

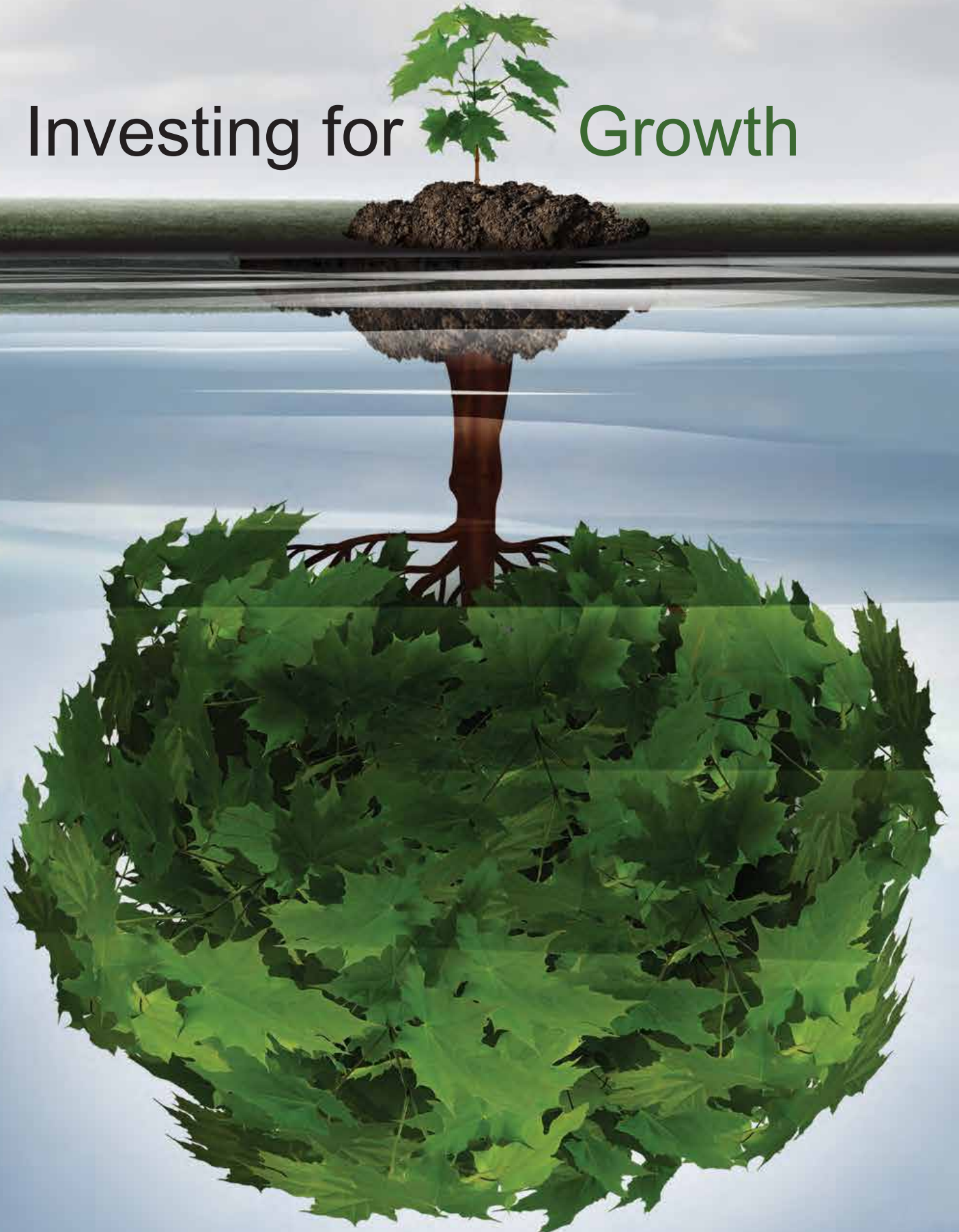


Servis

Service Industries Limited

**ANNUAL
REPORT
2022**

Investing for Growth



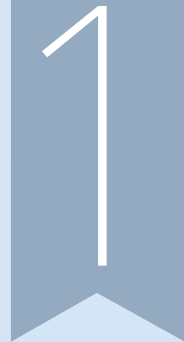


Cover Story

Business investments are critical to the success of any long-term business.

Business Investing should be continual and not a one-time event.

The leader who hopes to build future profits continues to invest even after they have already invested. A little investment consistently can build an excellent harvest for a business.



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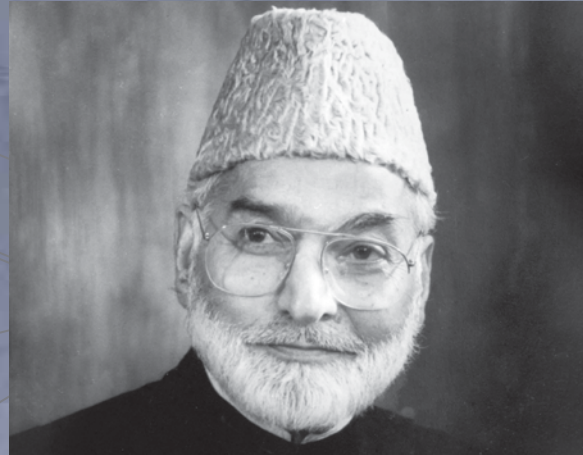
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Our History



Ch. Muhammad Hussain

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.



Ch. Nazar Muhammad

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.

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



Ch. Muhammad Saeed

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, two in punjab and one in sindh.

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.

"There are no secrets to success. It is the result of preparation, hard work, and learning from failure."

-Colin Powell

Our Vision and Mission

Vision

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

Mission

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

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

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

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

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



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

To adopt appropriate safety rules and environment friendly policies.

Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)

Non-Executive Director

Mr. Arif Saeed

(Chief Executive Officer)

Executive Director

Mr. Omar Saeed

Executive Director

Mr. Hassan Javed

Executive Director

Mr. Riaz Ahmed

Non-Executive Director

Mr. Osman Saifullah Khan

Independent Director

Mr. Muhammad Naeem Khan

Independent Director

Mr. Shahid Hussain Jatoi

Independent Director

Mrs. Ayesha Naweed

Independent Director

Chief Financial Officer

Mr. Badar Ul Hassan

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Muhammad Naeem Khan

Chairman

Mr. Osman Saifullah Khan

Member

Mr. Riaz Ahmed

Member

Human Resource and Remuneration Committee

Mrs. Ayesha Naweed

Chairperson

Mr. Arif Saeed

Member

Mr. Riaz Ahmed

Member

Bankers

Allied Bank Limited

Askari Bank limited

Bank Al Habib Limited

Bank Alfalah Limited

Faysal Bank limited

Habib Bank Limited

Habib Metro Bank

ICBC Pakistan

MCB Bank Limited

MCB Islamic Bank

Meezan Bank Limited

National Bank Limited

Samba Bank Limited

Silk Bank Limited

Standard Chartered Bank

(Pakistan) Limited

Soneri Bank Limited

The Bank of Punjab

The Bank of Khyber

BankIslami Pakistan Limited

Dubai Islamic Bank Limited

United Bank Limited

SME 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

Shares Registrar

M/s. Corplink (Pvt.) Limited

Wings Arcade, 1-K

Commercial, Model Town, Lahore

Tel: +92-42-35916714,

35916719,

35839182





Pakistan Stock Exchange Limited
Stock Exchange Symbol SRVI

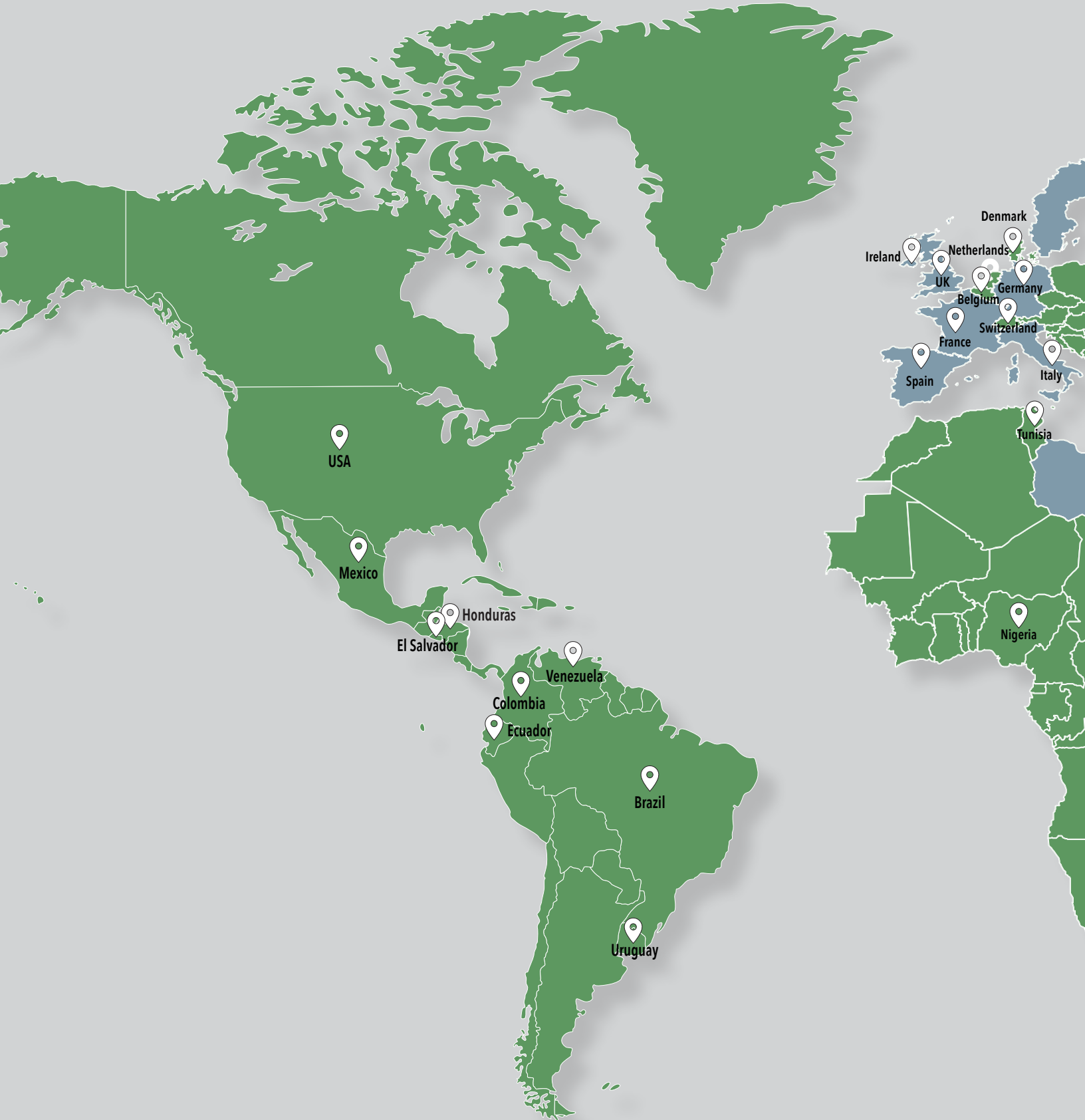
Factories
G.T. Road, Gujrat.
Sheikhupura Road, Muridke

