) given to Service Charitable Trust in which Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed, Director and Mr. Hassan Javed, Director are trustees, Rupees 7.096 million (2018: Rupees Nil) given to Service Foundation in which Chaudhry Ahmed Javed, Chairman, Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed, Director and Mr. Hassan Javed, Director are directors and Rupees 11 million (2018: Rupees 12 million) given to Kidney Centre Gujrat in which Mr. Omar Saeed, Director and Mr. Hassan Javed, Director are members of Board of Governors.

Notes to the Financial Statements

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			2019 Amount	2018 Amount
			Rupees in thousand	
32.2	The names of donees to whom donation amount exceeds Rupees 4.971 million (2018: Rupees 0.5 million) are as follows:			
	Shalamar Hospital		12,962	14,882
	Sundus Foundation		-	5,000
	Sindh Institute of Urology & Transplantation		-	1,000
	The Citizens Foundation		5,600	3,000
	Wise Education Society		5,000	5,000
	Dost Foundation		-	600
			23,562	29,482

32.2.1 There is no interest of any director or his spouse in donees' fund.

			2019	2018
33.	**Other Income**			
	Income from financial assets			
	Return on bank deposits		381	-
	Exchange gain - net		272,320	142,445
	Income from non-financial assets			
	Scrap sales and others		35,595	46,244
	Rental income		3,906	9,802
			312,202	198,491
34.	**Finance Cost**			
	Mark-up / interest on:			
	- long term financing		337,485	204,774
	- short term borrowings		449,287	344,898
	- loan from Service Global Footwear Limited - subsidiary company		134,821	-
	- lease liabilities		160,867	-
	Bank charges and commission		41,129	39,268
			1,123,589	588,940
35.	**Taxation**			
	Current	(Note 35.1)	337,856	210,942
	Prior year		3,350	(185)
	Deferred tax		(154,545)	(66,779)
			186,661	143,978

35.1 Provision for current taxation mainly represents minimum tax and final tax under section 113 and section 154 of the Income Tax Ordinance, 2001 respectively. Tax charge reconciliation for the period is not presented being impracticable.

			Restated
36.	**Earnings Per Share - Basic And Diluted**		
	Basic		
	Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	886,364	1,061,307
	Weighted average number of ordinary shares (Numbers)	18,794,982	18,794,982
	Basic earnings per share (Rupees)	47.16	56.47

36.1 There is no dilutive effect on basic earnings per share for the year ended 31 December 2019 and 31 December 2018 as the Company has no potential ordinary shares as on 31 December 2018 and 31 December 2019.

		2019 Amount	2018 Amount
		Rupees in thousand	
37. Cash (used in) / Generated from Operations			
Profit before taxation		1,073,025	1,205,285
Adjustments for non-cash charges and other items:			
Depreciation		660,075	600,011
Depreciation on right-of-use-assets		192,739	-
Amortization on intangible assets		1,315	1,179
Provision for gratuity		51,970	35,513
Finance cost		1,123,589	588,940
Provision for workers' profit participation fund		42,284	41,734
Provision for workers' welfare fund		21,899	8,302
Provision / (reversal of provision) for slow moving and obsolete inventory		86,766	(15,812)
Allowance for expected credit losses		86,203	31,697
Share of profit in equity accounted investee		(20,248)	(63,928)
Impairment loss on investment		-	7,550
Loss on sale of operating fixed assets - net		5,051	9,961
Working capital changes	(Note 37.1)	(3,599,167)	(1,358,452)
		(274,499)	1,091,980

37.1 Working capital changes

	2019	2018
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(125,701)	(32,113)
Stock-in-trade	(1,762,961)	(116,007)
Trade debts	(532,425)	(534,633)
Loans and advances	(291,331)	(168,093)
Trade deposits and prepayments	(51,377)	38,414
Other receivables	28,210	(332,333)
	(2,735,585)	(1,144,765)
Decrease in trade and other payables	(863,582)	(213,687)
	(3,599,167)	(1,358,452)

Notes to the Financial Statements

For the year ended December 31, 2019

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

	2019				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees in thousand				
Balance as at 01 January 2019	3,316,880	-	5,633,361	32,002	8,982,243
Financing obtained	1,311,774	-	-	-	1,311,774
Lease liabilities recognised during the year	-	1,587,947	-	-	1,587,947
Repayment of financing / lease liabilities	(846,800)	(74,459)	-	-	(921,259)
Short term borrowings - net	-	-	2,551,507	-	2,551,507
Transferred to Service Global Footwear Limited					
- subsidiary company pursuant to the Scheme	(304,408)	-	(3,106,653)	-	(3,411,061)
Dividend declared	-	-	-	548,812	548,812
Dividend paid	-	-	-	(543,030)	(543,030)
Balance as at 31 December 2019	3,477,446	1,513,488	5,078,215	37,784	10,106,933

	2018				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees in thousand				
Balance as at 01 January 2018	2,883,572	-	4,520,732	27,774	7,432,078
Financing obtained	609,100	-	-	-	609,100
Repayment of financing	(175,792)	-	-	-	(175,792)
Short term borrowings - net	-	-	1,112,629	-	1,112,629
Dividend declared	-	-	-	264,634	264,634
Dividend paid	-	-	-	(260,406)	(260,406)
Balance as at 31 December 2018	3,316,880	-	5,633,361	32,002	8,982,243

38. Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Managerial remuneration	28,083	24,921	39,584	45,958	181,018	177,998
Bonus	27,900	26,792	39,100	52,407	59,031	53,141
Allowances:						
House rent	2,808	2,492	3,959	4,596	45,982	40,894
Conveyance	-	-	-	-	19,119	11,784
Medical	-	-	-	-	23,475	19,981
Utilities	2,808	2,492	3,959	4,596	17,330	17,215
Special allowance	-	-	-	-	20,660	16,140
Retirement and other benefits	2,124	1,273	3,363	2,655	44,842	33,725
Total	63,723	57,970	89,965	110,212	411,456	370,878
Number of persons	1	1	2	2	67	77

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

38.2 Aggregate amount charged in these financial statements for meeting fee to directors was Rupees 1.951 million (2018: Rupees 1.416 million).

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

39. Transactions with related parties

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

Notes to the Financial Statements

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	2019 Amount	2018 Amount
	Rupees in thousand	
Subsidiary companies		
Advances made	-	152
Sale of goods	39,832	31,415
Purchase of goods	28,864	-
Associated companies		
Dividend received	-	28,124
Sale of goods	51,282	83,743
Donations made	9,503	-
Reimbursement of expenses	171	3,802
Bonus shares issued	57	-
Key management personnel		
Cash dividend paid	24,700	100,145
Bonus shares issued	30,209	-
Other related parties		
Contribution to Service Provident Fund Trust	127,310	128,487
Contribution to Service Industries Limited Employees Gratuity Fund Trust	51,970	35,513
Bonus shares issued to Service Provident Fund Trust	3,202	-

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

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

Sr No.	Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year	Percentage Shareholding
1	S2 Power Limited	Common Directorship	Yes	48.00%
2	S2 Hydro Limited	Common Directorship	No	48.00%
3	Speed (Private) Limited	Shareholding	Yes	21.90%
4	SBL Trading (Private) Limited	Common directorship	Yes	Nil
5	Service Industries Capital (Pvt) Limited	Wholly owned subsidiary company	No	100.00%
6	Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company)	Yes	60.00%
7	Service Provident Fund Trust	Post employment benefit plan	Yes	Nil
8	Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Nil
9	Service Foundation	Common directorship	Yes	Nil
10	Service Charitable Trust	Directors of the Company are Trustees	Yes	Nil
11	Service Global Footwear Limited	Wholly owned subsidiary company	Yes	100.00%
12	Shahid Arif Investment (Private) Limited	Common Directorship	Yes	Nil

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

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

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

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

40. Plant Capacity

Footwear division

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

Technical rubber products

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

Tyre division

	Installed capacity		Actual production	
	2019	2018	2019	2018
Number of tyres	19,114,360	18,534,780	10,818,708	10,402,393
Number of tubes	52,515,170	51,628,500	39,468,162	37,861,408

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

41. Financial Risk Management

41.1 Financial risk factors

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

Notes to the Financial Statements

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Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

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

	2019 Amount	2018 Amount
	Rupees in thousand	
Cash at banks - USD	1,395	1,575
Cash at banks - EURO	10,575	3,406
Trade debts - USD	1,305,729	2,243,316
Trade debts - EURO	116,285	2,343,746
Trade debts - GBP	69,855	162,841
Trade and other payables - USD	(1,328,567)	(642,000)
Trade and other payables - EURO	(5,131)	(235,000)
Trade and other payables - GBP	(9,841)	-
Net exposure - USD	(21,443)	1,602,891
Net exposure - EURO	121,729	2,112,152
Net exposure - GBP	60,014	162,841

The following significant exchange rates were applied during the period:

	2019	2018
Rupees per US Dollar		
Average rate	151.31	122.09
Reporting date rate	155.35	138.60
Rupees per EURO		
Average rate	168.70	143.76
Reporting date rate	173.48	158.52
Rupees per GBP		
Average rate	192.34	162.08
Reporting date rate	203.30	175.88

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 1.371 million (2018: Rupees 27.231 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

Sensitivity analysis

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

Index	Impact on statement of other comprehensive income Fair value reserve FVTOCI investment)	Impact on profit after taxation
	2019 Amount	2018 Amount
	Rupees in thousand	
PSX 100 (5% increase)	1,228	1,103
PSX 100 (5% decrease)	(1,228)	(1,103)

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing asset. The Company's interest rate risk arises mainly from long term financing, short term borrowings and bank balances in saving accounts. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

	2019	2018
Fixed rate instruments		
Financial liabilities		
Long term financing	292,446	462,111
Short term borrowings	2,078,345	3,497,355
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	5,112	26,435
Financial liabilities		
Long term financing	3,185,000	2,854,769
Short term borrowings	2,999,870	2,136,006

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Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 66.123 million (2018: Rupees 53.118 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting the dates were outstanding for the whole year.

(b) Credit risk

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

	2019 Amount	2018 Amount
	Rupees in thousand	
Long term investment	24,550	22,050
Long term loans to employees	26,933	30,468
Long term security deposits	105,894	95,010
Trade debts	3,021,121	3,300,338
Loans and advances	29,933	23,769
Trade deposits	115,372	47,854
Other receivables	9,439	74,259
Bank balances	23,955	42,551
	3,357,197	3,636,299

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

	Rating			2019	2018
	Short term	Long term	Agency	Amount	Amount
Banks				Rupees in thousand	
Allied Bank Limited	A1+	AAA	PACRA	4,517	27,740
Askari Bank Limited	A1+	AA+	PACRA	373	20
Bank Alfalah Limited	A1+	AA+	PACRA	85	109
Bank Al-Habib Limited	A1+	AA+	PACRA	457	2,264
Faysal Bank Limited	A1+	AA	PACRA	3,274	4,622
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,229	475
MCB Bank Limited	A1+	AAA	PACRA	217	224
Meezan Bank Limited	A-1+	AA+	JCR-VIS	1,699	364
National Bank of Pakistan	A1+	AAA	PACRA	1,004	892
Samba Bank Limited	A-1+	AA	JCR-VIS	53	49
Soneri Bank Limited	A1+	AA-	PACRA	2,353	16
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,625	353
United Bank Limited	A-1+	AAA	JCR-VIS	3,069	5,423
				23,955	42,551

Long term investment			
TRG Pakistan Limited	Unknown	24,550	22,050
		48,505	64,601

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

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

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2019, the Company had Rupees 4,247 million (2018: Rupees 4,008 million) available borrowing limits from financial institutions and Rupees 38.503 million (2018: Rupees 53.761 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2019:

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

Contractual maturities of financial liabilities as at 31 December 2018:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
Non-derivative financial liabilities:						
Long term financing	3,316,880	4,142,176	601,156	506,216	937,687	2,097,117
Long term deposits	3,243	3,243	-	-	-	3,243
Short term borrowings	5,633,361	6,735,010	6,543,287	191,723	-	-
Trade and other payables	2,458,408	2,458,408	2,458,408	-	-	-
Unclaimed dividend	32,002	32,002	32,002	-	-	-
Accrued mark-up	146,917	146,917	146,917	-	-	-
	11,590,811	13,517,756	9,781,770	697,939	937,687	2,100,360

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at reporting date. The rates of interest / mark up have been disclosed in note 6 and note 13 to these financial statements.

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41.2 Financial instruments by categories

Assets as per statement of financial position

	2019 Rupees in thousand		2018 Rupees in thousand	
	FVTOCI	Amortized cost	Available for sale	Loans and receivables
Long term investment	24,550	-	22,050	-
Long term loans to employees	-	26,933	-	30,468
Long term security deposits	-	105,894	-	95,010
Trade debts	-	3,021,121	-	3,300,338
Loans and advances	-	29,933	-	23,769
Trade deposits	-	115,372	-	47,854
Other receivables	-	9,439	-	74,259
Cash and bank balances	-	38,503	-	53,761
	24,550	3,347,195	22,050	3,625,459

	2019	2018
	At Amortized Cost	
	Amount	Amount
	Rupees in thousand	
Liabilities as per statement of financial position		
Long term financing	3,477,446	3,316,880
Long term deposits	2,406	3,243
Lease liabilities	1,513,488	-
Accrued mark-up	256,471	146,917
Short term borrowings	5,078,215	5,633,361
Unclaimed dividend	37,784	32,002
Trade and other payables	2,304,245	2,458,408
	12,670,055	11,590,811

41.3 Offsetting financial assets and financial liabilities

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

41.4 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, and short term borrowings obtained by the Company as referred to in note 6 and note 13 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The Company's strategy, remained unchanged from last year.

		2019 Amount	2018 Amount
		Rupees in thousand	
Borrowings		8,555,661	8,950,241
Total equity		5,741,208	5,516,165
Total capital employed		14,296,869	14,466,406
Gearing ratio	Percentage	59.84%	61.87%

The decrease in gearing ratio is mainly due to decrease in borrowings of the Company.

42. Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

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

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

Recurring fair value measurements At 31 December 2018	Level 1	Level 2	Level 3	Total
		Rupees in thousand		
Financial assets				
Available for sale financial assets	22,050	-	-	22,050
Total financial assets	22,050	-	-	22,050

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

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

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

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

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

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

(ii) Valuation techniques used to determine fair values

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

43. Segment Information

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

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

Tyre: Manufacturing of different qualities of tyres.

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

	<------	------	------	------Rupees in thousand------	------	------	------	------>
	Footwear		Tyre division		Technical rubber products		**Total**	Total
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Sales	9,964,428	11,456,107	15,960,592	12,603,399	231,181	20,759	26,156,201	24,080,265
Profit / (loss) before taxation and unallocated Income and expenses	761,505	1,473,057	1,942,235	1,242,514	61,312	(7,850)	2,765,052	2,707,721
Unallocated income and expenses:							(1,692,027)	(1,502,436)
Taxation							(186,661)	(143,978)
Profit after taxation							886,364	1,061,307
43.1. Reconciliation of reportable segment assets and liabilities								
Total assets for reportable segment	5,947,499	6,942,869	9,121,739	8,662,533	152,290	54,481	15,221,528	15,659,883
Unallocated assets							4,297,095	2,461,240
Total assets as per statement of financial position							19,518,623	18,121,123
Unallocated liabilities							13,777,415	12,604,958
Total liabilities as per statement of financial position							13,777,415	12,604,958

43.2. Geographical information

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

	2019 Amount	2018 Amount
	Rupees in thousand	
Europe	3,459,001	5,513,100
United States of America	833,617	449,382
Asia	1,757,542	1,264,910
Australia	79,193	87,236
Africa	224,216	157,201
Pakistan	19,802,632	16,608,436
	26,156,201	24,080,265

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

43.4. Revenue from major customers

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

44. Provident Fund Related Disclosures

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

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

	2019 Amount	2018 Amount
	Rupees in thousand	
NUMBER OF EMPLOYEES		
Number of employees as at 31 December	7,238	10,906
Average number of employees during the year	9,072	10,882

46. Events after the Reporting Period

46.1. The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2019 of Rupees 7.50 per share (i.e. 75%) along with issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by the members (i.e. 25%) at their meeting held on June 25, 2020. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

46.2. On 11 March 2020, the World Health Organization declared the Corona virus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. The outbreak of the COVID-19 introduces additional challenges and risks to the Company's operations. The Company has already undertaken specific measures to ensure the health and safety of its employees. In order to dampen the impacts of this situation, the Company has obtained additional export refinance (ERF) of Rupees 1,290 million from various banks. The additional ERF has reduced the financial burden of the Company, since KIBOR based borrowings have been converted into ERF at 3% markup. The Company has also availed the deferment of principal payments of long-term loans falling between 26 March 2020 to 25 March 2021. The principal payments have been deferred for one year in line with the relevant circular of State Bank of Pakistan. The Company has also been successful in obtaining further funded facilities from various banks, which has provided the Company further liquidity to survive the present crisis. Presently additional funded facility of Rupees 500 million has been obtained to date. Furthermore, due to the recent announcement of Federal Government to release the drawback of local taxes and levies of exporters, the Company has obtained refunds of Rupees 41.034 million. The Company has also successfully managed its cash flows consisting of local suppliers' payments and import payments in line with its receipts from its debtors (local and foreign). This matching policy of cash inflows and outflows has successfully managed the borrowing of the Company and kept it at a manageable level.

46.3 For the Company's 31 December 2019 financial statements, the Corona virus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

47. Date of authorization for issue

These financial statements were authorized for issue on June 25, 2020 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

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

49. General

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

Chaudhry Ahmed Javed	Arif Saeed	Badar Ul Hassan
(Chairman)	(Chief Executive)	(Chief Financial Officer)

Consolidated Financial Statements

Group Directors' Report
to the Shareholders

The Directors take pleasure in presenting their report together with the Consolidated Financial statements of Service Industries Limited ("The Holding Company") and its Subsidiary Companies (together referred to as Group) for the year ended December 31, 2019.

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

Service Industries Limited

The Directors' Report providing a commentary on the performance of Service Industries Limited for the year ended December 31, 2019 has been presented separately. Service Industries Limited has annexed its consolidated financial statements along with its separate financial statements, in accordance with the requirements of International Financial Reporting Standards and Companies Act, 2017.

Service Industries Capital (Private) Limited

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

Service Global Footwear Limited

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

Service Shoes Lanka (Private) Limited

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

Clarification to Qualification in Audit Report

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

Chaudhry Ahmed Javed
Chairman

Arif Saeed
Chief Executive

June 25, 2020
Lahore

Auditors' Report To The Members
On Consolidated Financial Statements

To the members of Service Industries Limited

Qualified Opinion
We have audited the annexed consolidated financial statements of Service Industries Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion
The financial statements of Service Shoes Lanka (Private) Limited – Subsidiary Company for the year ended 31 December 2019 are unaudited and have been prepared by the management in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities. Hence, total assets of Rupees 255,722,290 as at 31 December 2019 and total turnover and net loss of Rupees 369,330,130 and Rupees 32,621,778 respectively for the year ended 31 December 2019 pertaining to the aforesaid Subsidiary Company have been consolidated without incorporating adjustments necessary to give effect to uniform accounting policies adopted by the Group and disclosures required under accounting and reporting standards as applicable in Pakistan.

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

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

Following are the Key audit matters:

Sr. No	Key audit matters	How the matters were addressed in our audit
1	**Revenue recognition** The Group recognized net sales of Rupees 30,058.321 million for the year ended 31 December 2019. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets. For further information on revenue, refer to the following: - Summary of significant accounting policies, Revenue from contracts with customers note 2.18 to the consolidated financial statements. - Sales – net note 29 to the consolidated financial statements.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; and • Comparing the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation. We also considered the appropriateness of disclosures in the financial statements.
2	**Stock-in-trade** As at 31 December 2019, stock-in-trade is stated at Rupees 5,903.758 million. Stock-in-trade is measured at the lower of cost and net realizable value. We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 25.88% of total assets of the Group as at 31 December 2019, and the judgment involved in valuation. For further information on stock - in - trade, refer to the following: - Summary of significant accounting policies, Stock-in-trade note 2.15 to the consolidated financial statements. - Stock-in-trade note 22 to the consolidated financial statements.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; and • Assessing accuracy of inventory ageing reports and adequacy of provisions.

Sr. No	Key audit matters	How the matter was addressed in our audit
3	**Application of IFRS 16 'Leases'** The Group has adopted IFRS 16 'Leases' with effect from 01 January 2019. IFRS 16 introduces a single on consolidated statement of financial position lease accounting model for leases entered into by lessees. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Group has changed its accounting policy for operating leases which are now recognized on the consolidated statement of financial position. The Group has accordingly recognized right-of-use assets and lease liabilities amounting to Rupees 1,358.761 million and Rupees 1,350.879 million respectively as at 01 January 2019. The comparative figures for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions of the standard. The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this a key audit matter. For further information on leases, refer to the following: - Summary of significant accounting policies, Leases note 2.10 to the consolidated financial statements. - Lease liabilities and Right-of-use assets note 8 and note 17 to the consolidated financial statements respectively.	Our audit procedures included the following: • obtaining an understanding of the management's process for identification of agreements which contain leasing arrangements; • evaluating the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts; • on a sample basis, testing the underlying data used by the management from the lease contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on a test basis to assess the accuracy of computations performed by the management; and • assessing whether the presentation and disclosures relating to the adoption of IFRS 16 in the consolidated financial statements are in compliance with the applicable financial reporting framework.

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

The consolidated financial statements for the year ended 31 December 2018 were audited by another firm of Chartered Accountants whose auditor's report dated 03 April 2019 expressed qualified opinion in respect of un-audited financial statements of Service Shoes Lanka (Private) Limited – Subsidiary Company.

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.
Date:June 25, 2020

Consolidated Statement of Financial Position

As at December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
100,000,000 (2018:100,000,000) Ordinary Shares of Rupees 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up share capital	4	187,950	120,288
Reserves	5	6,027,682	5,379,198
Equity attributable to equity holders of the Holding Company		6,215,632	5,499,486
Non-controlling interest		(31,693)	(16,322)
Total equity		6,183,939	5,483,164
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	6	3,090,252	2,617,155
Long term deposits	7	2,406	3,243
Lease liabilities	8	1,302,055	-
Employees' retirement benefit	9	215,979	180,446
Deferred income tax liability - net	10	189,131	341,182
		4,799,823	3,142,026
CURRENT LIABILITIES			
Trade and other payables	11	4,006,199	2,881,556
Accrued mark-up	12	142,320	146,917
Short term borrowings	13	6,284,209	5,722,630
Current portion of non-current liabilities	14	947,685	699,725
Unclaimed dividend		37,784	32,002
Provision for taxation		407,864	214,255
		11,826,061	9,697,085
TOTAL LIABILITIES		16,625,884	12,839,111
CONTINGENCIES AND COMMITMENTS	15	-	-
TOTAL EQUITY AND LIABILITIES		22,809,823	18,322,275

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

Chaudhry Ahmed Javed
(Chairman)

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	16	7,260,918	7,054,975
Right-of-use assets	17	1,403,090	-
Intangible assets	18	48,173	43,179
Long term investments	19	542,646	506,914
Long term loans to employees	20	25,031	20,450
Long term security deposits		112,171	95,010
		9,392,029	7,720,528
CURRENT ASSETS			
Stores, spares and loose tools	21	289,399	160,155
Stock-in-trade	22	5,903,758	4,122,156
Trade debts	23	3,617,736	3,273,650
Loans and advances	24	684,295	479,530
Trade deposits and prepayments	25	136,379	94,917
Other receivables	26	2,681,253	2,398,498
Accrued interest	27	1,426	-
Cash and bank balances	28	103,548	72,841
		13,417,794	10,601,747
TOTAL ASSETS		22,809,823	18,322,275

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
			Restated
Sales – net	29	30,058,321	24,229,643
Cost of sales	30	(24,327,246)	(19,901,407)
Gross profit		5,731,075	4,328,236
Distribution cost	31	(1,994,315)	(1,542,734)
Administrative expenses	32	(1,328,266)	(1,169,326)
Other expenses	33	(241,086)	(147,849)
		(3,563,667)	(2,859,909)
		2,167,408	1,468,327
Other income	34	448,410	200,123
Profit from operations		2,615,818	1,668,450
Finance cost	35	(1,062,429)	(596,649)
		1,553,389	1,071,801
Share of profit in equity accounted investee - net of taxation		33,232	105,001
Profit before taxation		1,586,621	1,176,802
Taxation	36	(227,612)	(147,105)
Profit after taxation		1,359,009	1,029,697
Share of profit attributable to:			
Equity holders of the holding company		1,372,058	1,057,395
Non-controlling interest		(13,049)	(27,698)
		1,359,009	1,029,697
Earnings per share – basic and diluted (Rupees)	37	73.00	56.26

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

Chaudhry Ahmed Javed (Chairman)	Arif Saeed (Chief Executive)	Badar Ul Hassan (Chief Financial Officer)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
			Restated
Profit after taxation		1,359,009	1,029,697
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Surplus arising on remeasurement of investment at fair value through other comprehensive income - net of tax		2,500	-
Remeasurements of employees' retirement benefit obligation - net of tax		11,654	(27,269)
		14,154	(27,269)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiary		(5,804)	(378)
Exchange difference on translation of goodwill		4,198	1,784
		(1,606)	1,406
Other comprehensive income / (loss) for the year		12,548	(25,863)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,371,557	1,003,834
Share of total comprehensive income attributable to:			
EQUITY HOLDERS OF THE HOLDING COMPANY		1,386,928	1,030,818
NON-CONTROLLING INTEREST		(15,371)	(26,984)
		1,371,557	1,003,834

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

Chaudhry Ahmed Javed	Arif Saeed	Badar Ul Hassan
(Chairman)	(Chief Executive)	(Chief Financial Officer)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Share Capital	Capital gains	Fair value reserve FVTOCI investment	Share premium	Share of reserve held by equity accounted investee	Exchange translation reserve	Sub Total	General reserve	Un-appropriated profit	Sub total	Total Reserves	Shareholders equity	Non-controlling interest	TOTAL Equity
		Attributable to the Equity Holders of the Holding Company												
		Capital Reserves						Revenue Reserves						
	Rupees in thousand													
Balance as at December 31, 2017	120,288	102,730	-	21,217	-	3,093	127,040	1,558,208	2,927,766	4,485,974	4,613,014	4,733,302	10,662	4,743,964
Proportionate share of reserve of equity accounted associate [Note 3 (ii)]	-	-	-	-	44,395	-	44,395	-	(44,395)	(44,395)	-	-	-	-
Balance as at 31 December 2017 - restated	120,288	102,730	-	21,217	44,395	3,093	171,435	1,558,208	2,883,371	4,441,579	4,613,014	4,733,302	10,662	4,743,964
Transaction with owners:														
Final dividend for the year ended 31 December 2017 @ Rupees 22 per share	-	-	-	-	-	-	-	-	(264,634)	(264,634)	(264,634)	(264,634)	-	(264,634)
Profit for the year	-	-	-	-	-	-	-	-	1,057,395	1,057,395	1,057,395	1,057,395	(27,698)	1,029,697
Other comprehensive income for the year - restated	-	-	-	-	-	692	692	-	(27,269)	(27,269)	(26,577)	(26,577)	714	(25,863)
Total comprehensive income for the year - restated	-	-	-	-	-	692	692	-	1,030,126	1,030,126	1,030,818	1,030,818	(26,984)	1,003,834
Balance as at 31 December 2018 - restated	120,288	102,730	-	21,217	44,395	3,785	172,127	1,558,208	3,648,863	5,207,071	5,379,198	5,499,486	(16,322)	5,483,164
Adjustment on adoption of IFRS 9 [Note 2.13 (vii)]	-	-	-	-	-	-	-	-	(51,358)	(51,358)	(51,358)	(51,358)	-	(51,358)
Adjustment on adoption of IFRS 15 [Note 2.18 (viii)]	-	-	-	-	-	-	-	-	(70,612)	(70,612)	(70,612)	(70,612)	-	(70,612)
Adjusted total equity as at 01 January 2019	120,288	102,730	-	21,217	44,395	3,785	172,127	1,558,208	3,526,893	5,085,101	5,257,228	5,377,516	(16,322)	5,361,194
Transactions with owners:														
Final dividend for the year ended 31 December 2018														
@ Rupees 30 per share	-	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	(360,862)	-	(360,862)
Issue of bonus shares for the year ended 31 December 2018 @ 25%	30,072	-	-	-	-	-	-	-	(30,072)	(30,072)	(30,072)	-	-	-
Interim divided for the year ended 31 December 2019														
@ Rupees 12.50 per share	-	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(187,950)	-	(187,950)
Issue of bonus shares for the year ended 31 December 2019 @ 25%	37,590	-	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	-	-	-
	67,662	-	-	-	-	-	-	-	(616,474)	(616,474)	(616,474)	(548,812)	-	(548,812)
Profit for the year	-	-	-	-	-	-	-	-	1,372,058	1,372,058	1,372,058	1,372,058	(13,049)	1,359,009
Other comprehensive income for the year	-	-	2,500	-	-	716	3,216	-	11,654	11,654	14,870	14,870	(2,322)	12,548
Total comprehensive income for the year	-	-	2,500	-	-	716	3,216	-	1,383,712	1,383,712	1,386,928	1,386,928	(15,371)	1,371,557
Balance as at 31 December 2019	187,950	102,730	2,500	21,217	44,395	4,501	175,343	1,558,208	4,294,131	5,852,339	6,027,682	6,215,632	(31,693)	6,183,939

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

Chaudhry Ahmed Javed
(Chairman)

Arif Saeed
(Chief Executive)

Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Note	2019 Amount	2018 Amount
		Rupees in thousand	
Cash flows from operating activities			
Cash generated from operations	38	1,968,280	1,091,790
Finance cost paid		(1,067,026)	(557,797)
Income tax paid		(296,996)	(276,073)
Employees' retirement benefits paid		(12,166)	(10,735)
Long term loans - net		(9,844)	(2,688)
Long term deposits - net		(17,161)	4,383
Net cash generated from operating activities		565,087	248,880
Cash flows from investing activities			
Capital expenditure on operating fixed assets		(941,038)	(1,619,117)
Intangible asset acquired		(6,468)	(2,812)
Long term investments		-	7,550
Loan to associated company		(50,000)	-
Proceeds from sale of operating fixed assets		11,855	2,057
Dividend received from associated company		-	46,184
Net cash used in investing activities		(985,651)	(1,566,138)
Cash flows from financing activities			
Proceeds from long term financing		1,450,506	609,100
Repayment of long term financing		(940,882)	(175,792)
Repayment of lease liabilities		(74,459)	-
Long term deposits - net		(837)	(2,015)
Short term borrowings - net		561,579	1,133,358
Dividend paid		(543,030)	(260,406)
Net cash generated from financing activities		452,877	1,304,245
Effects of exchange rate changes on cash and cash equivalents		(1,606)	1,406
Net increase / decrease in cash and cash equivalents		30,707	(11,607)
Cash and cash equivalents at the beginning of the year		72,841	84,448
Cash and cash equivalents at the end of the year		103,548	72,841

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

Chaudhry Ahmed Javed	Arif Saeed	Badar Ul Hassan
(Chairman)	(Chief Executive)	(Chief Financial Officer)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1 The group and its operations

The Group consists of:

Holding Company

- Service Industries Limited

Subsidiary Companies

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

Service Industries Limited

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

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Registered and head office	Servis House, 2 – Main Gulberg, Lahore
Karachi office	Adamjee House, 10th Floor, I.I. Chundrigar Road, Karachi.
Factory site	G.T. Road, Gujrat.
Retail outlets	
Shoe Box M.M. Alam Road	R-2, M.M. Alam Road, Gulberg II, Lahore.
Shoe Box Mall Road	Near Urban Sole, Mall Road, Lahore.
Shoe Box Baghban Pura	17-A, Main G.T Road, Lahore.
Shoe Box Allama Iqbal Town	Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore.
Shoe Box Wapda Town	8, PIA Society, Wapda Town, Lahore.
Shoe Box Link Road	Opposite Raja Sb, Link Road, Model Town, Lahore.
Shoe Box Karim Block	23-Karim Block, Allama Iqbal Town, Lahore.
Shoe Box DHA Y Block	133-Y Block, Phase 3, DHA, Lahore.
Shoe Box Gujranwala 1	College Chowk, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 2	751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujrat	Hassan Chowk, Kacheri Road, Gujrat.
Shoe Box Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Faisalabad	D-Ground, Faisalabad.
Shoe Box Burewala	Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala.
Shoe Box Bahawalpur 1	Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur.
Shoe Box Bahawalpur 2	Railway Road, Bahawalpur.
Shoe Box Mandi Baha-ud-Din	Kacheri Road, Mandi Baha-ud-Din.
Shoe Box Multan	Zain Tower, 10-A Gulgshat Colony, Multan.
Shoe Box Rahim Yar Khan	Shahi Road, Rahim Yar Khan.
Shoe Box Rawalpindi	Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi.
Shoe Box Sargodha	City Tower, City Road, Sargodha.
Shoe Box Sargodha 2	03 Jinnah Park, University Road, Sargodha.
Shoe Box Sialkot	Shoe Box Daruma Wala Chowk, Trunk Bazar, Opposite Bata Shoes, Sialkot.
Shoe Box Sahiwal	Near Metro Shoes, Girls College Road, Sahiwal.

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Shoe Box Peshawar	University Road, Peshawar.
Shoe Box Peshawar 2	Saddar Road, Peshawar.
Shoe Box Multan Cantt.	Property No. 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt.
Shoe Box Chakwal	Al-Fateh Plaza, Talagang Road, Near GPO, Chakwal
Budget Box Sheikhupura	Bhatti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhupura.
Factory Outlet Vehari	Klara, 143-C, Club Road, Vehari.
Factory Outlet Muridke	10-KM Sheikhupura Road, Muridke.
Factory Outlet Gujrat	Servis Factory, Main G.T. Road, Gujrat.
Factory Outlet Township	Shop No. 5-A-1, Al-Madina Road, Township, Lahore.
Factory Outlet Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Franchise	Al-Hafeez Center, 26-A, Model Town, Lahore.
KLARA Warehouses	
Lahore	26-KM, Multan Road, Opposite Maraka Telephone Exchange, Lahore.
Lahore	19-A, Main Ravi Road, Near Kasur Pura Stop, Yadgar, Lahore.
Rawalpindi	Near Bagar Dhair, Tippu Sultan Masjid I-J-P Road, Rawalpindi.
Faisalabad	Jhang Road, Opposite Nayab Energy Gate, Faisalabad.
Bahawalpur	6-A, Adil Town, Dubai Mehal Road, Near City School, Bahawalpur.

Service Global Footwear Limited

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

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

Service Industries Capital (Private) Limited

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

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on 16 July 2015 under the provisions of the Companies Act No. 07 of 2007 in Sri Lanka. The registered office of the Company is located at No. 143 / 17, Sri Wickerma Mawatha, Colombo and the principal place of business is located at Katunayake, Sri Lanka. It is subsidiary of Service Industries Capital (Private) Limited which is wholly owned subsidiary of Service Industries Limited. Ownership interest held by non-controlling interest in Service Shoes Lanka (Private) Limited – Subsidiary Company is 40% (2018: 40%).

2. Summary of Significant Accounting Policies

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2.1 Basis of preparation

a) Statement of compliance

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

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

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

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

b) Accounting convention

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

c) Use of estimates and judgments

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

i) Useful lives, patterns of economic benefits and impairments

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

ii) Inventories

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

iii) Taxation

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

iv) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

v) Allowance for expected credit losses

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

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

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

vii) Revenue from contracts with customers involving sale of goods

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

d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 January 2019:

- IFRS 9 'Financial Instruments' and amendments to IFRS 9
- IFRS 15 'Revenue from Contracts with Customers' and amendments to IFRS 15
- IFRS 16 'Lease'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IAS 28 (Amendments) 'Investments in Associates and Joint Ventures'
- IASB's Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to IFRSs more specifically in IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 16, IFRS 9 and IFRS 15. These are disclosed in note 2.9, note 2.14 and note 2.19. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standard and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2020 or later periods:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose consolidated financial statements in accordance with IFRS.

Amendments to IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 01 January 2020). The International Accounting Standards Board (IASB) has issued 'Definition of Business' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past consolidated financial statements.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

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

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

2.2 Consolidation

a) Subsidiaries

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

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

Intragroup balances and transactions have been eliminated.

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

b) Associate

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

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

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

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

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

c) Translations of the financial statements of foreign subsidiary

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

2.3 Functional and presentation currency

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

2.4 Foreign currency transactions and translation

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

2.5 Employees' retirement benefits

i) Contributory provident fund

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

ii) Defined benefit plan

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

iii) Compensated absences

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

2.6 Taxation

Current

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

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

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

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

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.7 Borrowings

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

2.8 Borrowing costs

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

2.9 Fixed assets

Owned

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

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

Depreciation

Depreciation on operating fixed assets except for leasehold improvements is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in note 16.1. Depreciation on leasehold improvements is charged to the statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives or the shorter lease term at the rates given in note 16.1. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

De-recognition

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

2.10 IFRS 16 "Leases"

The Company has adopted IFRS 16 from 01 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the statement of profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 has been adopted using the modified retrospective approach and as such the comparatives have not been restated. The impacts of adoption as at 01 January 2019 are as follows:

	Rupees in thousand
Right-of-use assets increased by	1,358,761
Lease liabilities increased by	1,350,879
Prepaid rent decreased by	7,882

Right-of-use assets

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

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

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

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

2.11 Intangible assets

Intangible assets other than goodwill

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

Goodwill

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

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

2.12 Ijarah transactions

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

2.13 IFRS 9 "Financial instruments"

The Group has adopted IFRS 9 "Financial Instruments" from 01 January 2019. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Group makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Group's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Group. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 January 2019, the Company classifies its financial assets in the following measurement categories:

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

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

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairement losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other

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comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

Financial liabilities - classification and measurement

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

iii) Impairment of financial assets

From 01 January 2019, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

iv) De-recognition

a) Financial assets

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

b) Financial liabilities

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

v) **Offsetting of financial instruments**

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

vi) **Hedge accounting**

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended 31 December 2019.

vii) **Impacts of adoption of IFRS 9 on these financial statements as on 01 January 2019**

On 01 January 2019, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (01 January 2019) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – (01 January 2019)

	Available for sale (AFS)	FVTOCI	Trade debts categorized as Loans and eceivables	Amortised cost
Opening balance (before reclassification)	22,050	-	3,273,650	-
Adjustment on adoption of IFRS 9 reclassification of equity investment from available for sale to FVTOCI	(22,050)	22,050	-	-
Reclassification of trade debts	-	-	(3,273,650)	3,273,650
Recognition of expected credit losses on trade debts	-	-	-	(51,358)
Opening balance (after reclassification)	-	22,050	-	3,222,292

The impact of these changes on the Company's un-appropriated profit and equity is as follows:

Un-appropriated profit and equity (01 January 2019)

	Effect on un-appropriated profit	Effect on total equity
	-------Rupees in thousand-----	
Opening balance	3,669,323	5,483,164
Adjustment on adoption of IFRS 9 due to recognition of expected credit losses on trade debts	(51,358)	(51,358)
	3,617,965	5,431.806

Equity investment previously classified as available-for-sale

The Group elected to present in other comprehensive income changes in the fair value of its equity investment previously classified as available-for-sale, as this investment is not held for trading. As a result, asset with a fair value of Rupees 22.050 million was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income (FVTOCI) on 01 January 2019.

Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 01 January 2019, the classification and measurement of financial instruments of the Company were as follows:

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	Measurement category		Measurement category		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees in thousand		
Financial assets					
Long term investment	Available for sale	FVTOCI	22,050	22,050	-
Long term investment	Available for sale	FVTOCI	22,050	22,050	-
Long term loans to employees	Loans and receivables	Amortised cost	30,468	30,468	-
Security deposits	Loans and receivables	Amortised cost	142,864	142,864	-
Trade debts	Loans and receivables	Amortised cost	3,273,650	3,222,292	51,358
Loans and advances	Loans and receivables	Amortised cost	23,784	23,784	-
Other receivables	Loans and receivables	Amortised cost	77,019	77,019	-
Cash and bank balances	Loans and receivables	Amortised cost	72,841	72,841	-
Financial liabilities					
Long term financing	Amortised cost	Amortised cost	3,316,880	3,316,880	-
Long term deposits	Amortised cost	Amortised cost	3,243	3,243	-
Trade and other payables	Amortised cost	Amortised cost	2,724,461	2,724,461	-
Accrued mark-up	Amortised cost	Amortised cost	146,917	146,917	-
Short term borrowings	Amortised cost	Amortised cost	5,722,630	5,722,630	-
Unclaimed dividend	Amortised cost	Amortised cost	32,002	32,002	-

2.14 Impairment of non-financial assets

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

2.15 Inventories

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

Stores, spares and loose tools

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

Stock-in-trade

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

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

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stocks are valued at net realizable value.
Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.16 Trade and other payables

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

2.17 Trade and other receivables

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

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

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

2.18 Revenue from contracts with customers

The Group has adopted IFRS 15 from 01 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Group's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Group's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Group has adopted IFRS 15 by applying the modified retrospective approach according to which the Group is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

i) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

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

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Interest

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

Rent

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

Dividend

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

Other revenue

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

ii) Contract assets

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

iii) Customer acquisition costs

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

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

iv) Customer fulfilment costs

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

v) Right of return assets

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

vi) Contract liabilities

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

vii) Refund liabilities

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

viii) Impacts of adoption of IFRS 15 on these financial statements as on 01 January 2019

The following adjustments were made to the amounts recognized in the financial statements at 01 January 2019:

	31 Dec 2018 Reported	Adjustment	01 Jan 2019 Restated
		Rupees in thousand	
Current assets			
Stock in trade	4,122,156	227,996	4,350,152
Trade debts	3,273,650	(302,324)	2,971,326
Current liabilities			
Trade and other payables	2,881,556	(3,716)	2,877,840
Equity			
Reserves	5,379,198	(70,612)	5,308,586

2.19 Cash and cash equivalents

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

2.20 Provisions

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

2.21 Earnings per share

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

2.22 Contingent assets

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

2.23 Contingent liabilities

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

2.24 Share capital

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

2.25 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

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2.26 Segment reporting

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

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

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

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

2.27 Dividend and other appropriations

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

3. PRIOR PERIOD ADJUSTMENTS

i) TRG Pakistan Limited

During the year ended 31 December 2017, the Company purchased 1,000,000 ordinary shares of TRG Pakistan Limited at Rupees 61.824 million. In accordance with International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' which was then applicable, this investment was classified as available-for-sale. As per IAS 39, gains or losses on available-for-sale investments were recognized directly in other comprehensive income until the investment was sold, de-recognized, at which time the cumulative gain or loss previously reported in other comprehensive income was included in statement of profit or loss. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment. Previously, significant decline in value of the aforesaid investment during the years ended 31 December 2017 and 31 December 2018 amounting to Rupees 32.224 million and Rupees 7.550 million respectively was inadvertently recognized through other comprehensive income which should had been recognized in the statement of profit or loss. This has now been adjusted retrospectively in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This adjustment has following impacts on these financial statements:

	Rupees in thousand
Statement of profit or loss	
- For the year ended 31 December 2018	
Other operating expenses increased by	7,550
Earnings per share – basic and diluted decreased by (Rupees)	0.45
Statement of comprehensive income	
- For the year ended 31 December 2018	
Loss on investments decreased by	7,550

ii) **Speed (Private) Limited**

During the year ended 31 December 2013, the Holding Company purchased 142,839 ordinary shares of Speed (Private) Limited at Rupees 167.979 million. In accordance with International Accounting Standard (IAS) 28 'Investment in Associates and Joint Ventures' this investment was classified as investment in associate under equity method. During the year ended 31 December 2015, the Holding Company purchased further 17,870 ordinary shares of Speed (Private) Limited at Rupees 28.541 million. At the year end, share of share premium reserve of Speed (Private) Limited amounting to Rupees 23.935 million was inadvertently recognized through consolidated statement of profit or loss as share of profit from associate instead of recognition as share of reserve held by equity accounted investee in share premium in the consolidated statement of changes in equity. This has now been adjusted retrospectively in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This adjustment has following impacts on these consolidated financial statements.

	Rupees in thousand
Statement of changes in equity	
Capital reserves	
- Share of reserve held by equity accounted investee increased by	44,395
Revenue reserves	
- Unappropriated profit decreased by	(44,395)

4. Issued, Subscribed and Paid-Up Share Capital

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
Ordinary shares of Rupees 10 each fully paid in cash	3,183,190	3,183,190	31,832	31,832
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	15,611,792	8,845,599	156,118	88,456
	18,794,982	12,028,789	187,950	120,288

4.1 Movement during the year

	2019	2018	2019	2018
	Number of shares		Rupees in thousand	
At 01 January	12,028,789	12,028,789	120,288	120,288
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	6,766,193	-	67,662	-
	18,794,982	12,028,789	187,950	120,288

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

4.3 **Ordinary shares of the Holding Company held by associated company / associated undertaking:**

	2019	2018
	Number of shares	
Shahid Arif Investments (Private) Limited - associated company	15,850	10,144
Service Charitable Trust	18,103	11,587
Service Provident Fund Trust	872,510	558,407

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		2019 Amount	2018 Amount
		Rupees in thousand	
5 RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Capital gains		102,730	102,730
Fair value reserve FVTOCI investment		2,500	-
Share premium	(Note 5.1)	21,217	21,217
Share of reserve held by equity accounted investee		44,395	44,395
Exchange translation reserve		4,501	3,785
		175,343	172,127
Revenue reserves			
General reserve		1,558,208	1,558,208
Unappropriated profits		4,294,131	3,648,863
		5,852,339	5,207,071
		6,027,682	5,379,198

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

6. LONG TERM FINANCING

		2019 Amount	2018 Amount
From banking companies - secured			
Long term loans	(Note 6.1)	3,556,504	2,972,111
Long term musharaka	(Note 6.2)	270,000	344,769
		3,826,504	3,316,880
Less: Current portion shown under current liabilities	(Note 14)		
Long term loans		676,252	636,073
Long term musharaka		60,000	63,652
		736,252	699,725
		3,090,252	2,617,155

6.1 Long term loans

LENDER	2019	2018	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE
	Rupees in thousand					
Allied Bank Limited	35,000	105,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 19 September 2015 and ending on 19 March 2020.	Half yearly	Half yearly
Allied Bank Limited	50,000	100,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 18 March 2016 and ending on 18 September 2020.	Half yearly	Half yearly
MCB Bank Limited	150,000	225,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2022.	Half yearly	Half yearly
Allied Bank Limited	270,000	360,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 20 June 2018 and ending on 20 December 2022.	Half yearly	Half yearly
Habib Bank Limited	122,038	129,968	SBP rate for LTFF + 0.50%	Thirty two equal quarterly instalments commenced on 14 June 2019 and ending on 13 June 2027.	-	Quarterly
MCB Bank Limited	560,000	720,000	6-month KIBOR + 0.14%	Ten equal half yearly instalments commenced on 30 December 2018 and ending on 30 June 2023.	Half yearly	Half yearly
MCB Bank Limited	400,000	500,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commenced on 27 June 2019 and ending on 27 December 2023.	Half yearly	Half yearly
Habib Bank Limited	205,734	235,125	SBP rate for LTFF + 0.50%	Sixteen equal quarterly instalments commenced on 22 September 2019 and ending on 22 June 2023.	-	Quarterly
Habib Bank Limited	66,527	75,110	SBP rate for LTFF + 0.50%	Forty two equal quarterly instalments commenced on 6 January 2018 and ending on 6 July 2027.	-	Quarterly
Allied Bank Limited	450,000	500,000	6-month KIBOR + 0.15%	10 equal half yearly instalments commenced on 29 December 2019 and ending on 29 June 2024.	Half yearly	Half yearly
Allied Bank Limited	29,953	21,908	SBP rate for LTFF + 0.25%	Forty equal quarterly instalments commenced on 7 April 2019 and ending on 21 October 2029.	-	Quarterly
Allied Bank Limited	217,252	-	SBP rate for LTFF + 0.25%	Eighteen equal half yearly instalments commencing on 2 November 2020 and ending on 27 November 2029.	-	Quarterly
MCB Bank Limited	1,000,000	-	6-month KIBOR +0.25%	Ten equal half yearly instalments commencing on 11 June 2021 and ending on 11 December 2025.	Half yearly	Half yearly
	3,556,504	2,972,111				

6.2 Long term musharaka

					Markup Repricing	Markup Payable
Meezan Bank Limited	-	8,499	6-months KIBOR + 0.15%	Ten equal half yearly instalments commenced on 23 November 2014 and ended on 23 May 2019.	Half yearly	Half yearly
Meezan Bank Limited	-	2,919	6-months KIBOR + 0.15%	Ten equal half yearly instalments commenced on 27 December 2014 and ended on 2 June 2019.	Half yearly	Half yearly
Meezan Bank Limited	-	33,351	6-months KIBOR + 0.15%	Ten equal half yearly instalments commenced on 2 January 2016 and ending on 2 January 2020.	Half yearly	Half yearly
Meezan Bank Limited	270,000	300,000	6-months KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 November 2019 and ending on 18 May 2024.	Half yearly	Half yearly
	270,000	344,769				

6.3 Long term loans are secured by first joint pari passu charge over fixed assets of the Group with 25% margin and ranking charge on all present and future fixed assets of the Group with 25% margin.

6.4 Long term musharaka are secured by exclusive charge over plant and machinery of the Group with 15% margin and ranking charge on all present and future fixed assets of the Group with 20% margin.

7 Long term deposits

These represent deposits of dealers and others, who have permitted the utilization of such money by the holding Company in pursuance of section 217 of the Companies Act, 2017.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
8	Lease-liabilities			
	Total lease liabilities		1,513,488	-
	Less: Current portion shown under current liabilities	(Note 14)	211,433	-
			1,302,055	-
9.	Employees' Retirement Benefit			
	Service Shoes Lanka (Private) Limited - Subsidiary Company	(Note 9.1)	3,754	-
	Group Companies other than Service Shoes Lanka (Private) Limited - Subsidiary Company	(Note 9.2)	212,225	180,446
			215,979	180,446

9.1 Defined benefit obligation of Service Shoes Lanka (Private) Limited - Subsidiary Company resulting from employees services is not calculated on the basis of actuarial valuation in accordance with the requirements of IAS-19 'Employee Benefits'.

9.2 Group Companies other than Service Shoes Lanka (Private) Limited

The latest actuarial valuation of the Fund as at 31 December 2019 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

		2019	2018
9.3	The amounts recognized in the consolidated statement of financial position are as follows:		
	Present value of defined benefit obligations	301,421	262,604
	Fair value of plan assets	(89,196)	(82,158)
	Net defined benefit obligation	212,225	180,446
9.4	Movement in the present value of net defined benefit obligation		
	Net liability as at beginning of the year	180,446	128,449
	Current service cost	29,920	25,360
	Past service cost	2,358	-
	Net interest on defined benefit obligation	27,075	10,153
	Net remeasurements for the year	(11,654)	27,269
	Contributions made during the year	(15,920)	(10,785)
	Net liability as at end of the year	212,225	180,446
9.5	Movement in the present value of net defined benefit obligation		
	Present value of defined benefit obligation as at beginning of the year	262,604	213,626
	Current service cost	29,920	25,360
	Past service cost	2,358	-
	Interest cost	37,899	17,182
	Benefits paid during the year	(14,647)	(10,735)
	Remeasurements on obligation:		
	Actuarial losses from changes in financial assumptions	(1,239)	2,790
	Experience adjustments	(15,474)	14,381)
	Present value of defined benefit obligation as at end of the year	301,421	262,604

		2019 Amount	2018 Amount
		Rupees in thousand	
9.6	**Movement in the fair value of the plan assets**		
	Fair value of plan assets as at beginning of the year	82,158	85,178
	Interest income on plan assets	10,824	7,029
	Contributions made during the year	15,920	10,785
	Benefits paid during the year	(14,647)	(10,735)
	Remeasurements on fair value of plan assets	(5,059)	(10,099)
	Fair value of plan assets as at end of the year	89,196	82,158

9.6.1 The major categories of total plan assets of Service Industries Limited Employees Gratuity Fund Trust are as follows:

	2019	2018
Term deposit receipts	-	11,608
Mutual funds	88,788	67,603
Bank balances	408	2,947
Total plan assets	89,196	82,158

9.7 Amounts recognized in the consolidated statement of profit or loss

	2019	2018
Current service cost	29,920	25,360
Past service cost	2,358	-
Interest cost	37,899	17,182
Interest income on plan assets	(10,824)	(7,029)
Net expense charged in the consolidated statement of profit or loss	59,353	35,513

9.8 Remeasurements charged to consolidated statement of other comprehensive income

	2019	2018
Experience adjustments	15,474	14,381
Return on plan assets excluding interest income	(5,059)	10,099
Actuarial loss from changes in financial assumptions	1,239	2,790
Total remeasurements charged to consolidated statement of other comprehensive income	11,654	27,270

9.9 Comparison of present value of defined benefit obligation and the fair value of plan assets for five years is as follows:

	2019	2018	2017	2016	2015
	----Rupees in thousand----				
Present value of defined benefit obligation	301,421	262,604	213,626	186,612	161,631
Fair value of the plan assets	(89,196)	(82,158)	(85,177)	(101,576)	(80,080)
Deficit in the plan	212,225	180,446	128,449	85,036	81,551
Remeasurement loss / (gain) on obligation	(16,713)	17,171	24,124	7,997	8,326
Remeasurement gain / (loss) on plan assets	(5,059)	(10,099)	(16,202)	15,733	(5,718)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		2019 Amount	2018 Amount
		Rupees in thousand	
9.10 Principal actuarial assumptions used:			
Discount rate used for interest cost	% per annum	13.25 -14.25	8.25
Discount rate used for year end obligation	% per annum	11.25	13.25
Expected rate of salary increase	% per annum	10.25	12.25

9.11 Sensitivity analysis for actuarial assumptions:

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

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees in thousand	
Discount rate	100	271,612	326,225
Future salary increase	100	326,621	270,824

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

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

9.13 The average duration of the benefit obligation is 8 years to 9.9 years.

9.14 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
		Rupees in thousand			
13,525	37,354	110,436	247,740	3,028,514	3,437,569

10 Deferred income Tax liability - net

The deferred income tax liability originated due to timing differences relating to:

	2019	2018
Taxable temporary differences:		
Accelerated tax depreciation	503,473	450,525
Investment in associate	19,605	24,889
	523,078	475,414
Deductible temporary differences:		
Expected credit losses	(37,230)	(13,936)
Provision for slow moving and obsolete stores	(5,871)	(4,843)
Provision for slow moving and obsolete stock in trade	(25,326)	(25,813
Minimum tax carry forward	(265,520)	(89,640)
	(333,947)	(134,232)
Deferred income tax liability - net	189,131	341,182

			2019 Amount	2018 Amount
			Rupees in thousand	
11.	**Trade and other payables**			
	Trade creditors		2,293,590	1,631,051
	Accrued liabilities		1,214,049	955,724
	Letters of credit		180,220	124,482
	Advances from customers		212,765	139,361
	Provident fund payable		36,593	30,250
	Provision for service warranties		23,177	-
	Workers' profit participation fund	(Note 11.1)	(8,322)	(23,147)
	Workers' welfare fund	(Note 11.2)	34,724	8,302
	Income tax deducted at source		5,977	2,329
	Others		13,426	13,204
			4,006,199	2,881,556
11.1	**Workers' profit participation fund**			
	Balance as at the beginning of the year		(23,147)	(1,585)
	Less: Impact of adjustment due to adoption of IFRS 15	(Note 2.18)	(3,716)	-
	Add: Allocation for the year	(Note 33)	65,276	41,734
			38,413	40,149
	Less: Payments made during the year		46,735	63,296
	Balance at the end of the year		(8,322)	(23,147)

11.1.1 The Group retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Group till the date of allocation to workers.

11.2	**Workers' welfare fund**			
	Balance as at the beginning of the year		8,302	6,492
	Add: Provision for the year	(Note 33)	33,046	8,302
			41,348	14,794
	Less: Payments during the year		6,624	6,492
	Balance at the end of the year		34,724	8,302
12.	**Accrued mark-up**			
	Long term financing		27,805	58,854
	Short term borrowings		114,515	88,063
			142,320	146,917
13.	**Short term Borrowings**			
	From banking companies - secured			
	Local banks			
	Short term running finances	(Notes 13.1 and 13.2)	854,992	2,136,006
	Export refinance	(Notes 13.1 and 13.3)	5,009,352	3,497,355
	Import loans	(Notes 13.1 and 13.4)	303,512	-
			6,167,856	5,633,361

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		2019 Amount	2018 Amount
		Rupees in thousand	
Foreign bank			
Short term running finance	(Note 13.5)	116,353	89,269
		6,284,209	5,722,630

13.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of present and future current assets of the Group. These form part of total credit facilities of Rupees 10,740 million (2018: Rupees 9,641 million).

13.2 The rates of mark-up range from 10.75% to 14.86% (2018: 2.10% to 11.15%) per annum.

13.3 The rates of mark-up range from 2.20% to 3% (2018: 2.20% to 2.25%) per annum.

13.4 The rates of mark-up range from 2.40% to 3.75% (2018: Nil) per annum.

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

14. Current portion of non-current liabilities

		2019	2018
Long term financing	(Note 6 & 14.1)	736,252	699,725
Current portion of lease liabilities	(Note 8)	211,433	-
		947,685	699,725

14.1 The Group has availed the deferment of principal payments of Rupees 645.655 million of long term financing falling between 26 March 2020 to 25 March 2021. The principal payments have been deferred for one year in line with the BPRD Circular Letter No.13 dated 26 March 2020 of State Bank of Pakistan. It has been treated as non-adjusting subsequent event in these financial statements.

15. Contingencies and Commitments

15.1 Contingencies

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

15.1.2 Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Holding Company. In the first case the alleged amount recoverable by the PESSI is Rupees 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 1.98 million is recoverable by the Holding Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Holding Company by the Director General Recovery PESSI, Lahore. In the third case, Rupees 31.807 million is recoverable by PESSI. The case has been decided in the favor of the Holding Company in the year 2013 but the case is re-opened in the year 2014. The Holding Company has filed an appeal before Social Security Court, Lahore. During the pendency of the matter PESSI sent a recovery notice for the same amount. The Holding Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Holding Company, the Holding Company has strong legal grounds for its success.

15.1.3 Deputy Commissioner Inland Revenue (DCIR) initiated a case against the Holding Company after post sales tax refund audit in which demand of Rupees 27.92 million was raised. The Holding Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.65 million. The Holding Company had further filed an appeal before ATIR against said points. The management of the Holding Company is confident that decision will be in favour of the Holding Company. Hence, no provision has been made in these consolidated financial statements.

15.1.4 DCIR initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Holding Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back certain charges to the tune of 172.7 million. The Holding Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. The management of the Holding Company is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these consolidated financial statements.

15.1.5 DCIR initiated income tax audit for the year 2014 in which a demand of Rupees 123.412 million was created. The Holding Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these consolidated financial statements.

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

15.1.7 Honorable Lahore High Court has allowed a petition filed by the Holding Company against show-cause notice issued by DCIR amounting to Rupees 13.076 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision of Honorable Lahore High Court in Honorable Supreme Court of Pakistan which is pending for hearing. The management is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these consolidated financial statements.

15.1.8 DCIR conducted income tax audit for the year 2011 in which a demand of Rupees 19.605 million was created. The Holding Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these consolidated financial statements.

15.1.9 The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company. Consequently, the Holding Company has claimed input sales tax on packing material of Rupees 58.123 million in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.

15.1.10 The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court, Lahore has passed order against the Holding Company and the Holding Company being aggrieved with the order has preferred Intra Court Appeal before the Honourable Lahore High Court, Lahore. The Holding Company has claimed input sales tax of Rupees 21.784 million on such goods in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.

Notes to the Consolidated Financial Statements

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

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

15.1.13 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 950.008 million on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.

15.2 Commitments

15.2.1 Guarantees issued in ordinary course of business through banks are of Rupees 879.505 million (2018: Rupees 523 million).