Web Presence
www.servisgroup.com



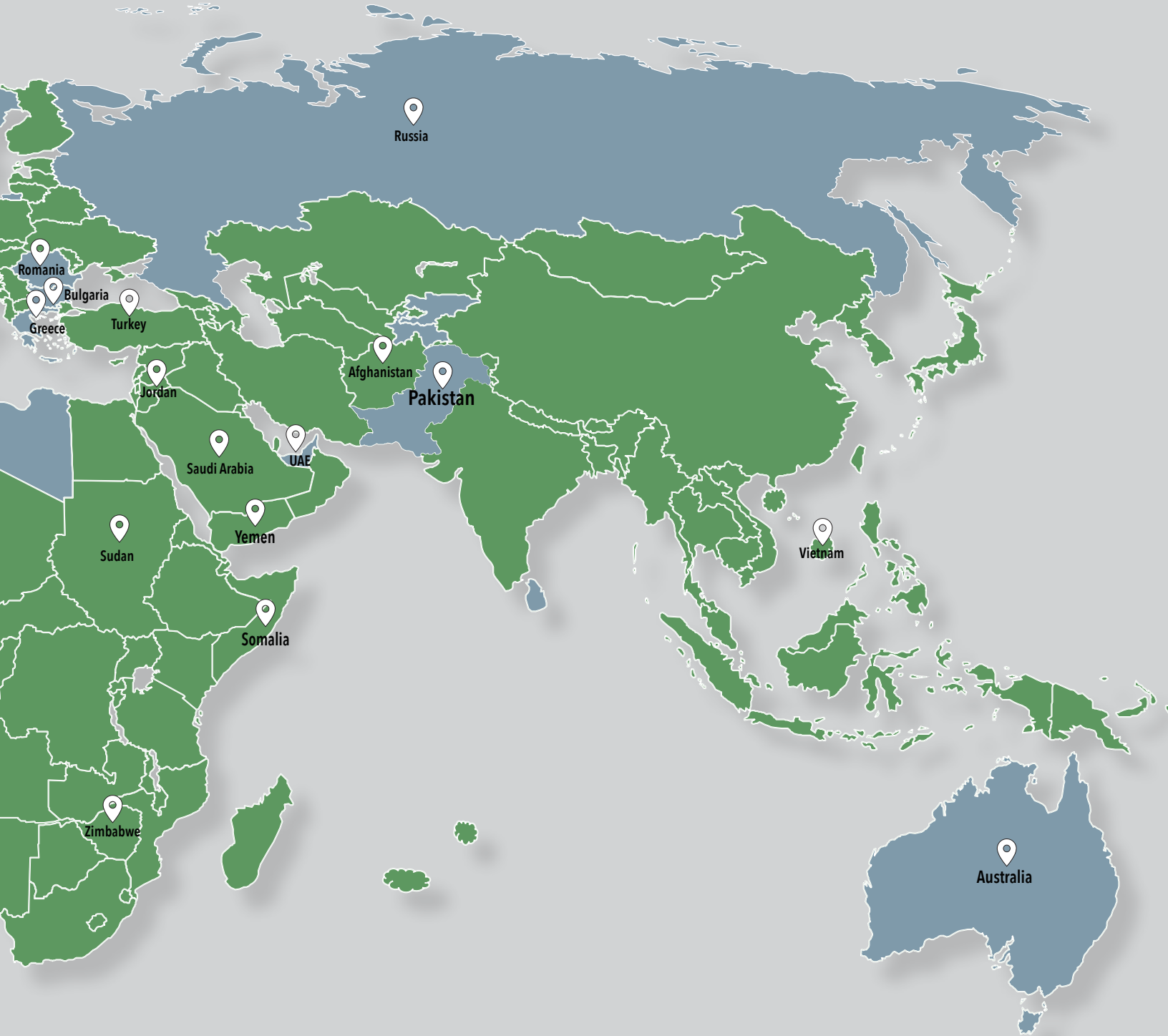
Geographical Presence

Our products are available in more than thirty countries.



"Leadership is not about you; it's about investing in the growth of others"

-Ken Blanchard.



Corporate Social Responsibility

About Service Industries Limited (SIL)

SIL is a socially conscious business entity. Its tradition of charity giving is as old as the company itself. Over the last several decades, SIL has been involved in significant philanthropic undertakings in health and education. SIL's aim is to strive to serve its employees, customers, shareholders, communities and the environment. The intention is simple: to give back, share prosperity and help people build and grow in a sustainable way.

SIL delivers the bulk of this work in a consolidated manner through Servis Foundation (SF), our independent corporate foundation, which became operational in 2019. During 2020, 2021 and 2022 SF's governance, performance, and initiatives were developed further and many learnings were gathered. SF was granted tax-exempt status under section 2(36) of the Income Tax Ordinance 2001. SF is now the principal vehicle of all CSR-based institutional contributions of the company. As SIL's philanthropic arm SF aims to deliver its parent company's CSR goals through a programmatic and targeted mechanism.

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

Our portfolio of CSR & ethical business practices comprises internal initiatives, directly-owned projects and institutional contributions through Servis Foundation.





About this section of the report

We use the section in the Annual Report to share how we are managing and measuring progress against our CSR goals, as well as to respond broadly to stakeholder expectations in this area. The 2022 CSR section details progress on our most pertinent issues over the year. In this section, we will provide an overview of internal company initiatives and responsible operations and institutional contributions through SF.