15.2.2 Contracts for capital expenditure are approximately of Rupees 88.215 million (2018: Rupees 11.86 million).

15.2.3 Letters of credit other than capital expenditure are of Rupees 515.023 million (2018: Rupees 486.71 million).

15.2.4 The Group has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of five years. Future Ujrah payments under Ijarah are as follows:

	2019 Amount	2018 Amount
	Rupees in thousand	
Not later than one year	70,917	61,109
Later than one year and not later than five years	109,932	87,154
Later than five years	-	-
	180,849	148,263

16. FIXED ASSETS

		2019	2018
Operating fixed assets	(Note 16.1)	7,008,694	5,835,196
Capital work-in-progress	(Note 16.2)	252,224	1,219,779
		7,260,918	7,054,975

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

Description	Operating fixed assets							
	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
	<---------------------------Rupees in thousand------------------------>							
At 31 December 2017								
Cost	7,071	1,309,990	4,488,865	53,277	45,416	1,262,352	201,440	7,368,411
Currency retranslation	-	-	-	-	-	-	-	-
	7,071	1,309,990	4,488,865	53,277	45,416	1,262,352	201,440	7,368,411
Accumulated depreciation	-	(393,585)	(1,567,363)	(26,985)	(16,489)	(479,925)	(41,782)	(2,526,129)
Currency retranslation	-	(42)	(77)	(5)	(36)	(25)	-	(185)
	-	(393,627)	(1,567,440)	(26,990)	(16,525)	(479,950)	(41,782)	(2,526,314)
Net book value	**7,071**	**916,363**	**2,921,425**	**26,287**	**28,891**	**782,402**	**159,658**	**4,842,097**
Year ended 31 December 2018								
Opening net book value	7,071	916,363	2,921,425	26,287	28,891	782,402	159,658	4,842,097
Additions	-	355,468	1,009,850	7,302	5,483	110,999	121,275	1,610,377
Disposals:								
Cost	-	-	(7,223)	(212)	(719)	(4,231)	(15,340)	(27,725)
Accumulated depreciation	-	-	6,041	18	435	3,594	6,002	16,090
	-	-	(1,182)	(194)	(284)	(637)	(9,338)	(11,635)
Depreciation	-	(99,101)	(365,241)	(3,342)	(7,336)	(102,595)	(33,619)	(611,234)
Currency retranslation	-	2,537	1,984	51	291	728	-	5,591
Closing net book value	**7,071**	**1,175,267**	**3,566,836**	**30,104**	**27,045**	**790,897**	**237,976**	**5,835,196**
At 31 December 2018								
Cost	7,071	1,665,458	5,491,492	60,367	50,180	1,369,120	307,375	8,951,063
Currency retranslation	-	7,489	9,850	482	2,688	2,288	-	22,797
	7,071	1,672,947	5,501,342	60,849	52,868	1,371,408	307,375	8,973,860
Accumulated depreciation	-	(492,728)	(1,926,640)	(30,314)	(23,426)	(578,951)	(69,399)	(3,121,458)
Currency retranslation	-	(4,952)	(7,866)	(431)	(2,397)	(1,560)	-	(17,206)
	-	(497,680)	(1,934,506)	(30,745)	(25,823)	(580,511)	(69,399)	(3,138,664)
Net book value	**7,071**	**1,175,267**	**3,566,836**	**30,104**	**27,045**	**790,897**	**237,976**	**5,835,196**

Operating fixed assets

Description	Owned							
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
	<---------------------------Rupees in thousand------------------------->							
Year ended 31 December 2019								
Opening net book value	7,071	1,175,267	3,566,836	30,104	27,045	790,897	237,976	5,835,196
Additions	-	428,636	1,241,827	9,787	7,399	183,172	24,436	1,895,257
Disposals / written off:								
Cost	(655)	-	(9,388)	(13)	(2,426)	(4,289)	(14,514)	(31,285)
Accumulated depreciation	-	-	7,982	13	1,583	1,932	2,915	14,425
	(655)	-	(1,406)	-	(843)	(2,357)	(11,599)	(16,860)
Depreciation	-	(131,999)	(436,938)	(3,780)	(5,885)	(109,054)	(30,579)	(718,235)
Currency retranslation	-	5,885	4,625	138	547	2,141	-	13,336
Closing net book value	**6,416**	**1,477,789**	**4,374,944**	**36,249**	**28,263**	**864,799**	**220,234**	**7,008,694**
At 31 December 2019								
Cost	6,416	2,101,583	6,733,781	70,623	57,841	1,550,291	317,297	10,837,832
Currency retranslation	-	7,029	6,527	252	1,210	2,642	-	17,660
	6,416	2,108,612	6,740,308	70,875	59,051	1,552,933	317,297	10,855,492
Accumulated depreciation	-	(629,679)	(2,363,462)	(34,512)	(30,125)	(687,633)	(97,063)	(3,842,474)
Currency retranslation	-	(1,144)	(1,902)	(114)	(663)	(501)	-	(4,324)
	-	(630,823)	(2,365,364)	(34,626)	(30,788)	(688,134)	(97,063)	(3,846,798)
Net book value	**6,416**	**1,477,789**	**4,374,944**	**36,249**	**28,263**	**864,799**	**220,234**	**7,008,694**
Annual rate of depreciation (%)	-	5-20	10	5-10	5-20	5-30	10	-

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	<---------------------	Rupees in	thousand	--------------------->			
Freehold land	655	-	655	6,800	6,145	Negotiation	Injection System (Private) Limited
Leasehold improvements							
Chungi Amarsadu Shop	2,377	475	1,902	-	(1,902)	Written off	-
Faisalabad Gulberg Shop	5,373	1,298	4,075	-	(4,075)	Written off	-
Swat Shop	6,387	1,062	5,325	-	(5,325)	Written off	-
Plant and machinery							
UPS 300KV	1,280	377	903	1,180	277	Insurance claim	Jubilee General Insurance Company Limited
Service equipment							
Water turbine	3,144	1,040	2,104	2,077	(27)	Insurance claim	Jubilee General Insurance Company Limited
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	12,069	10,173	1,896	1,798	(98)	-	-
	31,285	14,425	16,860	11,855	(5,005)		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		2019 Amount	2018 Amount
		Rupees in thousand	

16.1.2 The depreciation charge for the year has been allocated as follows:

		2019	2018
Cost of sales	(Note 30)	651,892	537,109
Distribution cost	(Note 31)	41,134	50,647
Administrative expenses	(Note 32)	25,209	23,478
		718,235	611,234

16.1.3 Particulars of immovable properties are as follows:

Head office and manufacturing units	Address	Area of land Sq. Feet
Head office	2 - Main Gulberg, Lahore.	29,842
Manufacturing units		
Gujrat factory and residential colony	G.T. Road, Gujrat.	2,038,608
Muridke factory and residential colony	10 - KM, Muridke - Sheikhupura Road, Muridke	1,376,320
		3,444,770

	2019 Amount	2018 Amount
	Rupees in thousand	

16.2 Capital work-in-progress

	2019	2018
Advance for purchase of land	40,355	-
Building	70,144	360,490
Plant and machinery	122,171	775,906
Furniture and fixtures	380	549
Service equipment	19,174	82,834
	252,224	1,219,779

17. Right-of-use assets

		Buildings Rupees in thousand
Net carrying amount		
01 January 2019		1,358,761
31 December 2019		1,403,090
Depreciation expense for the year ended 31 December 2019	(Note 31)	192,739
Addition during the year ended 31 December 2019		237,068

17.1 Lease of buildings

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

			2019 Amount	2018 Amount
			Rupees in thousand	
18.	**Intangible Assets**			
	Computer softwares	(Note 18.1)	10,071	9,275
	Goodwill	(Note 18.2)	38,102	33,904
			48,173	43,179
18.1	**Computer softwares**			
	Cost			
	As at 01 January		50,499	47,214
	Currency retranslation		870	473
	Additions		1,441	2,812
	As at 31 December		52,810	50,499
	Amortization			
	As at 01 January		41,224	39,788
	Charge for the year		1,474	1,320
	Currency retranslation		41	116
			42,739	41,224
	Net book value as at 31 December		10,071	9,275

18.1.1 Intangible assets have been amortized at the rate of 33.33% per annum.

18.1.2 Amortization on intangible assets has been allocated as follows:

	Distribution cost	(Note 31)	853	297
	Administrative expenses	(Note 32)	621	1,023
			1,474	1,320
18.2	Goodwill			
	Balance at the beginning of the year		33,904	32,120
	Effect of movements in exchange rates		4,198	1,784
	Balance at the end of the year		38,102	33,904

18.2.1 This represents goodwill arised on acquisition of Service Shoes Lanka (Private) Limited - Subsidiary Company.

19.	**Long term investments**			
	Investment in associate (with significant influence) - under equity method	(Note 19.1)	517,616	484,384
	Investment in joint ventures - at cost	(Note 19.2)	480	480
	Other investment - at FVTOCI	(Note 19.3)	24,550	22,050
			542,646	506,914

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019 Amount	2018 Amount
	Rupees in thousand	
19.1 Investment in associate (with significant influence) - under equity method		
Speed (Private) Limited		
263,909 (2018: 263,909) fully paid ordinary shares of Rupees 100 each	342,526	342,526
Share of post acquisition reserve		
As at the beginning of the year	141,858	83,042
Share of post acquisition profit for the year	33,232	105,000
Dividend received during the year	-	(46,184)
	175,090	141,858
	517,616	484,384

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

	2019	2018
19.1.2 Summarized financial statements		
Current assets	1,373,164	1,179,245
Non-current assets	269,050	252,094
Current liabilities	412,281	293,863
Non-current liabilities	1,970	1,970
Revenue - net for the year	2,298,065	2,336,356
Expenses for the year	2,205,659	2,044,445
Profit for the year	92,406	291,911
Total comprehensive income for the year	92,406	291,911
Net assets of the associate	1,227,963	1,135,506
Percentage of holding	35.97%	35.97%
Share in net assets of associate	441,693	408,461
19.1.3 Breakup value per share (Rupees)	1,674	1,548
19.1.4 Reconciliation to carrying amount:		
Share in net assets of associate	441,693	408,461
Add: Goodwill	75,923	75,923
Carrying value of investment in associate	517,616	484,384
19.2 Investment in joint ventures - at cost		
S2 Power Limited		
24,000 (2018: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited		
24,000 (2018: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
19.3 Other investment	FVTOCI	AFS
TRG Pakistan Limited		
1,000,000 (2018: 1,000,000) fully paid ordinary shares of Rupees 10 each	22,050	29,600
Impairment	-	(7,550)
Fair value adjustment	2,500	-
	24,550	22,050

			2019 Amount	2018 Amount
			Rupees in thousand	
20.	**Long Term Loans to Employees**			
	Considered good:			
	Executives	(Notes 20.1, 20.2 and 20.3)	39,059	28,877
	Other employees	(Note 20.3)	1,253	1,591
			40,312	30,468
	Less: Current portion shown under current assets	(Note 24)		
	Executives		14,738	7,413
	Other employees		543	2,605
			15,281	10,018
			25,031	20,450
20.1	Reconciliation of carrying amount of loans to executives:			
	Balance as at 01 January		28,877	22,013
	Add: Disbursements		24,630	15,638
	Less: Repayments		14,448	8,774
	Balance as at 31 December		39,059	28,877

20.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 43.025 million (2018: Rupees 28.877 million).

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

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

			2019	2018
21.	**Stores, spares and loose tools**			
	Machinery spares		74,036	33,285
	Stores		240,454	147,124
	Loose tools		4,532	4,141
			319,022	184,550
	Less: Provision for slow moving and obsolete items	(Note 21.1)	29,623	24,395
			289,399	160,155
21.1	**Provision for slow moving and obsolete items**			
	Balance at the beginning of the year		24,395	29,230
	Add: Provision made during the year		6,756	2,986
	Less: Reversal of provision made during the year		(1,528)	(7,821)
	Net charge / (reversal) of provision for the year		5,228	(4,835)
	Balance at the end of the year		29,623	24,395

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
22.	**Stock-In-Trade**			
	Raw materials		1,879,658	1,545,085
	Packing materials		99,340	75,722
	Work-in-process		474,140	423,069
	Finished goods			
	- Own production		2,181,307	1,092,326
	- Purchased		791,629	875,582
			2,972,936	1,967,908
	Goods in transit		626,848	240,401
			6,052,922	4,252,185
	Less: Provision for slow moving and obsolete items	(Note 22.1)	149,164	130,029
			5,903,758	4,122,156
22.1	**Provision for slow moving and obsolete items**			
	Balance at the beginning of the year		130,029	141,006
	Add: Provision made during the year		154,210	-
	Less: Reversal of provision made during the year		(134,886)	(10,977)
	Less: Stock written off against provision during the year		(189)	-
	Net charge / (reversal) of provision		19,135	(10,977)
	Balance at the end of the year		149,164	130,029

22.2 Finished goods of Rupees 278.600 million (2018: Rupees 233 million) are being carried at net realizable value.

22.3 The aggregate amount of Rupees 66.053 million (2018: Rupees 76 million) has been charged to cost of sales, being the cost of inventory written down during the year.

			2019	2018
23.	**Trade debts**			
	Considered good:			
	Secured:			
	- Against irrevocable letters of credit		365,276	369,260
	Unsecured - others	(Note 23.1)	3,424,237	2,975,319
			3,789,513	3,344,579
	Less: Allowance for expected credit losses	(Note 23.2)	171,777	70,929
			3,617,736	3,273,650

23.1 As at 31 December 2019, trade debts due from other related parties of Rupees 1,577.425 million (2018: Rupees 1,008.487 million) were past due but not impaired. These relate to a number of independent customers from there in no recent history of default. The age analysis of these trade debts is as follows:

	2019	2018
Upto 1 month	665,180	69,189
1 to 6 months	585,384	716,063
More than 6 months	326,861	223,235
	1,577,425	1,008,487

			2019 Amount	2018 Amount
			Rupees in thousand	
23.2	**Allowance for expected credit losses**			
	Balance at the beginning of the year		70,929	39,232
	Impact of adjustment due to adoption of IFRS 9	[Note 2.13 (vii)]	51,358	-
			122,287	39,232
	Add: Recognition of expected credit losses during the year		88,054	31,697
	Less: Trade debts written off		38,564	-
			49,490	31,697
	Balance at the end of the year		171,777	70,929

23.3 During the year, trade debts of Rupees 38.564 million have been written off against allowance for expected credit losses. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.

			2019	2018
24.	**Loans and advances**			
	Considered good:			
	Advances to staff		4,288	2,948
	Current portion of long term loans to employees	(Note 20)	15,281	10,018
	Advances to suppliers		124,749	76,706
	Letters of credit		464,326	369,022
	Loan to the associate	(Note 24.1)	50,000	-
	Others	(Note 24.2)	25,651	20,836
			684,295	479,530

24.1 This represents loan given to Speed (Private) Limited - associated company for a period ending on 14 November 2020. It is neither past due nor impaired. It carries interest at the rate of 3 months KIBOR + 0.50% per annum. The maximum aggregate amount due from the associate at the end of any month during the year was Rupees 50 million.

		2019	2018
24.2	These include amount due from following related parties:		
	S2 Power Limited - joint venture	2,073	1,901
	S2 Hydro Limited - joint venture	11,476	11,476
	SBL Trading (Private) Limited - associated company	-	-
		13,549	13,377

24.2.1 The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:

	2019	2018
S2 Power Limited - joint venture	2,073	1,901
S2 Hydro Limited - joint venture	11,476	11,476
SBL Trading (Private) Limited - associated company	94	-

		2019	2018
25	**Trade deposits and prepayments**		
	Security deposits	115,762	47,854
	Prepayments	20,617	47,063
		136,379	94,917

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
26.	**Other Receivables**			
	Considered good:			
	Duty draw back		460,237	415,798
	Custom duty rebate		220,248	134,083
	Advance income tax		1,243,890	1,132,948
	Sales tax		730,178	638,650
	Others		26,700	77,019
			2,681,253	2,398,498
27.	**Accrued Interest**			
	On term deposit receipts		634	-
	Receivable from associate	(Note 27.1)	792	-
			1,426	-

27.1 This represents interest accrued on loan given by Service Industries Capital (Private) Limited - subsidiary company to Speed (Private) Limited - associated company. It is neither past due nor impaired. The maximum aggregate amount receivable at the end of any month during the year was Rupees 0.792 million.

			2019	2018
28.	**Cash and bank balances**			
	With banks:			
	On current accounts			
	Local currency		25,449	33,947
	Foreign currency	(Note 28.1)	2,096	1,055
			27,545	35,002
	On saving accounts			
	Local currency	(Note 28.2)	5,841	26,435
	Foreign currency	(Note 28.3)	5,808	189
			11,649	26,624
			39,194	61,626
	Term deposit receipts	(Note 28.4)	49,500	-
	Cash in transit		2,178	4,953
	Cash in hand		12,676	6,262
			103,548	72,841

28.1 These include USD 1,395 (2018: USD 1,395) , EURO 10,575.25 (2018: EURO 1,705) and LKR 632,828.

28.2 Rates of profit on saving accounts range from 8.25% to 11.40% (2018: 4.5% to 8.00%) per annum.

28.3 This represents USD 37,490 (2018: USD 1,356), and rate of profit on foreign account ranges from 1.36% to 1.60% (2018: 1.21% to 1.47%) per annum.

28.4 Effective interest rates on term deposit receipts range from 8.85% to 13.65% per annum. Maturity period of these term deposit receipts is 3 months.

		2019 Amount	2018 Amount
		Rupees in thousand	
29.	SALES - net		
	Export sales	10,152,992	7,434,465
	Discounts, commissions etc.	(246,622)	(136,454)
		9,906,370	7,298,011
	Local sales	24,520,374	20,309,213
	Sales tax	(3,314,813)	(2,428,504)
	Discounts, commissions etc.	(1,306,998)	(1,262,828)
		19,898,563	16,617,881
	Duty draw back	253,388	313,751
		30,058,321	24,229,643
29.1	Sales of footwear - net		
	Export sales	8,607,812	6,390,278
	Local sales	5,005,348	4,901,456
	Duty draw back	253,388	313,751
		13,866,548	11,605,485
	Sales of tyres - net		
	Export sales	1,298,558	904,117
	Local sales	14,662,034	11,699,282
		15,960,592	12,603,399
	Sales of technical rubber products - net		
	Export sales	-	3,617
	Local sales	231,181	17,142
		231,181	20,759
		30,058,321	24,229,643

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For the year ended December 31, 2019

			2019 Amount	2018 Amount
			Rupees in thousand	
30	**Cost of sales**			
	Raw materials consumed	(Note 30.1)	15,484,029	11,809,379
	Salaries, wages and other benefits	(Note 30.2)	3,551,956	2,897,361
	Stores and spares consumed		321,194	274,772
	Packing materials consumed		829,229	643,844
	Fuel and power		1,040,460	728,344
	Insurance		26,775	21,589
	Travelling		26,878	18,156
	Repair and maintenance		195,445	150,310
	Entertainment		5,775	4,574
	Depreciation	(Note 16.1.2)	651,892	537,109
	Provision / (reversal of provision) for slow moving and obsolete inventory		24,363	(15,813)
	Other manufacturing charges		221,544	171,379
			22,379,540	17,241,004
	Work-in-process			
	Opening stock		423,069	311,170
	Closing stock		(474,140)	(423,069)
			(51,071)	(111,899)
	Cost of goods manufactured		22,328,469	17,129,105
	Finished goods			
	Opening stock	(Note 30.3)	2,195,903	2,224,361
	Add: Purchases during the year		2,775,810	2,515,848
	Less: Closing stock		2,972,936	1,967,907
			1,998,777	2,772,302
			24,327,246	19,901,407
30.1	**Raw materials consumed**			
	Opening stock		1,545,085	1,337,845
	Add: Purchases during the year		15,818,602	12,016,619
	Less: Closing stock		1,879,658	1,545,085
			15,484,029	11,809,379

30.2 Salaries, wages and other benefits include Rupees 112.525 million (2018: Rupees 99.767 million) and Rupees 27.317 million (2018: Rupees 13.715 million) in respect of provident fund contribution and gratuity fund contribution by the Group.

30.3 Opening stock includes an impact of Rupees 227.996 million due to adoption of IFRS 15.

30.4 Custom duty rebate for the year amounting to Rupees 143.749 million (2018: Rupees 114.45 million) has been adjusted against raw materials consumed.

		2019 Amount	2018 Amount
		Rupees in thousand	
31. Distribution Cost			
Salaries and other benefits	(Note 31.1)	358,155	260,065
Freight and insurance		551,598	393,104
Advertisement and publicity		349,464	206,781
Entertainment		15,334	13,248
Samples		180,789	135,451
Depreciation	(Note 16.1.2)	41,134	50,647
Depreciation on right-of-use-asets	(Note 17)	192,739	-
Amortization on intangible assets	(Note 18.1.2)	853	297
Rent, rates and taxes		7,542	222,683
Postage and courier		78,467	44,040
Fuel and power		44,294	34,255
Travelling and conveyance		86,408	36,964
Others		87,538	145,199
		1,994,315	1,542,734

31.1 Salaries and other benefits include Rupees 9.622 million (2018: Rupees 8.392 million) and Rupees 15.459 million (2018: Rupees 4.973 million) in respect of provident fund contribution and gratuity fund contribution by the Group.

		2019 Amount	2018 Amount
32. Administrative Expenses			
Salaries and other benefits	(Note 32.1)	899,725	785,777
Communication		23,516	24,975
Printing and stationery		12,412	6,738
Travelling and conveyance		55,544	36,158
Entertainment		28,651	24,301
Vehicles' running		33,614	31,822
Insurance		4,423	4,195
Rent, rates and taxes		21,874	23,361
Fuel and power		26,628	22,780
Repairs and maintenance		15,613	23,874
Auditor's remuneration	(Note 32.2)	6,221	3,959
Legal and professional		41,996	32,265
Incorporation expenses		156	-
Subscription		3,507	2,464
Depreciation	(Note 16.1.2)	25,209	23,478
Amortization on intangible assets	(Note 18.1.2)	621	1,023
Ijarah rentals		66,056	68,700
Computer running		12,987	1,894
Advertisement		348	2,858
General		49,165	48,704
		1,328,266	1,169,326

32.1 Salaries and other benefits include Rupees 21.598 million (2018: Rupees 20.328 million) and Rupees 16.577 million (2018: Rupees 16.824 million) in respect of provident fund contribution and gratuity fund contribution by the Group.

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			2019 Amount	2018 Amount
			Rupees in thousand	
32.2	Auditor's remuneration:			
	Audit fee		3,577	2,695
	Special audit fee		1,695	-
	Half yearly review		670	609
	Taxation and other certification services		75	494
	Reimbursable expenses		204	161
			6,221	3,959
33.	Other expenses			
	Donations	(Note 33.1 and 33.2)	49,705	48,605
	Workers' profit participation fund	(Note 11.1)	65,276	41,734
	Workers' welfare fund	(Note 11.2)	33,046	8,302
	Impairment loss on investment		-	7,550
	Loss on sale of operating fixed assets - net		5,005	9,961
	Allowance for expected credit losses		88,054	31,697
			241,086	147,849

33.1 These include Rupees 3.344 million (2018: Rupees 5.171 million) given to Service Charitable Trust in which Mr. Arif Saeed, Chief Executive of the Holding Company, Mr. Omar Saeed, Director of the Holding Company and Mr. Hassan Javed, Director of the Holding Company are trustees, Rupees 7.096 million (2018: Rupees Nil) given to Service Foundation in which Chaudhry Ahmed Javed, Chairman of the Holding Company, Mr. Arif Saeed, Chief Executive of the Holding Company, Mr. Omar Saeed, Director of the Holding Company and Mr. Hassan Javed, Director of the Holding Company are directors and Rupees 11 million (2018: Rupees 12 million) given to Kidney Centre Gujrat in which Mr. Omar Saeed, Director of the Holding Company and Mr. Hassan Javed, Director of the Holding Company are members of Board of Governors.

33.2 The names of donees to whom donation amount exceeds Rupees 4.97 million (2018: Rupees 0.5 million) are as follows:

	2019	2018
Shalamar Hospital	12,962	14,882
Sundus Foundation	-	5,000
Sindh Institute of Urology & Transplantation	-	1,000
The Citizens Foundation	5,600	3,000
Wise Education Society	5,000	5,000
Dost Foundation	-	600
	23,562	29,482

33.2.1 There is no interest of any director or his spouse in donees' fund.

34. Other Income

	2019	2018
Income from financial assets		
Return on bank deposits	2,326	152
Interest on loan to the associate	792	-
Exchange gain - net	402,192	143,453
Income from non-financial assets		
Scrap sales and others	39,194	46,716
Rental income	3,906	9,802
	448,410	200,123

			2019 Amount	2018 Amount
			Rupees in thousand	
35.	Finance Cost			
	Mark-up / interest on:			
	- long term financing		344,632	204,774
	- short term borrowings		495,757	350,293
	- lease liabilities		160,867	-
	Bank charges and commission		61,173	41,582
			1,062,429	596,649
36.	Taxation			
	Current	(Note 36.1)	376,313	214,255
	Prior year		3,350	(185)
	Deferred tax		(152,051)	(66,965)
			227,612	147,105

36.1 Provision for current income tax is made in accordance with the relevant provisions of the Income Tax Ordinance, 2001.

			2019 Amount	2018 Amount
			Rupees in thousand	
37.	Earnings Per Share - Basic And Diluted			Restated
	Basic			
	Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)		1,372,058	1,057,395
	Weighted average number of ordinary shares of the Holding Company (Numbers)		18,794,982	18,794,982
	Basic earnings per share (Rupees)		73.00	56.26
38.	Cash Generated from Operations			
	Profit before taxation		1,586,621	1,176,802
	Adjustments for non-cash charges and other items:			
	Depreciation		718,235	611,234
	Depreciation on right-of-use-assets		192,739	-
	Amortization on intangible assets		1,474	1,320
	Provision for gratuity		59,353	35,513
	Finance cost		1,062,429	596,649
	Provision for workers' profit participation fund		65,276	41,734
	Provision for workers' welfare fund		33,046	8,302
	Impairment loss on investment		-	7,550
	Provision / (reversal of provision) for slow moving and obsolete inventory		24,363	(15,812)
	Allowance for expected credit losses		88,054	31,697
	Share of profit in equity accounted investee		(33,232)	(105,000)
	Loss on sale of operating fixed assets - net		5,005	9,961
	Working capital changes	(Note 38.1)	(1,835,083)	(1,308,160)
			1,968,280	1,091,790

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

38.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spares and loose tools	(134,472)	(32,113)
Stock-in-trade	(1,800,737)	(138,089)
Trade debts	(554,110)	(563,616)
Loans and advances	(149,502)	(173,689)
Trade deposits and prepayments	(49,344)	42,783
Accrued interest	(1,426)	-
Other receivables	(171,813)	(336,554)
	(2,861,404)	(1,201,278)
Increase / (decrease) in trade and other payables	1,026,321	(106,882)
	(1,835,083)	(1,308,160)

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

	2019				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees in thousand				
Balance as at 01 January 2019	3,316,880	-	5,722,630	32,002	9,071,512
Financing obtained	1,450,506	-	-	-	1,450,506
Lease liabilities recognised during the year	-	1,587,947	-	-	1,587,947
Repayment of financing / lease liabilities	(940,882)	(74,459)	-	-	(1,015,341)
Short term borrowings - net	-	-	561,579	-	561,579
Dividend declared	-	-	-	548,812	548,812
Dividend paid	-	-	-	(543,030)	(543,030)
Balance as at 31 December 2019	3,826,504	1,513,488	6,284,209	37,784	11,661,985

	2018				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Unclaimed dividend	Total
	Rupees in thousand				
Balance as at 01 January 2018	2,883,572	-	4,589,272	27,774	7,500,618
Financing obtained	609,100	-	-	-	609,100
Repayment of financing	(175,792)	-	-	-	(175,792)
Short term borrowings - net	-	-	1,133,358	-	1,133,358
Dividend declared	-	-	-	264,634	264,634
Dividend paid	-	-	-	(260,406)	(260,406)
Balance as at 31 December 2018	3,316,880	-	5,722,630	32,002	9,071,512

39. Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amount charged in these consolidated financial statements for remuneration including all benefits to chief executive officer, directors and executives of the Holding Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	Rupees in thousand					
Managerial remuneration	28,083	24,921	39,584	45,958	181,018	177,998
Bonus	27,900	26,792	39,100	52,407	59,031	53,141
Allowances:						
House rent	2,808	2,492	3,959	4,596	45,982	40,894
Conveyance	-	-	-	-	19,119	11,784
Medical	-	-	-	-	23,475	19,981
Utilities	2,808	2,492	3,959	4,596	17,330	17,215
Special allowance	-	-	-	-	20,660	16,140
Retirement and other benefits	2,124	1,273	3,363	2,655	44,842	33,725
Total	63,723	57,970	89,965	110,212	411,456	370,878
Number of persons	1	1	2	2	67	77

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

39.2 Aggregate amount charged in these consolidated financial statements for meeting fee to directors of the Holding Company was Rupees 1.951 million (2018: Rupees 1.416 million).

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

40. Transactions with related parties

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

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	2019 Amount	2018 Amount
	Rupees in thousand	
Associated companies		
Dividend received	-	46,184
Sale of goods	51,282	83,743
Donations made	9,503	-
Reimbursement of expenses	171	3,802
Loan given	50,000	-
Interest charged	792	-
Bonus shares issued	57	-
Key management personnel		
Cash dividend paid	24,700	100,145
Bonus shares issued	30,209	-
Other related parties		
Contribution to Service Provident Fund Trust	143,745	128,487
Contribution to Service Industries Limited Employees Gratuity Fund Trust	52,704	35,513
Bonus shares issued to Service Provident Fund Trust	3,202	-

40.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives of the Holding Company is disclosed in Note 39.

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

Sr No.	Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year	Percentage Shareholding
1	S2 Power Limited	Common directorship	Yes	48.00%
2	S2 Hydro Limited	Common directorship	No	48.00%
3	Speed (Private) Limited	Shareholding	Yes	35.97%
4	SBL Trading (Private) Limited	Common directorship	Yes	Nil
5	Service Provident Fund Trust	Post employment benefit plan	Yes	Nil
6	Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Nil
7	Service Foundation	Common directorship	Yes	Nil
8	Service Charitable Trust	Directors of the Holding Company are Trustees	Yes	Nil
9	Shahid Arif Investment (Private) Limited	Common directorship	Yes	Nil

41. As on 31 December 2019, disclosures relating to Subsidiary incorporated outside Pakistan:

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

42. Plant Capacity

Footwear division

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

Technical rubber products

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

Tyre Division

	Installed capacity		Actual production	
	2019	2018	2019	2018
Number of tyres	19,114,360	18,534,780	10,818,708	10,402,393
Number of tyres	52,515,170	51,628,500	39,468,162	37,861,408

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

43. Non-controlling interest (NCI)

Set out below is summarized un-audited financial information for Service Shoes Lanka (Private) Limited - Subsidiary Company that has non-controlling interest that are material to the Group. The amount disclosed for the Subsidiary Company are before inter-company elimination:

	2019 Amount	2018 Amount
	Rupees in thousand	
Summarized statement of financial position		
Non-current assets	121,808	115,385
Current assets	133,914	124,993
Non-current liabilities	(3,754)	(3,999)
Current liabilities	(333,126)	(279,117)
Net assets	(81,158)	(42,738)
Accumulated non-controlling interest	(31,693)	(16,322)
Summarized statement of comprehensive income		
Revenue	369,330	233,121
Loss for the year	(32,622)	(69,245)
Other comprehensive income	-	-
Total comprehensive loss	(32,622)	(69,245)
Loss allocated to non-controlling interest	(13,049)	(27,698)
Summarized statement cash flows		
Cash flows from / (used in) operating activities	4,039	(4,096)
Cash flows used in investing activities	(23,874)	(18,481)
Cash flows from financing activities	27,084	20,728
Net increase / (decrease) in cash and cash equivalents	7,249	(1,849)

44. Financial Risk Management

44.1 Financial risk factors

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

Risk management is carried out by the finance departments of the Holding Company and Subsidiary Companies under the policies approved by their respective Board of Directors. The Holding Company and Subsidiary Companies' finance departments evaluates and hedge financial risks. The Board of each Group Company provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro, Sri Lankan Rupees (LKR) and Great Britain Pound (GBP). Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Group uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Group's exposure to currency risk was as follows:

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	2019 Amount	2018 Amount
	Rupees in thousand	
Cash at banks - USD	38,885	2,751
Cash at banks - EURO	10,575	3,406
Cash at banks - LKR	45,207	632,828
Trade debts - USD	2,899,140	2,243,316
Trade debts - EURO	3,323,412	2,343,746
Trade debts - GBP	179,803	162,841
Trade debts - LKR	46,133,846	33,221,000
Trade and other payables - USD	(2,239,877)	(642,000)
Trade and other payables - EURO	(214,667)	(235,000)
Trade and other payables - GBP	(9,841)	-
Trade and other payables - LKR	(197,995,841)	(7,916,000)
Net exposure - USD	698,148	1,604,067
Net exposure - EURO	3,119,320	2,112,152
Net exposure - GBP	169,962	162,841
Net exposure - LKR	(151,816,788)	25,937,828

The following significant exchange rates were applied during the period:

	2019	2018
Rupees per US Dollar		
Average rate	150.81	122.09
Reporting date rate	154.85	138.60
Rupees per EURO		
Average rate	168.70	143.76
Reporting date rate	173.48	158.52
Rupees per GBP		
Average rate	192.34	162.08
Reporting date rate	203.30	175.88
Rupees per LKR		
Average rate	0.84	0.75
Reporting date rate	0.85	0.76

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP and LKR with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 24.860 million (2018: Rupees 28.156 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

Sensitivity analysis

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

Index	Impact on statement of other comprehensive income Fair value reserve FVTOCI investment)	Impact on profit after taxation
	2019 Amount	2018 Amount
	Rupees in thousand	
PSX 100 (5% increase)	1,228	1,103
PSX 100 (5% decrease)	(1,228)	(1,103)

(iii) **Interest rate risk**

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

The Group's interest rate risk arises mainly from long term financing, short term borrowings, loan to associate and bank balances. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.
At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2019	2018
Fixed rate instruments		
Financial asset		
Term deposit receipts	49,500	-
Financial liabilities		
Long term financing	641,504	462,111
Short term borrowings	5,312,864	3,497,355
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	11,649	26,624
Loan to associate	50,000	-
Financial liabilities		
Long term financing	3,185,000	2,854,769
Short term borrowings	854,992	2,136,006

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 42.568 million (2018: Rupees 53.116 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting the dates were outstanding for the whole year.

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(b) Credit risk

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

	2019 Amount	2018 Amount
	Rupees in thousand	
Long term investment	24,550	22,050
Long term loans to employees	40,312	30,468
Long term security deposits	227,933	142,864
Trade debts	3,617,736	3,273,650
Loans and advances	79,939	23,784
Accrued interest	1,426	-
Other receivables	26,700	77,019
Bank balances	88,694	61,626
	4,107,290	3,631,461

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

	Rating			2019	2018
	Short term	Long term	Agency	Amount	Amount
Banks				Rupees in thousand	
Allied Bank Limited	A1+	AAA	PACRA	4,517	27,740
Askari Bank Limited	A1+	AA+	PACRA	373	20
Bank Alfalah Limited	A1+	AA+	PACRA	85	109
Bank Al-Habib Limited	A1+	AA+	PACRA	457	2,264
Faysal Bank Limited	A1+	AA	PACRA	3,274	4,622
Habib Bank Limited	A-1+	AAA	JCR-VIS	5,229	475
MCB Bank Limited	A1+	AAA	PACRA	590	19,110
Meezan Bank Limited	A-1+	AA+	JCR-VIS	9,894	364
National Bank of Pakistan	A1+	AAA	PACRA	1,047	892
Samba Bank Limited	A-1+	AA	JCR-VIS	53	49
Soneri Bank Limited	A1+	AA-	PACRA	2,353	16
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,625	353
United Bank Limited	A-1+	AAA	JCR-VIS	3,121	5,423
SME Bank Limited	B	CCC	PACRA	50,229	-
MCB Bank Limited - Sri lanka	[SL] A+		ICRA Lanka	5,847	189
				88,694	61,626
Long term investment					
TRG Pakistan Limited	Unknown			24,550	22,050
				113,244	83,676

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

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

(c) Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2019, the Group had Rupees 4,688.497 million (2018: Rupees 4,097.269 million) available borrowing limits from financial institutions and Rupees 105.655 million (2018: Rupees 72.841 million) cash and bank balances. The management believes the liquidity risk to be low.

Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2019:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	Rupees in thousand					
Non-derivative financial liabilities:						
Long term financing	3,826,504	5,053,305	791,575	537,019	1,161,050	2,563,661
Long term deposits	2,406	2,406	-	-	-	2,406
Lease liabilities	1,513,488	2,317,657	118,191	130,347	274,347	1,794,772
Short term borrowings	6,284,209	7,586,603	7,393,350	193,253	-	-
Trade and other payables	3,724,462	3,724,462	3,724,462	-	-	-
Unclaimed dividend	37,784	37,784	37,784	-	-	-
Accrued mark-up	142,320	142,320	142,320	-	-	-
	15,531,173	18,864,537	12,207,682	860,619	1,435,397	4,360,839

Contractual maturities of financial liabilities as at 31 December 2018:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	Rupees in thousand					
Non-derivative financial liabilities:						
Long term financing	3,316,880	4,142,176	601,156	506,216	937,687	2,097,117
Long term deposits	3,243	3,243	-	-	-	3,243
Short term borrowings	5,722,630	6,824,279	6,632,556	191,723	-	-
Trade and other payables	2,724,461	2,724,461	2,724,461	-	-	-
Unclaimed dividend	32,002	32,002	32,002	-	-	-
Accrued mark-up	146,917	146,917	146,917	-	-	-
	11,946,133	13,873,078	10,137,092	697,939	937,687	2,100,360

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at reporting date. The rates of interest / mark up have been disclosed in note 6 and note 13 to these financial statements.

44.2 Financial instruments by categories

Assets as per consolidated statement of financial position

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	2019		2018	
	FVTOCI	Amortized cost	Available for sale	Loans and receivables
Long term investment	24,550	-	22,050	-
Long term loans to employees	-	40,312	-	30,468
Security deposits	-	227,933	-	142,864
Trade debts	-	3,617,736	-	3,273,650
Loans and advances	-	79,939	-	23,784
Accrued interest	-	1,426	-	-
Other receivables	-	26,700	-	77,019
Cash and bank balances	-	103,548	-	72,841
	24,550	4,097,594	22,050	3,620,626

	2019 Amount	2018 Amount
	Rupees in thousand	
	amortized cost	amortized cost
Liabilities as per consolidated statement of financial position		
Long term financing	3,826,504	3,316,880
Long term deposits	2,406	3,243
Lease liabilities	1,513,488	-
Accrued mark-up	142,320	146,917
Short term borrowings	6,284,209	5,722,630
Unclaimed dividend	37,784	32,002
Trade and other payables	3,724,462	2,724,461
	15,531,173	11,946,133

44.3 Offsetting financial assets and financial liabilities

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

44.4 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, and short term borrowings obtained by the Group as referred to in note 6 and note 13 respectively. Total capital employed includes 'total equity' as shown in the consolidated statement of financial position plus 'borrowings'. The Group's strategy, remained unchanged from last year.

		2019 Amount	2018 Amount
		Rupees in thousand	
Borrowings		10,110,713	9,039,510
Total equity		6,183,939	5,483,164
Total capital employed		16,294,652	14,522,674
Gearing ratio	Percentage	62.05%	62.24%

The increase in gearing ratio is mainly due to increase in borrowings due to increase in equity.

45. Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

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

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

Recurring fair value measurements At 31 December 2018	Level 1	Level 2	Level 3	Total
		Rupees in thousand		
Financial assets				
Available for sale financial assets	22,050	-	-	22,050
Total financial assets	**22,050**	-	-	22,050

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

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

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

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

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

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

(ii) Valuation techniques used to determine fair values

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

46. Segment Information

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

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

Tyre: Manufacturing of different qualities of tyres and tubes.