**"Growth is the only
evidence of life."**

-John Henry Newman

Internal Company Initiatives & Responsible Operations

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

a) 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 8,500 employees the best working conditions for increased productivity.

b) 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, having separate and appropriate work spaces and production lines. Currently, the female headcounts amount to 170+, who are part of the SIL's diversified team.



c) 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.



f) Gujrat Workers' Children Schooling Programme

This programme was initiated in 2020 to provide our most vulnerable workers the opportunity for high-quality education for their children. For this, SF decided to leverage the branch network and educational expertise of a private partner well-known and well-respected in Gujrat and surrounding districts. 120+ students continue to receive schooling through this partner. We spent Rs. 18.04 million on this programme in 2022.



d) 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.

e) Business Ethics and Anti-Corruption Measures

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

g) Contribution to National Exchequer

SIL has a multi-million Rupee annual contribution to the national exchequer on account of taxes, duties and levies. In 2022, SIL contributed PKR 2,426 million.

h) Covid - 19 Support & Steps

During the year, the impact of Covid 19 has lessened. However, the Company continued with its consistent support to employees in this regard. Provision of Testing Kits, reimbursement of Covid tests for employees, extended holidays for Covid infected personnel and flexible work arrangements during extreme waves are the few steps taken to combat this pandemic.

Direct Community Welfare Projects

a) Chaudhry Nazar Muhammad, Muhammad Hussain Memorial Society Clinic

Located in Gandhra, Gujrat, the hospital is a primary care facility for the community, providing subsidized consultation by a general Physician, free medicines, subsidized basic lab tests and ultrasound and x-ray facility. Approximately 24,000+ patient interactions are recorded at the facility annually

b) 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+ students were enrolled in 2022.

c) Servis-Sunbeams School, Muridke, Sheikhpura

This school is located in a village 5km from the SIL Muridke factory and enrolls 230+ students. Operations and management are looked after by Sunbeams School System on behalf of SF since August 2019.



d) Shalamar Institute of Health Sciences

In 2022, SIL sponsored the treatment of low-income patients to the tune of PKR 8.6 million at SIHS. Through SF, we also support a scholarship programme at the Medical College of SIHS.

e) Service Charitable Trust

Service Charitable Trust runs a school for low-income students near Bhatta Chowk, Lahore. The Bagh-e-Rehmat School enrolls more than 450 students and enjoys a reputation of high merit, standards and outcomes in the local community.



Institutional contributions through Servis Foundation

SIL contributed PKR 45 million to Servis Foundation during 2022 for the delivery of development programmes through charitable institutions. These institutional contributions included health and education spending through the following institutions:



a) Shalamar Institute of Health Sciences

Aside from low-income patient care at their facilities, SF continues SIL's tradition of annual donation to SIHS for other purposes. In 2022, SF contributed PKR 6.8 million for medical students' scholarships.

b) Kidney Center Gujrat (KCG)

SF is the foremost donor at this facility providing free hemodialysis and subsidised kidney stone management services to 1,000+ registered kidney disease patients from Gujrat and surrounding districts. Many low-income patients are receiving subsidised kidney-stone management treatment through the state-of-the-art lithotripter contributed by us. In 2022, SF contributed PKR 12 million to Kidney Center Gujrat.

c) The Citizens Foundation (TCF)

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



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

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

In addition to above steps, SIL also made contributions amounting to Rs. 1 million towards Sindh Institute of Urology and Transplantation for the well being of patients. The company also granted financial support to educational institution



Notice of Annual General Meeting

Notice is hereby given that the 66th Annual General Meeting ("AGM") of Service Industries Limited (the "Company") will be held on **Friday, the April 28, 2023 at 11:00 a.m.** at Shalimar Tower Hotel, Adjacent Servis House, 2 - Main Gulberg, Lahore, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the separate and consolidated audited financial statements of the Company for the year ended December 31, 2022, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To approve the final cash dividend of Rs. 5 per share i.e., 50% as recommended by the Board of Directors for the year ended December 31, 2022.
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 the circulation of the annual audited financial statements to the members through QR enabled code and weblink by passing an ordinary resolution proposed in the statement of material facts.

(Annexed to the notice being circulated to the shareholders is a statement of material facts and draft resolution pertaining to special business to be transacted at the AGM).

Lahore
April 07, 2023

By Order of the Board

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 18, 2023 to April 28, 2023 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on April 17, 2023 will be considered in time for the purpose of entitlement of final cash dividend and to attend and vote at the AGM.
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend and vote in place of him / her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company. Proxy Forms in Urdu and English languages are attached to the notice circulated to the shareholders.
3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in Circular No 1 of 2000.

A For Attending the Meeting

- a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B For Appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.
4. The members can also participate in the Annual General Meeting through video link facility.

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

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

The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on April 17, 2023.

5. 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 valid CNIC to the Shares Registrar of the Company M/s.

Notice of Annual General Meeting

Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to the shareholder's Broker/Participant/CDC Account Services.

6. 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%.

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

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

7. Procedure for E-Voting

- In accordance with the Companies (Postal Ballot) Regulation, 2018, (the "Regulations") the right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for, inter alia, all businesses classified as special business under the Companies Act, 2017 in the manner and subject to conditions contained in the Regulations.
- Detail of e-Voting facility will be shared through e-mail with those members of the company who have valid cell numbers / e-mail addresses (Registered e-mail ID) available in the Register of Members of the Company by the end of business on April 17, 2023. Members who intend to exercise their right of vote through E-voting shall provide their valid cell numbers and email addresses on or before April 17, 2023.
- Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- Members shall cast vote for agenda item No. 4 online from April 25, 2023 till April 27, 2023 5:00 p.m. Voting shall close on April 27, 2023, at 5:00 p.m. A vote once cast by a Member, shall not be allowed to be changed.