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

	<---Rupees in thousand--->							
	Footwear		Tyre division		Technical rubber products		Total	Total
	Year ended							
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Sales	13,866,548	11,605,485	15,960,592	12,603,399	231,181	20,759	30,058,321	24,229,643
Profit / (loss) before taxation and unallocated income and expenses	1,390,261	1,459,989	1,942,235	1,242,514	61,312	(7,850)	3,393,808	2,694,653
Unallocated income and expenses:							(1,807,187)	(1,517,851)
Taxation							(227,612)	(147,105)
Profit after taxation							1,359,009	1,029,697

46.1. Reconciliation of reportable segment assets and liabilities

	Footwear 31 Dec 2019	Footwear 31 Dec 2018	Tyre 31 Dec 2019	Tyre 31 Dec 2018	Technical rubber 31 Dec 2019	Technical rubber 31 Dec 2018	Total 31 Dec 2019	Total 31 Dec 2018
Total assets for reportable segment	8,782,272	7,187,855	9,121,739	8,662,533	152,290	54,481	18,056,301	15,904,869
Unallocated assets							4,753,522	2,417,406
Total assets as per consolidated statement of financial position							22,809,823	18,322,275
Unallocated liabilities							16,625,884	12,839,111
Total liabilities as per consolidated statement of financial position							16,625,884	12,839,111

46.2. Geographical information

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

	2019 Amount	2018 Amount
	Rupees in thousand	
Europe	6,586,466	5,513,100
United States of America	1,119,017	449,382
Asia	2,144,227	1,404,843
Australia	85,832	87,236
Africa	224,216	157,201
Pakistan	19,898,563	16,617,881
	30,058,321	24,229,643

46.3. Significant non-current assets of the Group as at reporting dates are located and operating in Pakistan.

46.4. Revenue from major customers

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

47. Provident Fund Related Disclosures

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

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

	2019 Amount	2018 Amount
	Rupees in thousand	
48. Number of employees		
Number of employees as at 31 December 2019	12,585	11,056
Average number of employees during the year	14,095	11,032

49. Events after the Reporting Period

49.1. The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2019 of Rupees 7.50 per share (i.e. 75%) along with issuance of bonus shares in proportion of 25 ordinary shares for every 100 ordinary shares held by the members (i.e. 25%) at their meeting held on June 25, 2020. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

49.2. On 11 March 2020, the World Health Organization declared the Corona virus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. The outbreak of the COVID-19 introduces additional challenges and risks to the Group's operations. The Group has already undertaken specific measures to ensure the health and safety of its employees. In order to dampen the impacts of this situation, the Group has obtained additional export refinance (ERF) of Rupees 1,290 million from various Pakistani banks. The additional ERF has reduced the financial burden of the Group, since KIBOR based borrowings have been converted into ERF at 3% markup. The Group has also availed the deferment of principal payments of long-term loans falling between 26 March 2020 to 25 March 2021. The principal payments have been deferred for one year in line with the relevant circular of State Bank of Pakistan. The Group has also been successful in obtaining further funded facilities from various banks, which has provided the Group further liquidity to survive the present crisis. Presently additional funded facility of Rupees 500 million has been obtained to date. Furthermore, due to the recent announcement of Government of Pakistan to release the pending sales tax refunds, drawback of local taxes and levies of exporters, the Group has obtained refunds of Rupees 319.988 million. The Group has also successfully managed its cash flows consisting of local suppliers' payments and import payments in line with its receipts from its debtors (local and foreign). This matching policy of cash inflows and outflows has successfully managed the borrowing of the Group and kept it at a manageable level.

49.3 For the Group's 31 December 2019 financial statements, the Corona virus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact these events will have on the Group's financial position, results of operations or cash flows in the future.

50. Date of authorization for issue

These consolidated financial statements were authorized for issue on June 25, 2020 by the Board of Directors.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

51. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

52. General

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

Chaudhry Ahmed Javed	Arif Saeed	Badar Ul Hassan
(Chairman)	(Chief Executive)	(Chief Financial Officer)

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Pattern of Shareholding

As at December 31, 2019

Number of Shareholders	Shareholding From	Shareholding To	Total Shares held
581	1	100	18,010
451	101	500	109,781
249	501	1,000	187,201
309	1,001	5,000	638,725
44	5,001	10,000	305,260
11	10,001	15,000	134,762
10	15,001	20,000	165,817
3	20,001	25,000	65,965
4	25,001	30,000	111,394
4	30,001	35,000	125,963
1	45,001	50,000	50,000
1	50,001	55,000	53,750
3	70,001	75,000	219,111
1	100,001	105,000	103,693
3	120,001	125,000	372,656
1	125,001	130,000	128,877
1	130,001	135,000	130,733
1	145,001	150,000	148,338
1	160,001	165,000	162,575
1	170,001	175,000	174,077
3	210,001	215,000	638,304
1	240,001	245,000	240,270
2	820,001	825,000	1,647,232
1	870,001	875,000	872,510
1	1,005,001	1,010,000	1,008,127
1	1,110,001	1,115,000	1,113,000
1	1,855,001	1,860,000	1,858,572
1	1,950,001	1,955,000	1,951,087
1	2,435,001	2,440,000	2,436,132
1	3,620,001	3,625,000	3,623,060
1,693			18,794,982

Pattern of Shareholding

As at December 31, 2019

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	9	8,414,462	44.7697
Associated Companies, undertakings and related Parties	3	906,463	4.8229
NIT and ICP	5	2,743,910	14.5992
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,114,475	5.9296
Insurance Companies	2	81,737	0.4349
Modarabas and Mutual Funds	11	203,695	1.0838
General Public			
a. Local	1,591	4,750,627	25.2760
b. Foreign	5	60,200	0.3203
Others (to be specified)			
1- Joint Stock Companies	31	200,266	1.0655
2- Foreign Companies	1	18,750	0.0998
3- Pension Funds	7	269,138	1.4320
4- Others	26	31,259	0.1663
	1,693	18,794,982	100.0000
Shareholders holding 10% or more	3	8,010,279	42.6192

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares held	Percentage
Associated Companies, undertakings and related parties		
M/S SHAHID ARIF INVESTMENTS (PRIVATE) LIMITED	15,850	0.0843
TRUSTEE – SERVICE PROVIDENT FUND TRUST (CDC)	872,510	4.6422
M/S SERVICE CHARITABLE TRUST	18,103	0.0963
Mutual Funds		
CDC - TRUSTEE AKD INDEX TRACKER FUND (CDC)	1,562	0.0083
CDC - TRUSTEE APF-EQUITY SUB FUND (CDC)	75	0.0004
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	1,025	0.0055
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND (CDC)	93	0.0005
CDC - TRUSTEE MCB PAKISTAN STOCK FUND (CDC)	103,693	0.5517
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND (CDC)	12,187	0.0648
CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	5,640	0.0300
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	24,125	0.1284
CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	7,000	0.0372
MC FSL - TRUSTEE JS GROWTH FUND (CDC)	20,700	0.1101
Directors and their spouses and minor children		
CHAUDHRY AHMED JAVED (CDC)	824,906	4.3890
MR. ARIF SAEED (CDC)	1,858,572	9.8887
MR. OMAR SAEED (CDC)	1,951,087	10.3809
MR. HASSAN JAVED (CDC)	3,623,060	19.2767
MR. OSMAN SAIFULLAH KHAN (CDC)	156	0.0008
MR. RIAZ AHMED (CDC)	7,031	0.0374
MR. REHMAN NASEEM (CDC)	1,250	0.0067
MR. MUHAMMAD AMIN (CDC)	62	0.0003
MRS. FATIMA SAEED W/O MR. ARIF SAEED (CDC)	148,338	0.7892
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	1,492,945	7.9433
Shareholders holding five percent or more voting rights		
MR. HASSAN JAVED (CDC)	3,623,060	19.2767
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	2,436,132	12.9616
MR. OMAR SAEED (CDC)	1,951,087	10.3809
MR. ARIF SAEED (CDC)	1,858,572	9.8887
NATIONAL BANK OF PAKISTAN (CDC)	1,114,475	5.9296
MRS. SHAHIDA NAEEM (CDC)	1,008,127	5.3638

Trade in shares of the Company by Directors, Executives and their spouses and minor children

Name	Purchase	Sale	Bonus	Gift in
Mr. Arif Saeed - Director	-	-	669,085	189,942
Mr. Omar Saeed - Director	20,885	-	698,214	193,592
Chaudhry Ahmed Javed - Director	-	-	296,966	-
Mr. Hassan Javed - Director	42,921	-	1,300,124	-
Mr. Osman Saifullah Khan - Director	-	-	56	-
Mr. Riaz Ahmed - Director	-	-	2,531	-
Mr. Rehman Naseem - Director	-	-	450	-
Mr. Muhammad Amin - Director	-	-	22	-
Mrs. Fatima Saeed - Spouse of Director	-	-	53,401	-

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Form of Proxy

63rd 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 63rd Annual General Meeting of the Company to be held on July 17, 2020 at 11:00 a.m. through video link facility and / or at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _______________________day of _______________________2020

in the presence of _______________________

Signed this __________________________ day of __________________________ 2020

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. A proxy must be a member of the Company.
2. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities

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

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

AFFIX
CORRECT
POSTAGE

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

پراکسی فارم

تریسٹھواں سالانہ اجلاس عام

میں/ہم ______________ سروس انڈسٹریز لمیٹڈ کے ممبر کی حیثیت سے اور حامل ______________

عمومی حصص، محترم/محترمہ ______________ کو یا اُن کی غیر حاضری کی صورت میں محترم/محترمہ ______________

کو اپنا/ہمارا پراکسی مقرر کرتا/کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری/ہماری طرف سے کمپنی کے 63 ویں سالانہ اجلاس عام جو کہ مورخہ 17 جولائی 2020 صبح 11 بجے بذریعہ وڈیو لنک سہولت منعقد ہو رہا ہے، میں شرکت/حق رائے دہی استعمال کرسکیں۔

گواہ نمبر 1

نام ______________ دستخط ______________ مورخہ ______________

گواہ نمبر 2

نام ______________ دستخط ______________ مورخہ ______________

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	پارٹیسپنٹ آئی ڈی	اکاؤنٹ نمبر

پانچ روپے مالیت کی ریونیو ٹکٹ پر دستخط کریں۔

(دستخط کمپنی میں درج نمونہ دستخط کے مطابق ہونے چاہییں)

اہم ہدایات:

1. پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹہ قبل کمپنی کو موصول ہوں۔ پراکسی کمپنی کے ممبرز میں سے ہی ہونا چاہیئے۔
2. ایک سے زیادہ پراکسی مقرر کرنا یا جمع کروانا، ناقابلِ قبول ہوگا۔
3. سی ڈی سی اکاؤنٹ ہولڈرز/کارپوریٹ اداروں کیلئے۔

اوپر دی گئی ہدایت کے علاوہ مندرجہ ذیل شرائط بھی پوری کرنا ہونگی۔

- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔
- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی اپنے ہمراہ لے کر آئیں۔
- کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائیریکٹرز کی قرارداد یا پاور آف اٹارنی بمعہ دستخط کا نمونہ پراکسی فارم کے ساتھ جمع کروانا ضروری ہوگا۔

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POSTAGE

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

بیلنس شیٹ کے بعد تبدیلیاں.

31 دسمبر 2019 کے بعد اس سالانہ رپورٹ تک کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو سوائے حتمی ڈیویڈنڈ 7.50 روپے فی شئیر بمعہ 25 فیصد بونس شیئر جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔ اور جیسا کہ 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی بیانات میں درج کیا گیا ہے اور خاص طور پر نوٹ نمبر 46.2 میں ہے جس میں کے کرونا وبا سے پیدا ہونے والی مشکلات اور خطرات کا ذکر ہے اور کمپنی کے کئے گئے مخصوص اقدامات پر روشنی ڈالی گئی ہے۔

اعتراف

ہم تہہ دل سے بورڈ کے ممبران کی قابل قدر رہنمائی اور تعاون کے مشکور ہیں۔ علاوہ ازیں ہم تمام ملازمین کی انتھک اور پرعزم کوششوں اور ہمارے گاہکوں کی ہماری مصنوعات پر اعتماد کے بھی شکر گزار ہیں۔

ہم بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین شکریہ ادا کرتے ہیں۔ کہ انہوں نے ہم پر بھروسہ کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

ہم آئندہ سالوں میں اچھے نتائج حاصل کرنے کیلئے پر عزم ہیں۔

منجانب بورڈ

چوہدری احمد جاوید	عارف سعید
چیئرمین	چیف ایگزیکٹو

مورخہ 25 جون 2020

لاہور

آڈٹ کمیٹی

آڈٹ کمیٹی تین اراکین پر مشتمل ہے جس میں سے ایک نان ایگزیکٹو ڈائریکٹر ہے اور دو انڈیپنڈنٹ ڈائریکٹرز ہے۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط لسٹنگ قوانین (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو اس کی تعمیل کرنے کا حکم دیا گیا ہے۔

کمیٹی کی اس سال 4 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	حاضری
جناب محمد امین - چیئرمین	4
جناب ریاض احمد - ممبر	4
جناب رحمان نسیم - ممبر	0

ہیومن ریسورس اور ریمونیریشن کمیٹی

یہ کمیٹی تین اراکین پر مشتمل ہے جن میں سے ایک نان ایگزیکٹوڈائریکٹر، ایک انڈیپنڈنٹ ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر ہیں۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔کمیٹی ایگزیکٹوز کے معاوضے، انکی کارکردگی کے جائزے اور جانشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

کمیٹی کی اس سال 1 میٹنگ ہوئی ۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	حاضری
جناب عثمان سیف اللہ خان - چیئرمین	1
جناب عارف سعید - ممبر	0
جناب ریاض احمد - ممبر	1

بورڈ آف ڈائریکٹرز کے اجلاس

اس سال 7 بورڈ میٹنگز ہوئیں۔ممبران کی حاضری مندرجہ ذیل ہے۔

ڈائریکٹرز	حاضری
جناب احمد جاوید	0
جناب عارف سعید	7
جناب عمر سعید	7
جناب حسن جاوید	5
جناب عثمان سیف اللہ خان	4
جناب رحمان نسیم	3
جناب ریاض احمد	7
جناب محمد امین	7
جناب شاہد حسین جتوئی	7

بورڈ اور کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کے لئے غیر حاضری کی رخصت منظور کی گئی ۔

انتظامیہ کمیٹی

یہ سینئر اراکین پر مشتمل ہے جو کہ میٹنگ میں اہم کاروباری منصوبے، مسائل اور اپنے اپنے شعبے کی تازہ ترین صورتحال پر بحث کرتے ہیں۔ کارپوریٹ گورننس کی ضابطہ اخلاق کے مطابق بورڈ کی منظوری کے لیئے پیش کئے جانے والے اہم معاملات بھی زیر بحث لائے جاتے ہیں۔

بیرونی آڈیٹرز

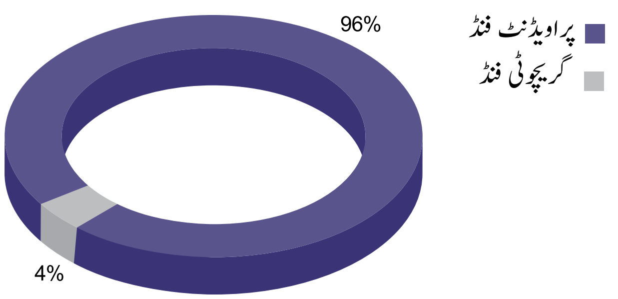
موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہوگئے ہیں اور اپنی اہلیت کی بنیاد پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹر کے طور پر ان کی دوبارہ تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کرتے ہیں۔

ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

کمپنی اپنے ملازمین کے لیے ریٹائرمنٹ کی سہولیات کی منصوبہ بندی رکھتی ہے جو کہ متعلقہ ٹرسٹیز بورڈ کے مطابق ہے۔اس سرمایہ کاری کی تفصیل متعلقہ آڈٹ شدہ مالی گوشواروں کے مطابق درج ذیل ہے۔

	31 دسمبر 2019	31 دسمبر 2018
	(روپے ملین میں)	(روپے ملین میں)
پراویڈنٹ فنڈ	1,523	1,013
گریجوٹی فنڈ	64	82

سرمایہ کاری کی قدر



حصص یافتگان کی تفصیل

31 دسمبر 2019 کی حصص یافتگان کی تفصیل اس سالانہ رپورٹ میں درج کی گئی ہے۔ کمپنی کے حصص میں اگر کسی ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ، ان کی بیویاں یا چھوٹے بچوں نے خرید و فروخت کی ہے تو وہ بھی اس رپورٹ میں درج کر دی گی ہے۔

کمپنی کے حصص یافتگان نے 3 فروری 2020 کو منعقدہ اپنی اضافی عام عمومی میٹنگ میں کمپنی کو ایس ایل ایم میں 30.60 ملین ڈالر کی سرمایہ کاری کرنے کا اختیار دیا۔ ابھی تک ، کمپنی نے ایس ایل ایم میں 765 ملین روپے کی سرمایہ کاری کی ہے۔

کارپوریٹ گورنینس کے بہترین طریقوں پر عمل

کمپنی تمام اخلاقی اور قانونی ضوابط پر پورا اترنے بلکہ اس سے بھی آگے بڑھنے کیلئے پر عزم ہے۔ بورڈ نے لگا تار بہتری کیلئے ایک طریقہ کار تشکیل کر دیا ہے جو کہ لگا تار موجودہ طریقوں کو چیلنج کرتا رہتا ہے اور یہ اس بات کا تقاضا کرتا ہے کہ کمپنی میں وقت کے ساتھ ساتھ تبدیلی آئے اور جب مناسب مواقع آئیں تو کمپنی اُس کیلئے تیار ہو۔ چنانچہ کمپنی مارکیٹ میں دستیاب بہترین ملازمین حاصل کرے اور اُن کو وہ مہارت اور مواقع دے جس سے وہ اعلی اہداف کو حاصل کرنے والے بن جائیں۔ کمپنی لگاتار اپنی مصنوعات کی اقسام کا جائزہ لیتی رہتی ہے تاکہ معاشرے کے سب سے اہم مسئلہ کا حل نکال سکے، یعنی اپنے حصص یافتگان کے لیے لگاتار منافع پیدا کرتی رہے۔

آپکی کمپنی ایک غیر جانبدار کمپنی کی خدمات حاصل کئے ہوئے ہے جو کہ ہمارے اندرونی کنٹرولز اور کام کرنے کے طریقوں کا جائزہ لیتی ہے تا کہ شفاف مالی معلومات فراہم ہو سکے اور قواعد و قوانین سے ہم آہنگی کو یقینی بنایا جا سکے۔اس طرح ہمیں اپنی پروڈکشن میں قدر بڑھانے کا ہدف بھی حاصل ہوتا ہے۔

کمپلائنس پر ایک نظر

کمپنی کارپوریٹ گورننس کی اصولوں پر سختی سے عمل پیرا ہے جو کہ سیکورٹیز اور ایکسچینج کمیشن آف پاکستان نے جاری کیے ہیں۔ اسے اس رپورٹ میں لسٹڈ کمپنیوں کے کمپلائنس (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے بیان کی شکل میں مختصرا درج کیا گیا ہے جس کا جائزہ بیرونی آڈیٹرز بھی لے چکے ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کے بیانات

جیسا کہ کارپوریٹ گورننس کے ضابطہ اخلاق متقاضی ہے ہم ڈائریکٹرز کی جانب سے بیان کرنے میں خوشی محسوس کرتے ہے کہ :

1 ۔ انتظامیہ کے تیار کردہ مالی گوشوارے , کمپنی کے معاملات، کام کرنے کے طریقے، کیش فلو اور ایکوئٹی میں تبدیلی کو احسن طریقے سے پیش کرتے ہیں۔

2 ۔ کمپنی نے اچھی طرح سے اکاونٹس کے کھاتے تیار کر رکھے ہیں۔

3 ۔ مالی گوشواروں اوراکاؤنٹنگ اسٹیمیٹ کی تیاری میں مناسب اکا ؤنٹنگ پالیسیوں تسلسل کے ساتھ استعمال کی جارہی ہیں۔