8. Procedure for Voting Through Postal Ballot

- Members may alternatively opt for voting through postal ballot. For convenience of the members, Ballot Paper is annexed to this notice and the same is also available on the Company's website www.servisgroup.com to download.

- b. The members must ensure that the duly filled and signed ballot paper, along with a copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post at the Company's registered address, Servis House, 2-Main Gulberg, Lahore, or email at chairman@servis.com one day before the AGM, i.e., on April 27, 2023 before 5:00 p.m. A postal ballot received after this time / date shall not be considered for voting. The signature on the Ballot Paper shall match with signature on the CNIC.
9. 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.
10. The Company has placed the Annual Report containing Audited Annual Financial Statements for the year ended 31 December 2022, Auditors' and Directors' Reports thereon and Chairman's Review Report on its website: www.servisgroup.com.
11. Shareholders have passed an Ordinary Resolution in Extraordinary General Meeting held on September 27, 2016 to transmit annual report through CD/DVD/USB in compliance of directive of SRO 470(1)/2016 dated 31st May 2016. The annual report is emailed to shareholders who have provided their email address in terms of Section 223 (6) of the Companies Act, 2017 and through CD to other shareholders who have not so far provided their email addresses to the Company. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand.
12. The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into script-less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the promulgation of the Act.
13. The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980 to the Company.
14. Shareholders, who by any reason, could not claim their dividends/shares, if any, are advised to contact our Share Registrar to collect / enquire about their unclaimed dividend/shares, if any.
15. The shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Share Registrar.
16. 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.
17. For any query / 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.

Notice of Annual General Meeting

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

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on April 28, 2023.

Item No. 4 of the Agenda - To approve the circulation of the annual audited financial statements to the members through QR enabled code and weblink by passing an ordinary resolution proposed in the statement of material facts.

The Securities and Exchange Commission of Pakistan ("SECP") vide SRO 389(I)/2023 dated March 21, 2023 has allowed the listed companies to circulate the Annual Audited Financial Statements including Annual Balance Sheet and Profit and Loss Account, Auditor's Report and Directors Report, etc. ("annual audited financial statements") to its members through QR enabled code and weblink. This will enable the company to use of technological advancements and cost saving.

The company shall circulate the annual audited financial statements through email in case email address has been provided by the member to the company and the consent of member to receive the copies through email is not required.

The company shall send the complete financial statements with relevant documents in hard copy to the shareholders, at their registered addresses, free of cost, within one week, if a request has been made by the member on the standard request form available on the website of the company.

The following resolution is proposed to be passed as ordinary resolution, with or without any modification.

"Resolved that approval of the shareholders of Service Industries Limited (the "Company") be and is hereby accorded and the Company be and is hereby authorized to circulate the Annual Audited Financial Statements of the Company together with the reports and documents required to be annexed thereto under the Companies Act, 2017 through QR enabled code and weblink instead of circulation through CD/DVD/USB.

Further resolved that Mr. Arif Saeed, Chief Executive Officer and / or Mr. Omar Saeed, and / or Mr. Hassan Javed, Directors of the Company be and is hereby singly empowered and authorized to do all acts, deeds and things, take or cause to be taken all necessary action for the purposes of implementing this resolution."

None of the Directors have any interest, directly or indirectly, in the aforesaid special business.

Board of Directors



Chaudhry Ahmed Javed
Chairman



Mr. Arif Saeed
Chief Executive Officer



Mr. Omar Saeed
Director



Mr. Hassan Javed
Director



Mr. Osman Saifullah Khan
Director



Mr. Riaz Ahmed
Director



Mr. Muhammad Naeem Khan
Director



Mr. Shahid Hussain Jatoi
Director



Mrs. Ayesha Naweed
Director

Group Executive Committee



Mr. Arif Saeed
Chief Executive Officer

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



Mr. Omar Saeed
Director

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Long March Tyres (Private) Limited and Servis Foundation. Omar also serves as a Director on the Boards of Nestle Pakistan Limited, Systems Limited, Service Industries Limited, Service Global Footwear Limited and The Hunar 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 one of Pakistan's largest footwear retailer, with 500 stores nationwide. 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.



Mr. Hassan Javed
Director

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

Value Added and its Distribution

	2022		2021	
	(Rs in 000)	%	(Rs in 000)	%
Wealth Generated				
Sales	42,599,481		32,724,924	
Other Income	1,102,208		317,184	
Bought-in-material & Services	(33,562,947)		(25,958,147)	
	10,138,742	100	7,083,962	100
Wealth Distributed				
To Employee				
Remuneration , Benefits,and Facilities	4,739,846	47	4,157,890	59
To Government				
Taxation	621,594	6	214,016	3
Workers welfare fund	757	0	6,517	0
To Society				
Donation	66,269	1	50,735	1
To Lenders				
Dividend	352,406	3	352,406	5
Mark up & finance Cost	3,075,387	30	1,314,456	19
Retained for Reinvestment & Future Growth				
Depreciation	1,278,539	13	982,302	14
Amortization	1,923	0	1,219	0
Retained Profit	2,021	0	4,420	0
Unappropriated profit,deperication & amortization	1,282,483	13	987,941	14
	10,138,742	100	7,083,962	100

Wealth Generated and Distributed

2022

	Amount '000'	%
● Bought-in-material & services	33,562,947	76.80%
● To Employees	4,739,846	10.85%
● To Government	622,351	1.42%
● To Society	66,269	0.15%
● To Lenders	3,427,793	7.84%
● Retained for Reinvestment & Future Growth	1,282,483	2.93%
Total	43,701,689	100%