4 ۔مالی گوشواروں کی تیاری بین لاقوامی مالی رپوٹنگ معیارات کے مطابق کی گئی ہے

5 ۔ کمپنی نے ٹھوس اندرونی کنٹرولز لاگو کر رکھے ہیں جس سے یقینی بنایا جاتا ہے کہ غلط معلومات نہ ملے اور نقصان نہ ہو۔ اندرونی کنٹرولز کے نظام کا باقاعدگی سے جائزہ لیا جا تا ہے۔ یہ نظام بورڈ آڈٹ کمیٹی نے بنایا ہے اور اس کو جب کو جب ضرورت ہو بہتر کیا جا تاہے۔

6 ۔ کمپنی کے لگاتار چلنے میں کسی قسم کا کوئی شک نہیں ہے۔

7 ۔ کارپوریٹ گورننس کے بہترین طریقوں سے ہٹنے کے کوئی شواہد نہیں ہے۔

8 ۔ پچھلے 6 سالوں کے اہم آپریٹنگ اور مالی اعدادوشماراس سالانہ رپورٹ میں درج ہے۔

مستند اندرونی مالی کنٹرولز

کمپنی نے اندرونی اور مالی کنٹرول کا انتہائی موئثر نظام اختیار کیا ہوا ہے جو کہ کمپنی کے اثاثہ جات کی حفاظت کو یقینی بناتا ہے، دھوکہ دہی کی شناخت کرتا ہے، اس سے بچاتا ہے اور متعلقہ قوانین کی پاسداری کو یقینی بناتا ہے۔ اندرونی آڈٹ کا شعبہ جو کہ بورڈ نے ترتیب دیا ہے۔ اندرونی کنٹرول کے نظام کی مناسب وقفہ سے نظر ثانی اور نگرانی کرتا ہے۔ آڈٹ کمیٹی وضع کردہ اصولوں کے مطابق اندرونی کنٹرول کے نظام پر سہ ماہی نظر ثانی کرتی ہے۔

ڈائریکٹرز کا معاوضہ

ڈائریکٹرز نے بورڈ کے ڈائریکٹرز کے معاوضہ کے لئے ایک پالیسی منظور کی ہے۔اس پالیسی کے اہم نکات درج ذیل ہیں

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز کو کوئی معاوضہ نہیں ادا کرے گی، ماسوائے اس کے کہ وہ کسی بورڈ یا کمیٹی اجلاس میں شامل ہوں۔
- کمپنی بورڈ یا کمیٹی اجلاس میں شامل ہونے سے متعلقہ سفری اور رہائشی اخراجات ادا کرے گی۔
- ڈائریکٹرز کے معاوضہ کی پالیسی پر وقتاً فوقتاً نظر ثانی کی جائے گی اور اس کی منظوری دی جائے گی ۔

31 دسمبر 2019 کو ختم ہونے والے سال کے دوران چیف ایگزیکٹو آفیسر اور ایگزیکٹو ڈائریکٹرز نے مندرجہ ذیل معاوضے وصول کیے جن کا ذکر مالی حسابات میں شامل ہیں ۔

1) چیف ایگزیکٹو آفیسر کو 63.723 ملین روپے (2018: 57.970ملین روپے) کی ادائیگی کی گئی۔

2) ایک ایگزیکٹو ڈائریکٹر کو 62.746 ملین روپے (2018: 55.106ملین روپے) کی ادائیگی کی گئی تھی اور دوسرے ایگزیکٹو ڈائریکٹر کو 27.219 ملین روپے (2018: 55.106 ملین روپے) کی ادائیگی کی گئی۔

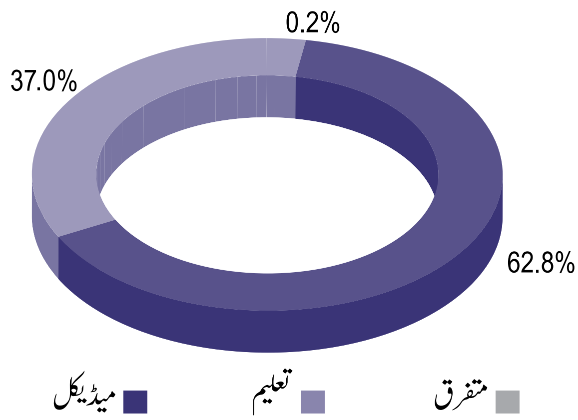
بورڈ اور کمیٹیوں کی ساخت

لسٹڈ کمپنیوں کے چلانے کے قواعد وضوابط کی شق نمبر (i,ii,iii) (2) 34 (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے تحت بورڈ اور کمیٹیوں کی ساخت کمپلائنس کے بیان میں سیریل نمبر2,1 اور 12میں درج ہے۔ جو کہ اس سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

سروس فاؤنڈیشن بھی انہی اقدار کی وارث ہے اور یہ سروس انڈسٹریز لمیٹڈ کی میراث کو اور مؤثر طریقے سے آگے بڑھائے گی۔ سروس فاؤنڈیشن کا مقصد اپنے ملک کے لیے ایک اہم معاون بننا ہے جس میں تمام لوگوں کو بہترین تعلیم، صحت اور روزگار کے مواقع تک رسائی حاصل ہو۔ سروس فاؤنڈیشن کا مشن کم آمدنی والے گھرانوں کو بہترین معیار کی تعلیم اور صحت تک تا عمر رسائی فراہم کرنا ہے۔

سروس فاؤنڈیشن معتبر اداروں کے ساتھ مل کر اور سرکاری، نجی اور دوسرے خیراتی اداروں کی تجربے سے فائدہ اٹھاتے ہوئے اپنے اہداف حاصل کرے گی۔2019 میں کمپنی نے 49.7 ملین روپے اس مد میں خرچ کیے۔

کارپوریٹ سوشل ذمہ داری میں کنٹریبیوشن



مستقبل پر ایک نظر:

مضبوط سرمایہ کاری کی حکمت عملی اور سازگار مارکیٹ کی بدولت ہم کمپنی کی صحت مند اور منافع بخش نمو کو یقینی بنانے کے لئے پر امید ہیں۔

مشکل معاشی حالات کے باوجود کمپنی کی انتظامیہ اپنے حصص یافتگان کو اُن کے حصص کی اچھی قدر فراہم کرنے کے لئے پر عزم ہے۔ ہمارے برانڈ کی مضبوطی اور ہماری صلاحیتوں کی بدولت ہم لگاتار جوتوں اور ٹائر دونوں کاروباروں میں سب سے آگے ہیں۔

کرونا کی وبا

کرونا کی وبا 2020 میں تیزی سے نمودار ہوئی۔اس وبا کے بڑے پیمانے پر پھیلنے سے عالمی معیشت پر انتہائی منفی اثرات مرتب ہوئے ہیں۔حکومت پنجاب کے مورخہ 23 مارچ 2020 کے نوٹیفکیشن نمبر SO(SI-II) کے ذریعہ پورے صوبے میں لاک ڈاؤن کا حکم دیا گیا جس میں مخصوص اداروں اور صنعتوں کو چھوٹ دی گئی۔ آپ کی کمپنی کی انتظامیہ نے بحران کے حل کے لیے ایک ٹیم قائم کی ہے۔ یہ ٹیم روزانہ کی بنیاد پر صورتحال کا تجزیہ کررہی ہے اور بچاؤ کے ہر ممکنہ اقدامات کو نافذ کرنے اور کاروبار کے تسلسل کو یقینی بنانے کے اقدامات کررہی ہے۔ اس مشکل وقت کے دوران، آپ کی کمپنی نے معاشی سرگرمی کم ہونے کے باوجود کاروباری کارکردگی برقرار رکھی ہے۔

موجودہ کرونا وبا اور تیزی سے بڑھتے ہوئے مقابلے کی فضا میں کمپنی اپنے گاہکوں اور آمدنی کے تنوع کو بڑھا کر، نئی ٹیکنالوجی میں سرمایہ کاری کرکے اور پیداواری صلاحیتوں کو بہتر بنانے کیلئے حصص یافتگان کی قدر میں بہتری لانے کے لئے اپنی کوششیں جاری رکھے گی۔

سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سرمایہ کاری

سروس انڈسٹریز لمیٹڈ نے 18 نومبر، 2019 کو ٹرک اور بس اسٹیل ریڈیل ٹائر (ٹی بی آر ٹائر) بنانے اور فروخت کرنے کیلئے ایک چینی کمپنی چائیو یانگ لانگ مارچ ٹائر کمپنی لمیٹڈ اور مائیکو کارپوریشن کے ساتھ مل کر پاکستان میں ایک جوائنٹ وینچر کمپنی کے قیام کا معاہدہ کیا ہے۔ چنانچہ جوائنٹ وینچر کمپنی سروس لانگ مارچ ٹائر (پرائیویٹ) لمیٹڈ 07 جنوری 2020 کو پاکستان میں قائم ہوئی جس منظور شدہ شیئر کیپٹل دس ارب روپے ہے یعنی دس روپے مالیت کے ایک ارب شیئرز۔ایس ایل ایم کا موجودہ ادا شدہ سرمایہ ڈیڑھ ارب ہے جو حصص یافتگان کے پاس مندرجہ ذیل تناسب میں ہے۔

سروس انڈسٹریز لمیٹڈ	51 فیصد
چائیو یانگ لانگ مارچ ٹائر کمپنی لمیٹڈ	44 فیصد
جناب شبیر احمد (مائیکو کارپوریشن)	5 فیصد

اس منصوبے کی کل لاگت کا تخمینہ 250 ملین ڈالر ہے اور اس کی سالانہ پیداواری گنجائش 2.4 ملین ٹائر ہے۔

یہ منصوبہ مندرجہ ذیل مراحل میں مکمل ہونا متوقع ہے:۔
مرحلہ 1: اس منصوبے کا آغاز سالانہ 0.6 ملین ٹائروں کی پیداواری گنجائش کے ساتھ ہو گا جس میں لگ بھگ 100 ملین ڈالر کی سرمایہ کاری ہوگی۔

مرحلہ 2: منصوبہ کی گنجائش دگنی ہو کر 1.2 ملین ٹائر سالانہ ہوجائے گی جس میں مزید 50 ملین ڈالر کی سرمایہ کاری ہوگی۔

مرحلہ 3: 100 ملین ڈالر کی مزید سرمایہ کاری سے پیداواری صلاحیت بتدریج بڑھ کر 2.4 ملین ٹائر سالانہ ہوجائے گی۔ یہ پلانٹ کی وہ پیداواری صلاحیت ہے جو پائیدار معاشی استحکام کے حصول اور عالمی منڈی میں چین کے ساتھ ساتھ پوری دنیا کی جوٹی کی ٹائر ساز کمپنیوں سے مقابلہ کرنے کے لیے ضروری ہے۔

ایس ایل ایم پاکستان میں اپنی نوعیت کا پہلا ریسرچ پر مبنی ٹی بی آر ٹائر بنانے والا منصوبہ ہے جس میں منصوبے کے آغاز سے ہی ٹیکنالوجی کا مکمل تبادلہ ہوجائے گا۔

یہ منصوبہ سندھ انڈسٹریل ٹریڈنگ سٹیٹ نوری آباد، سندھ میں 50 ایکڑ اراضی پر قائم کیا جائے گا۔ اس منصوبے کی پیداوار مارچ 2021 تک شروع ہونے کی توقع کی جارہی ہے۔ اس منصوبے کی پیداواری صلاحیت کا 85 فیصد حصہ دوسرے ممالک کو برآمد ہوگا۔

رسک، غیر ممکنات اور اُن سے بچاو

کمپنی کا رسک مینجمنٹ پروگرام کمپنی کی کارگردگی پر ممکنہ مضر اثرات کو کم کرنے پر مرکوز رہتا ہے ۔ کمپنی کی سینئر انتظامیہ رسک مینجمنٹ کا کام سرانجام دیتی ہے اور اپنے نتائج بورڈ آف ڈائریکٹرز کے سامنے رکھتی ہے۔ اس کارروائی میں حکمت عملی سے متعلقہ، مالی، کمرشل اور آپریشنل رسک کی شناخت، جائزہ اور اسکے حل شامل ہیں۔

سنیئر انتظامیہ کی ٹیم ایک انتہائی تفصیلی بجٹنگ اور منصوبہ بندی کرتی ہے جس میں SWOT Analysis شامل ہے۔ اِس کی بنیاد پر اہم مسائل کے حل پر توجہ دی جاتی ہے, مواقع ڈھونڈے جاتے ہیں, ایکشن پلان بنائے جاتے ہیں ان پر عمل درآمد کیا جاتا ہے تاکہ طویل المعیار اہداف حاصل کئے جاسکیں۔

ماحول، صحت اور سیفٹی

سروس انڈسٹریز لمیٹڈ نے اپنے اندرونی اسٹیک ہولڈرز یعنی ملازمین، گاہک اور کمپنی سے متعلقہ حصص یافتگان کے لئے محفوظ، صحت مند اور اخلاقیات پر مبنی ماحول مہیا کرنے کے لیے اقدامات کیے ہیں۔

1)ایشیا کا پہلا شمسی توانائی سے چلنے والا جوتوں کا کارخانہ ۔

یہ 1 میگاواٹ شمسی توانائی کا پلانٹ چار ایکڑ رقبے پر پھیلا ہوا ہے اور 3125 شمسی پلیٹوں پر مشتمل ہے۔جسکی سالانہ بجلی کی پیداوار 1500 میگاواٹ گھنٹہ ہے۔یہ اقدام روزانہ 100 درخت لگانے کے مترادف ہے۔جس سے 730 ٹن سالانہ کاربن ڈائی آکسائیڈ کا اِخراج کم ہوتا ہے۔ ماحول کو سرسبز رکھنے کے اس قدم نے سروس انڈسٹریز کو ماحول دوست برآمد کنندہ کے طور پر بڑھتے ہوئے عالمی ماحولیاتی شعور کے تناظر میں اپنی مصنوعات فروخت میں زبردست معاون ہے۔

2)صنعتی قواعد کی پاسداری

سروس انڈسٹریز لمیٹڈ بزنس سوشل کمپلائینس انسٹیٹیو سے تصدیق شدہ ہے جو کہ انسانی حقوق کے قوانین، ILO کنونشن اور پاکستان کے لیبر قوانین کے مطابق ماحول کو درست رکھنے کی تاکید کرتا ہے۔ علاوہ ازیں سروس انڈسٹریز لمیٹڈ SEDEX Global کا 2015 سے ممبر ہے جو کہ اس بات کی عکاسی کرتا ہے کہ ہم عالمی کاروبار میں، دس ہزار سے زائد ملازمین کو بہترین کام کرنے کا ماحول فراہم کرنے میں اور اخلاقیات پر مبنی کاروباری طریقے پر عمل کرنے کے لئے اور میں بہتری لانے کے لیے پر عزم ہے۔

3) خواتین اور معذور افراد کو ملازمت فراہم کرنا

سروس انڈسٹریز لمیٹڈ اس بات میں فخر محسوس کرتا ہے کہ معاشرے کے ہر فرد کے لیے بلا امتیاز ملازمت فراہم کرتا ہے ۔ ہم خواتین اور معذور افراد کو بھی اپنے ہاں ملازم

رکھنے کی حوصلہ افزائی کرتے ہیں۔ سروس انڈسٹریز لمیٹڈ نے خواتین ملازمین کے لیے موافق ماحول فراہم کرنے کے لیے گجرات اور مرید کے میں علیحدہ پروڈکشن لائنز قائم کررکھی ہیں جہاں 410 سے زیادہ خواتین کام کر رہی ہے۔

4) پیشہ ورانہ حفاظت اور صحت

ہمارے کام کرنے کے طریقے اور ہمارے ملازمین کو محفوظ، صاف ستھرے، چوٹ اور بیماری سے مبرا ماحول فراہم کرتے ہیں۔ سروس انڈسٹریز لمیٹڈ OHSAS 1800:2007 پیشہ ورانہ حفاظت اور صحت کے نظام سے تصدیق شدہ ہے۔ یہ ایک بین الاقوامی معیار ہے جو کہ صنعتی ماحول میں کام سے متعلقہ صحت اور حفاظت کے خطرات کی شناخت کرنے ،ان پر قابو پانے اور ان کو کم کرنے کے لئے رہنمائی فراہم کرتا ہے۔

5) صارفین کے تحفظ کے اقدامات

سروس انڈسٹریز لمیٹڈ ISO 9001:2008 سے تصدیق شدہ ہے۔ یہ اس بات کو یقینی بناتا ہے کہ بہترین کوالٹی کی مصنوعات صارفین کو لگاتار ملتی رہیں جو کہ تمام قانونی تقاضے بھی پوری کرتی ہوں۔ سروس انڈسٹریز لمیٹڈ سیٹرا ٹیکنالوجیز کا بھی 2010 سے رکن ہے یہ ادارہ جوتوں اور چمڑے کی مصنوعات کو ٹیسٹ کرتا ہے اور تحقیق کرتا ہے کہ وہ آرام دہ، محفوظ اور پائیدار ہیں۔

6) کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات

ہم کاروبار کو پوری دیانتداری اور متعلقہ قوانین کی پاسداری کے ساتھ کرنے کے لیے پرعزم ہیں۔ ہمارا اخلاقیات اور کاروبار کرنے کے طریقوں کا بیانیہ کہتا ہے کہ، ”یہ کمپنی کی پالیسی ہے کہ وہ اپنے آپریشنز کو اعلیٰ ترین اخلاقی اقدار کے مطابق چلائیں تمام قانونی ضابطوں کی تعمیل کریں اور اداروں کے لیے بنائے گئے بہترین معیارات کے مطابق ہوں“۔

7) قومی محصولات میں ہمارا حصہ

سروس انڈسٹریز لمیٹڈ مختلف محصولات کی مد میں سالانہ کروڑوں روپے حکومت کو ادا کرتا ہے۔ 2019 میں سروس انڈسٹریز لمیٹڈ نے 1,155 ملین روپے اس مد میں ادا کئے۔

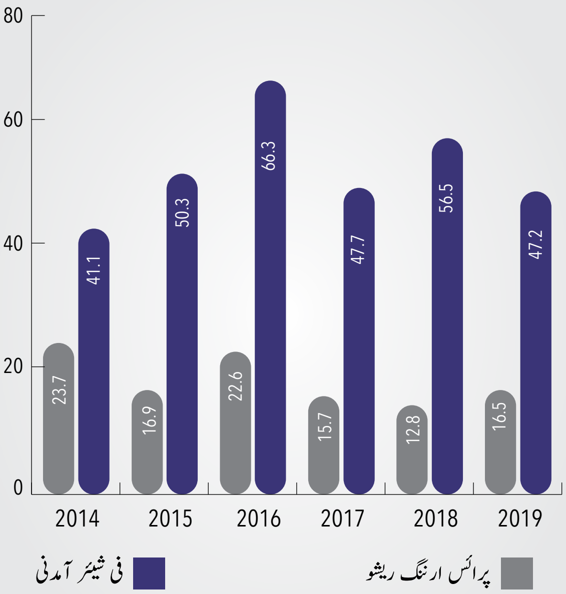
کمپنی کی سماجی ذمہ داری

سروس انڈسٹریز لمیٹڈ ایک معاشرتی طور پر باشعور ادارہ ہے۔ ہمارے ہاں خیرات کرنے کی روایت اتنی ہی پرانی ہے جتنا کہ خود کمپنی ۔ گزشتہ 5 دہائیوں میں سروس انڈسٹریز لمیٹڈ کی صحت اور تعلیم کے قابل ذکر خیراتی منصوبوں میں حصہ ڈالتی رہی ہے۔

سال2018 کے اختتام میں سروس انڈسٹریز لمیٹڈ نے اپنے رفاہی سرگرمیوں کو مستحکم بنیاد پر چلانے کے لئے سروس فاؤنڈیشن کے نام سے ایک خودمختار ادارہ قائم کیا۔ 2019 کے دوران اس نے کام کرنا شروع کر دیا اور کمپنی کی رفاہی معاملات کا نگران اور نفاذ کنندہ بن گیا۔ سروس فاؤنڈیشن ،سروس انڈسٹریز لمیٹڈ کی سماجی ذمہ داری کے اہداف کو منظم طریقے سے حاصل کرے گی۔