2021

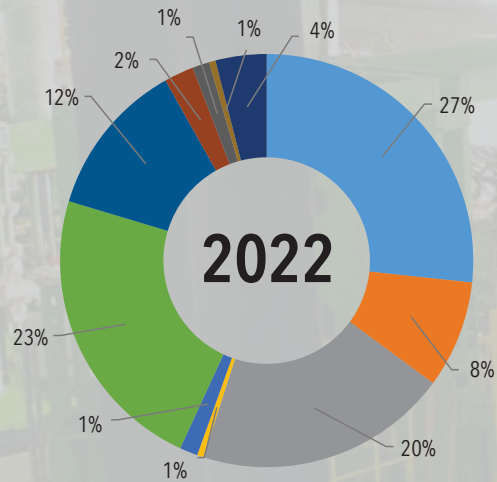
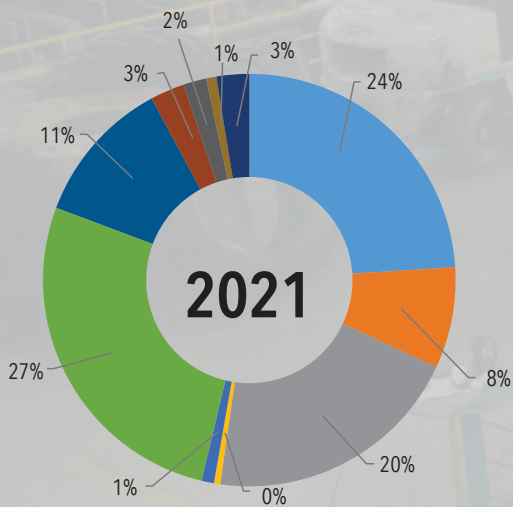
	Amount '000'	%
● Bought-in-material & services	25,958,147	78.56%
● To Employees	4,157,890	12.58%
● To Government	220,533	0.67%
● To Society	50,735	0.15%
● To Lenders	1,666,862	5.04%
● Retained for Reinvestment & Future Growth	987,941	2.99%
Total	33,042,108	100%



Balance Sheet Composition

Fixed and Current Assets

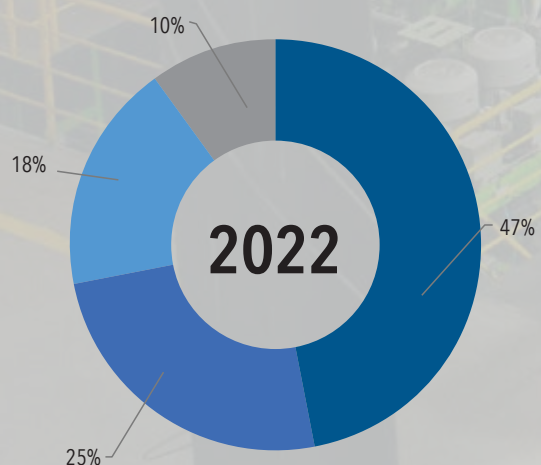
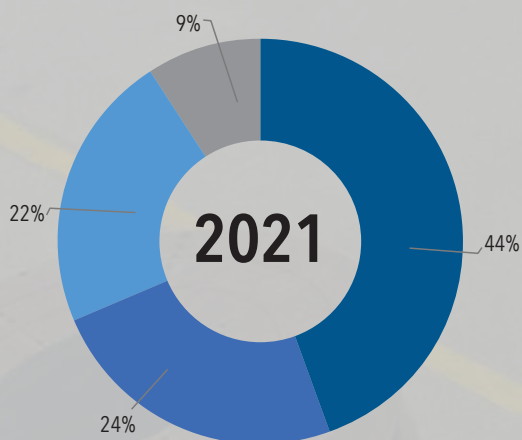
- Property, Plant and equipment
- Right-of-use assets
- Long term investments
- Long term loans and deposits
- Stores and spares
- Stock in trade
- Trade debts - net
- Advances and prepayments
- Other receivables
- Income tax-net
- Cash and bank balances



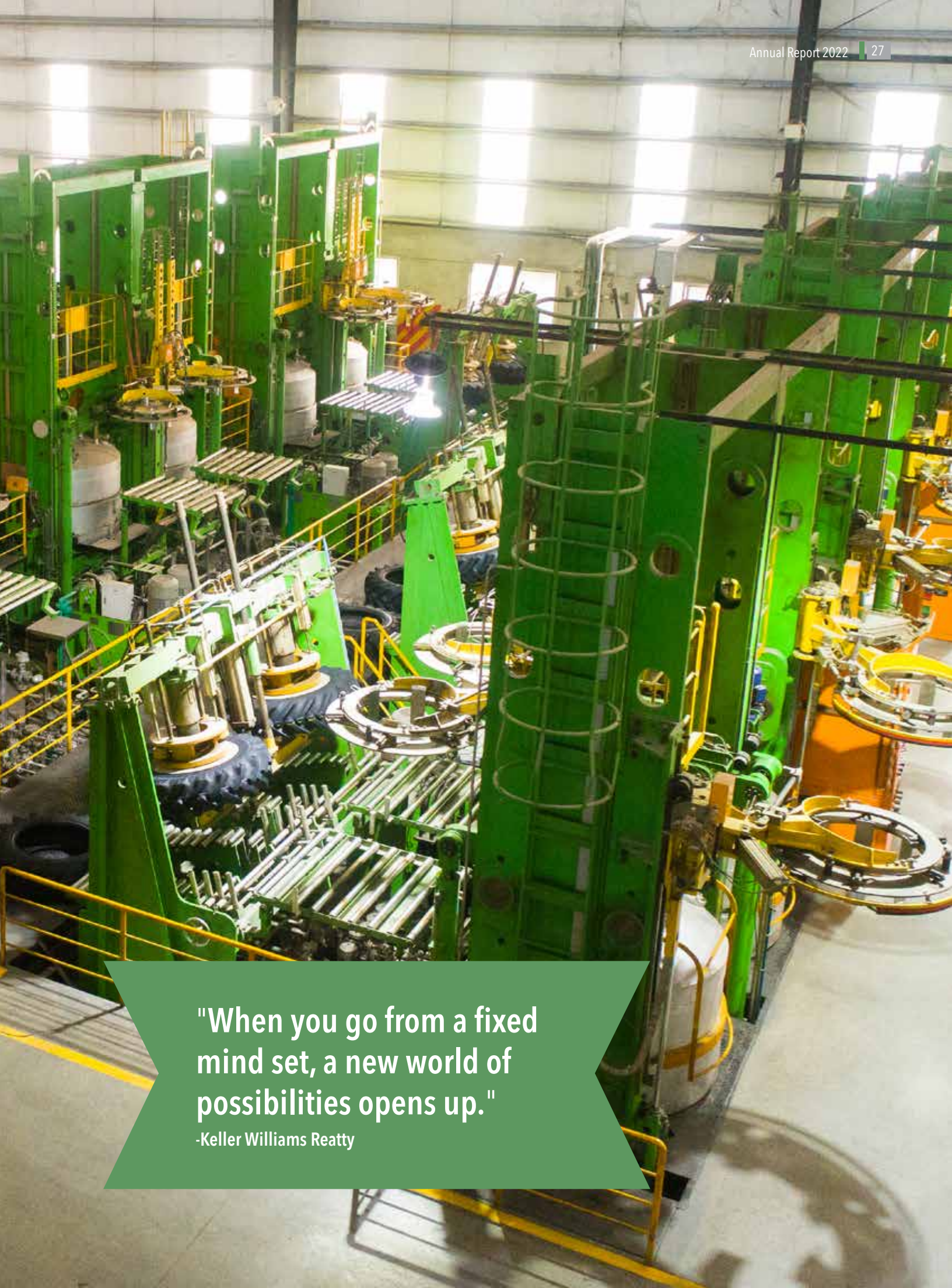
- Property, Plant and equipment
- Right-of-use assets
- Long term investments
- Long term loans and deposits
- Stores and spares
- Stock in trade
- Trade debts - net
- Advances and prepayments
- Other receivables
- Income tax-net
- Cash and bank balances

Equities and Liabilities

- Equity & Reserves
- Long term Financing
- Non Current Liabilities
- Current Liabilities



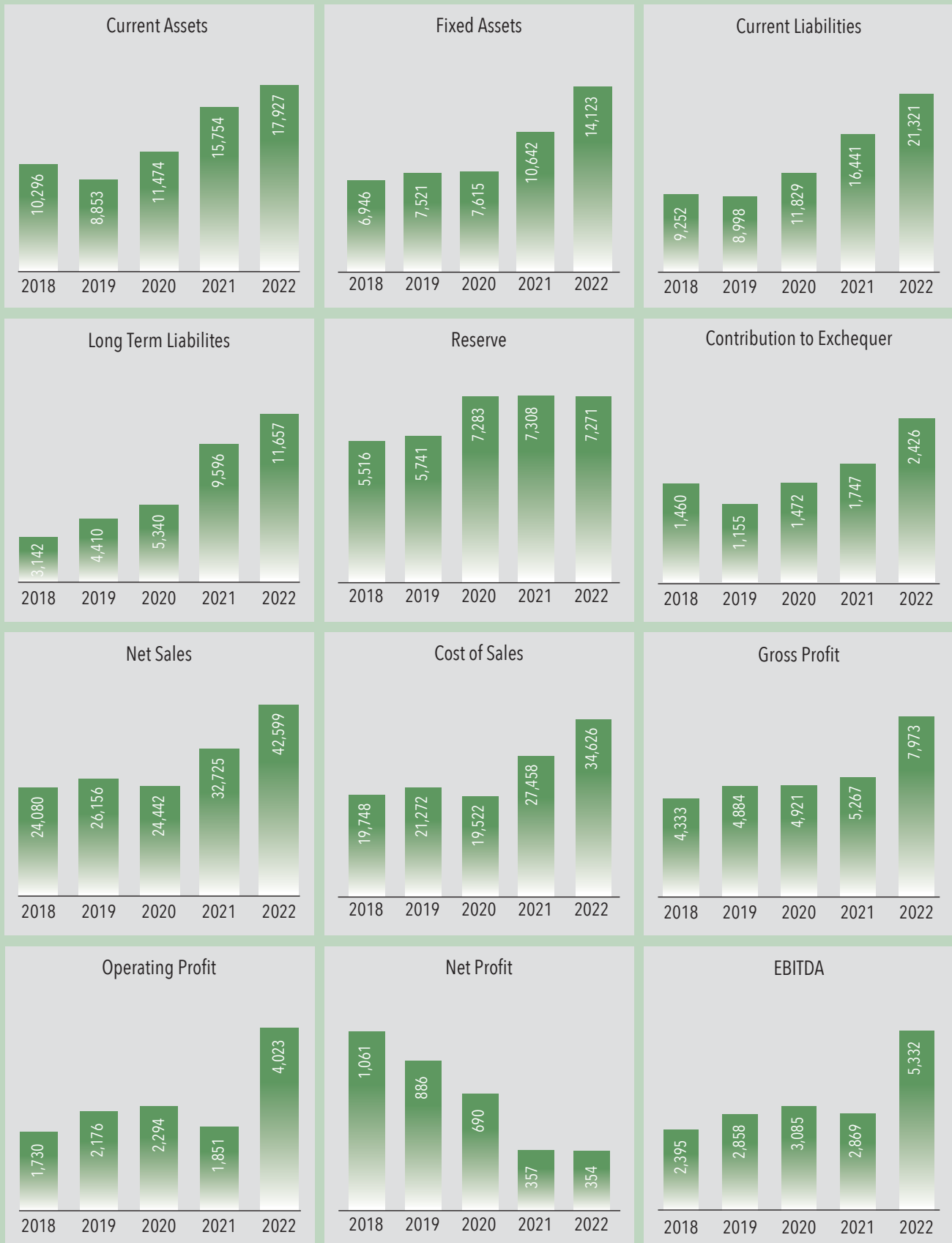
- Equity & Reserves
- Long term Financing
- Non Current Liabilities
- Current Liabilities