سروس انڈسٹریز لمیٹڈ کا حتمی مقصد اپنے ملازمین ،صارفین، حصص یافتگان دیگر متعلقین اور ماحول کی خدمت کرنا ہے ۔ مقصد یہ ہے کہ خوشحالی بانٹی جائے اور لوگوں کو مستقل بنیاد پر نمو ملتی رہے۔

پرائس ارنگ ریشو اور فی شیئر آمدنی



*فی شیئر آمدنی پر مالی سال 2019 میں بونس شیئر ہر ادا کرنا اثر انداز ہو رہے ہیں۔

فی شیئر آمدنی میں کمی کی بنیادی وجہ سروس انڈسٹریز لمیٹڈ کے مالی گوشوارے سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ وئیر لمیٹڈ کے درمیان منظور شدہ سکیم آف کمپرومائزز، ارینجمنٹ اور ری کنسٹرکشن کے مطابق تیار کرنا ہے۔ جبکہ مرید کے فٹ وئیر انڈرٹیکنگ کے جولائی 2019 سے دسمبر 2019 تک کے مالی گوشوارے، سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشوارے میں شامل نہیں ہیں بلکہ سروس گلوبل فٹ وئیر لمیٹڈ کے انفرادی مالی گوشوارے میں شامل ہیں اور اس طرح سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت اداروں کے مجموعی مالیاتی گوشوارے میں شامل ہیں۔

تصرف

مالیاتی سال 2019 کا تصرف مختصراً مندرجہ ذیل ہے۔	روپے ملین میں
یکم جنوری 2019 پر کل جمع شدہ ایکوٹی	5,394
مالیاتی سال 2019 کی آمدنی	896
2018 کے مالیاتی سال کا 30 روپے فی شیئر حتمی ڈیویڈنڈ	(361)
12.5 روپے فی شیئر عبوری ڈیویڈنڈ	(188)
31 دسمبر 2019 پر کل جمع شدہ ایکوٹی	5,741

کمپنی کے بورڈ آف ڈائریکٹرز نے 25 جون 2020 کو منعقدہ اپنی میٹنگ میں 7.50 روپے فی شیئر (2018 : 30 روپے فی شیئر) کے حتمی نقد منافع بمعہ 25 فیصد بونس شیئر (2018: 25 فیصد) تجویز کیے ہیں۔ کمپنی کے بورڈ آف ڈائریکٹرز نے 24 اکتوبر 2019 کو منعقدہ اپنی میٹنگ میں فی شیئر 12.50 روپے عبوری ڈیوڈنڈ اور 25 فیصد بونس شیئر کے عبوری منافع کو بھی منظور کیا تھا۔

سال کے آپریٹنگ اور مالیاتی اعدادوشمار

پچھلے 6 سال کے اہم آپریٹنگ اور مالیاتی اعداد وشمار اس رپورٹ میں درج کیے گئے ہیں۔

کمپنی کی کارکردگی کا جائزہ

بورڈ نے کمپنی کی کارکردگی پر مستقل نظر رکھنے کا ایک نظام ترتیب دیا ہے۔ بورڈ کاہر رکن بورڈ کی میٹنگ میں مستعدی سے اپنی شمولیت کو یقینی بناتا ہے اہم معاملات پر تفصیلی گفتگو ہوتی ہے اور انتظامیہ کو واضح ہدایات دی جاتی ہیں اور ان ہدایات پر عمل درآمد پر مستقل نظر رکھی جاتی ہے۔

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورتِ حال ، پچھلے سالوں میں کی کارکردگی اور کمپنی پر اثرانداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔ بجٹ بنایا جاتا ہے اور اصل کارکردگی کا بجٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلاتاخیر اصلاح کی جا سکے۔ یہ عمل کمپنی کے دونوں سیگمنٹس کے لیے کیا جاتاہے۔ بورڈ اس بات کو یقینی بناتا ہے کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ بورڈ کاروبار کے دونوں سیگمنٹس کی کارکردگی کا ہر سہ ماہی کے اختتام پر جائزہ لیتا ہے۔ اس کا مقصد کم کارکردگی والے سیگمنٹس کو بہتر کرنا اور منافع بخش سیگمنٹس میں شرح نمو کے اضافے کے مواقع پر زور دینا ہے۔

کیش فلوز اور کیپیٹل ایکسپینڈیچر

کمپنی کی بڑے سرمایہ کی ضرورت بنیادی طور پر اندرونی وسائل سے پوری کی جاتی ہے اور کچھ بیرونی سرمایہ پر بھی انحصار کیا جاتا ہے۔ کیش فلو اور سرمایہ کی ضرورت کی مستقل نگرانی کی جاتی ہے ۔ کمپنی طویل المیعاد نموکیلئے لگاتار سرمایہ کاری جاری رکھتی ہے ۔

اس سال کیش فلو منفی 1571 ملین روپے رہا جبکہ پچھلے سال مثبت257 ملین روپے تھا۔ آپریٹینگ کیش فلو منفی ہونے کی وجہ سروس انڈسٹریز لمیٹڈ کے مالی گو شوارے سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ وئیر لمیٹڈ کے درمیان منظور شدہ سکیم آف کمپرومائزز، ارینجمنٹ اور ری کنسٹرکشن کے مطابق تیار کرنا ہے۔ جبکہ مرید کے فٹ وئیر انڈرٹیکنگ کے جولائی 2019 سے دسمبر 2019 تک کے مالی گوشوارے، سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشوارے میں شامل نہیں ہیں بلکہ سروس گلوبل فٹ وئیر لمیٹڈ کے انفرادی مالی گوشوارے میں شامل ہیں اور اس طرح سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت اداروں کے مجموعی مالیاتی گوشوارے میں شامل ہیں۔

سال2019میں کمپنی میں 723 ملین روپے کی سرمایہ کاری کی جو کہ2018میں1.6بلین روپے تھی جو کہ بنیادی طور پر زرعی ٹائر اور ٹیوب بنانے والے پلانٹ کی استعداد بڑھانے کے لیے استعمال ہوئے۔

31 دسمبر 2019 کو ختم ہونے والے مالی سال کے سروس انڈسٹریز لمیٹڈ کے اور اس کی ذیلی کمپنیوں کے سالانہ مجموعی مالی نتائج (بشمول سروس گلوبل فٹ ویئر لمیٹڈ) درج ذیل ہے۔

تفصیلات	مالیاتی سال 2019 روپے، ہزار میں	مالیاتی سال 2018 روپے، ہزار میں دوبارہ بیان کیے گئے	فیصد تبدیلی
خالص فروخت	**30,058,321**	24,372,063	23%
آپریٹنگ منافع	**2,615,818**	1,668,450	57%
منافع قبل از ٹیکس	**1,586,621**	1,176,802	35%
منافع بعد از ٹیکس	**1,359,009**	1,029,697	32%

جوتوں کی برآمدات

جوتوں کی برآمدات کے کاروبار میں حجم اور منافع دونوں میں صحت مند اضافہ ہوا ہے جو کہ ہماری برآمدات میں لگا تار گاہک کے تنوع اور کاروبار آگے بڑھانے کی حکمت عملی کا نتیجہ ہے

پچھلے سال کے مقابلے میں 31 دسمبر 2019 کو ختم ہونے والے سال میں سروس انڈسٹریز لمیٹڈ اورگلوبل فٹ ویئر لمیٹڈ کی مشترکہ برآمد کی آمدنی میں 32 فیصد اضافہ ہوا ہے۔ ہم نے بھی 2019 میں پیداواری صلاحیت 14 فیصد بڑھا کر 3.2 ملین جوتے کردی ہے۔ ہمارے مریدکے پلانٹ نے حکومت کی برآمدات سہولیات کی ڈیوٹی اور درآمدی ٹیکس میں چھوٹ کا فائدہ اٹھاتے ہوئے ایکسپورٹ اورینٹڈ یونٹ کا درجہ بھی حاصل کیا۔ اس کے نتیجے میں بچت بھی ہوگی اور ہمارے کیش فلو میں بھی بہتری آئے گی۔

نئے گاہکوں کو شامل کرنے کی کوششوں کے نتیجے میں میں ایک مشہور مردوں کے جوتوں کا برینڈ ہمارے گاہکوں میں شامل ہوا ہے اور اس کے بڑے حجم کو مدنظر رکھتے ہوئے ہم نے 2019 میں اپنی پروڈکشن کی صلاحیت بڑھانے میں سرمایہ کاری کی ہے۔

کمپنی کی سب سے اہم طاقت نئی مارکیٹوں اور دنیا میں ریٹیل کے کاروبار کی بدلتی ہوئی صورت حال کے مطابق مصنوعات کو تیار کرنا ہے۔ نئی مصنوعات کو تیار کر کے ہم ہر بین الاقوامی نمائشوں، روڈ شوز اور مارکیٹ کا دورہ کرتے ہیں ۔ یہ انتظامیہ کی برآمدی فروخت کو بڑھانے اور نئے گاہک بنانے کی کوششوں کا حصہ ہے۔

مقامی فروخت

جوتوں کی مقامی فروخت میں پچھلے سال کی نسبت معمولی اضافہ ہوا ہے۔ ہم مقامی گاہکوں کی تعداد بڑھانے پر غور کر رہے ہیں۔ نت نئی مصنوعات تیار کرنا، ہماری مقامی فروخت کی نمو کو دوبارہ اپنے مقام پر لانے میں سب سے اہم حکمت عملی ہوگی۔ انتظامیہ، اداروں خاص طور پر قانون نافذ کرنے والے اداروں کو فروخت بڑھانے پر توجہ مرکوز کیے ہوئے ہے جوکہ سروس انڈسٹریز لمیٹڈ کے مستقل گاہک بن گئے ہیں۔

ہمارے ریٹیل کے کاروبار کی فروخت میں معمولی کمی آئی ہے ۔ اس کی وجہ گاہکوں کی گرتی ہوئی قوت خرید اور لاگت میں اضافہ ہے۔معاشی سست روی کی وجہ سے تھوک کے کاروبار میں پیسوں کی وصولی میں بھی مشکلات کا سامنا ہے۔ ریٹیل کے کاروبار میں اضافے کے لئے اٹھائے گئے اقدامات نے فروخت کی منفی نمو کے باوجود دکان کی سطح پر نقد بریک ایون حاصل کرنے میں ہماری مدد کی۔ ان میں قیمتوں میں اضافہ، علاقے سے مناسبت رکھتی ہوئی مصنوعات کی فروخت، سیلز فورس کی پیداواری صلاحیت کو بڑھانے کے لئے عملے کی تربیت اور جہاں بھی ممکن ہو کرایہ پر دوبارہ مذاکرات شامل ہیں۔

تھوک کے کاروبار میں منافع کی شرح مضبوط ملی جلی مصنوعات کی وجہ سے برقرار رہی ہے ۔2019 میں علاقے کی مناسبت سے مصنوعات فروخت کرنے سے کل بچت کو بہتر بنانے پر زیادہ توجہ مرکوز رہی ہے۔ 2019 میں معاشی سست روی کی وجہ سے ادھار واپس لینے میں مشکلات کا سامنا رہا ہے۔

ٹائر ڈویژن

ٹائر ڈویژن کا سروس انڈسٹریز لمیٹڈ کی آمدنی میں بڑا حصہ ہے۔ 2019 میں اس کی شرح نمو 27 فیصد رہی اور 2018 کی نسبت منافع کی شرح بھی بہتر رہی۔ 2018 میں الیکشن کے بعد، 2019 نئی مشکلات لے کر آیا، جیسا کہ مالی خسارہ، آئی ایم ایف سے نئی شرائط کے تحت قرضہ، ان کی وجہ سے بھاری افراط زر، پچھلے قرضوں کی ادائیگی میں مشکلات اور لگاتار روپے کی گرتی ہوئی قدر شامل ہیں۔ایک اور مسئلہ جو 2019 میں درپیش ہوا وہ ایف بی آر کا ٹائر ٹیوب کو سیلز ٹیکس ایکٹ 1990 کے تیسرے شیڈول میں شامل کرنا ہے۔ پچاس ہزار روپے سے زیادہ کی تمام فروخت پر قومی شناختی کارڈ نمبر درج کروانے کی شرط کی وجہ سے بھی وسیع پیمانے پر غیر یقینی صورتحال پائی جاتی تھی۔ ان مشکلات کے باوجود، ہمارے ٹائر ڈویژن نے اپنے برانڈ کی ساکھ پر انحصار کرنے کی حکمت عملی کی مدد سے ساتھ مارکیٹ میں اپنی جگہ برقرار رکھی۔

زرعی ٹائر کی پیداوار 2019 میں شروع ہوگئی اور ہماری مصنوعات کو مارکیٹ میں بہت پذیرائی ملی ہے۔ ان نئی مصنوعات سے ہماری آمدنی اور ہمارے منافع کو بہتر بنانے میں بھی مدد دے گی۔ الٹرا لائٹ ٹرک اور زرعی ٹائر کا اضافہ بھی ہمیں مارکیٹ کے زیادہ منافع بخش سیگمنٹ سے فائدہ اٹھانے میں مدد فراہم کرے گا۔

فی شیئر آمدنی

اس سال فی شیئر آمدنی 47.16 روپے رہی جو پچھلے سال 56.47 روپے تھی، یہ 16.49 فیصد کمی ظاہر کرتی ہے۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کرر ہے ہیں۔

ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت تیار کی گئی ہے۔ یہ رپورٹ کمپنی کے سالانہ اجلاس جو کہ مورخہ 17 جولائی 2020 کو منعقد ہو گا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

یہ بات باعث اطمینان ہے کہ کمپنی کے بنیادی پروڈکشن پروسیسز نے مارکیٹ کے سخت حالات کا مقابلہ کرتے ہوئے اپنی کارکردگی میں نمایاں بہتری لائے ہیں۔ ہمیں یقین ہے کہ پاکستان کے جوتے اور ٹائر انڈسٹریز دونوں میں نمو کی بڑی صلاحیت ہے۔

سال 2019 میں کمپنی نے شدید مشکلات جیسے کہ دنیا کی بڑی تجارتی ملکوں کے درمیان تنازعات، بریکسٹ سے متعلقہ غیر یقینی صورتحال اور پاکستان کے اپنے تجارتی خسارے کے باوجود کاروبار کو جاری رکھا۔ 2018 میں ڈالر کے مقابلے میں روپے کی قدر 26 فیصد کم ہوئی اور 2019 میں مزید 12 فیصد کم ہوئی، تاہم روپے کی قدر میں کمی کا اثر بتدریج کم رہا اور درآمد کو کم رکھنے سے تجارتی خسارے میں کمی ہوئی۔ آپ کی کمپنی معقول حد تک متنوع ہے۔ جوتوں کے کاروبار میں برآمدات کا بڑا حصہ ہے اور ٹائر کے کاروبار میں بھی برآمدات میں اضافہ ہو رہا ہے۔

معاشی سست روی کی وجہ سے 2019 میں موٹر سائیکل اور ٹریکٹر کے ٹائر کی مقامی فروخت میں 2018 کے مقابلے میں بالترتیب 22 فیصد اور 38 فیصد کم ہوئی۔ جوتوں کی فروخت میں اس سال بمشکل ہی کوئی اضافہ ہوا۔ ان سب حالات کے تناظر میں آپ کی کمپنی کی مجموعی طور پر فروخت 2019 میں 30.058 ارب روپے رہی جبکہ 2018 میں فروخت 24.372 ارب روپے تھی جو کہ 23 فیصد نمو ظاہر کرتا ہے۔

مندرجہ بالا چیلنجوں کے باوجود آپ کی کمپنی کی فروخت میں اضافہ ہوا ہے اور آپ کی کمپنی نے ٹائر اور جوتوں دونوں شعبوں میں پچھلے سال کی نسبت اچھی کارکردگی کا مظاہرہ کیا ہے۔

سکیم آف کمپرومائز، ارینجمنٹس اینڈ ری کنسٹرکشن

سکیم آف کمپرومائز، ارینجمنٹس اینڈ ری کنسٹرکشن کے مطابق (کمپنیز ایکٹ 2017 کے سیکشن 279 سے 283 اور 285 کے تحت) سروس انڈسٹریز لمیٹڈ اور اس کی مکمل ملکیتی ماتحت کمپنی سروس گلوبل فٹ ویئر لمیٹڈ کے مابین طے پایا، جس کی منظوری سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ کے حصص یافتگان نے 14 دسمبر 2019 کو دی ہے اور اسے لاہور ہائی کورٹ نے اپنے حکم مورخہ 15 جنوری 2020 کے تحت توثیق کی ہے۔ ایس آئی ایل کے اثاثوں، واجبات، حقوق، حقداروں اور ذمہ داریوں پر مشتمل معاہدہ کو دو حصوں یعنی مرید کے فٹ ویئر انڈرٹیکنگ اور ریٹینڈ انڈرٹیکنگ میں تقسیم کر دیا گیا ہے۔ مرید کے فٹ ویئر انڈرٹیکنگ اپنے تمام اثاثوں، واجبات، حقوق، اور ذمہ داریوں سمیت سروس انڈسٹریز لمیٹڈ سے منقسم کر دیا گیا ہے اور سروس گلوبل فٹ ویئر لمیٹڈ میں مورخہ 01 جولائی 2019 سے سروس گلوبل فٹ ویئر لمیٹڈ کے سروس انڈسٹریز لمیٹڈ کو حصص جاری کرنے کے عوض ضم کر دیا گیا ہے۔

اس تقسیم / انضمام / ملاپ کے توسط سے سروس انڈسٹریز لمیٹڈ کو سروس گلوبل فٹ ویئر لمیٹڈ کی ہولڈنگ کمپنی کی حیثیت سے کام کرنے اور اس کی نگرانی اور کنٹرول کرنے (جس حد تک قابل اطلاق ہے) کی اجازت ہو گی۔ سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ کی انتظامیہ کاروبار کو چلانے میں خود مختار ہوں گے۔ اس طرح کاروبار زیادہ موثر انداز میں چلایا جا سکے گا اور اس سے حصص یافتگان کو فائدہ ہو گا۔

31 دسمبر 2019 کو ختم ہونے والے سال کے لئے سروس انڈسٹریز لمیٹڈ کے مالی گوشوارے منظور شدہ اسکیم کے مطابق تیار کیے گئے ہیں۔ لہٰذا مرید کے فٹ وئیر انڈرٹیکنگ کے جولائی 2019 سے دسمبر 2019 تک کے مالی گوشوارے، سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشوارے میں شامل نہیں ہیں بلکہ سروس گلوبل فٹ وئیر لمیٹڈ کے انفرادی مالی گوشوارے میں شامل ہیں اور اس طرح سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت اداروں کے مجموعی مالیاتی گوشوارے میں شامل ہیں۔

سروس انڈسٹریز لمیٹڈ کے 2018 کے مالیاتی نتائج اور سروس انڈسٹریز لمیٹڈ کے 2019 منفی جولائی سے دسمبر 2019 کے لئے مرید کے فٹ وئر پلانٹ کے مالی نتائج کے مابین ایک موازنہ درج ذیل ہے۔ سروس انڈسٹریز لمیٹڈ اور اس کی ذیلی کمپنیوں کے سالانہ مجموعی مالی نتائج کا 2019 اور 2018 موازنہ بھی درج ذیل ہے۔

مالی سال 2018 اور 2019 کی کارکردگی کا موازنہ

31 دسمبر 2019 کو ختم ہونے والے مالی سال کے سروس انڈسٹریز لمیٹڈ کے انفرادی مالی نتائج (بشمول مرید کے فٹ ویئر انڈرٹیکنگ جنوری 2019 سے جون 2019) درج ذیل ہے۔

تفصیلات	مالیاتی سال 2019 روپے، ہزار میں	مالیاتی سال 2018 روپے، ہزار میں دوبارہ بیان کیے گئے	فیصد تبدیلی
خالص فروخت	**26,156,201**	24,222,685	8%
آپریٹنگ منافع	**2,176,366**	1,730,296	26%
منافع قبل از ٹیکس	**1,073,025**	1,205,285	-11%
منافع بعد از ٹیکس	**886,364**	1,061,307	-16%

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