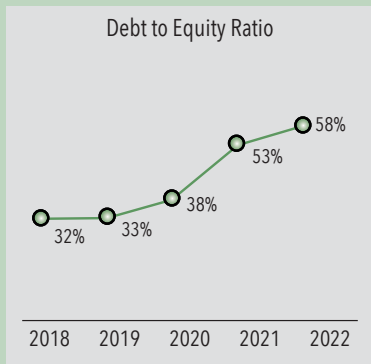
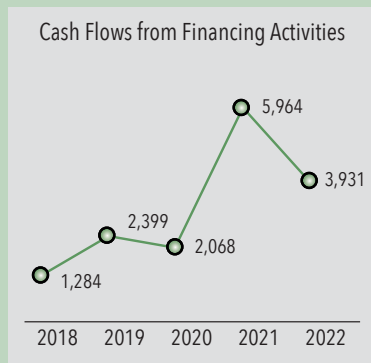
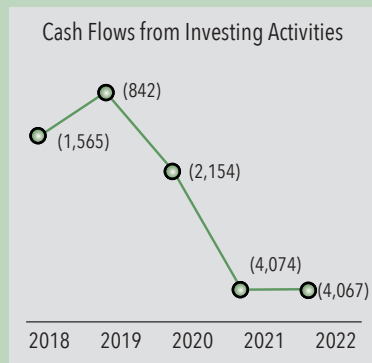
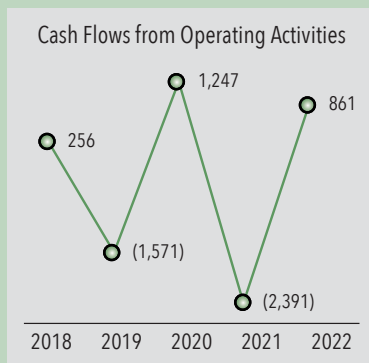
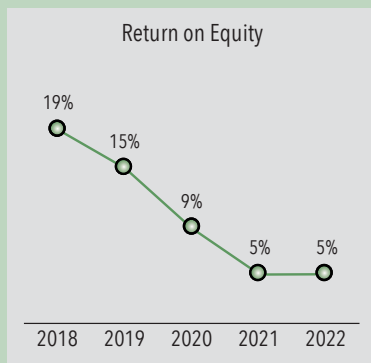
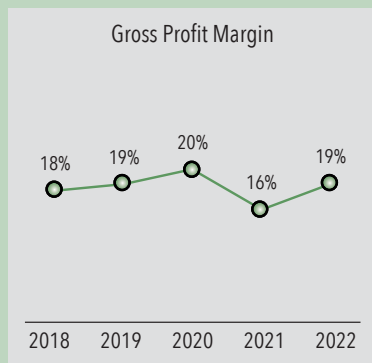
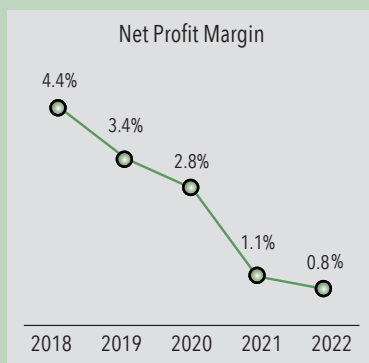
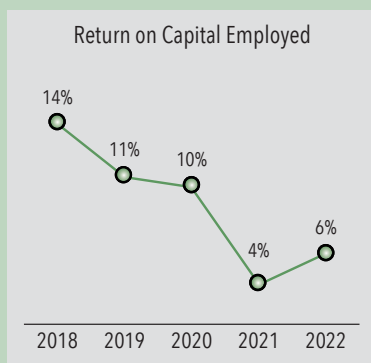
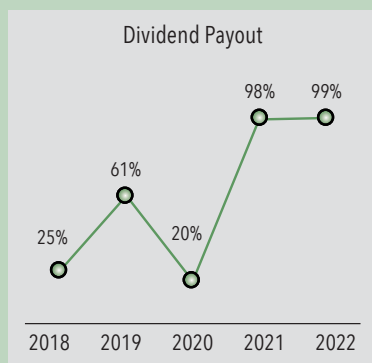
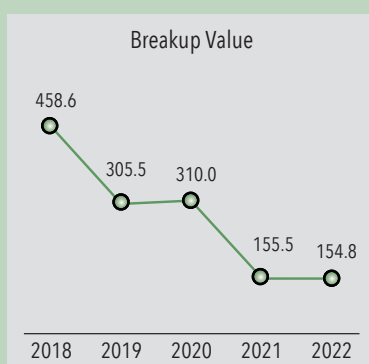
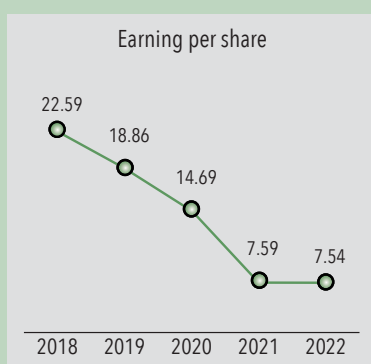
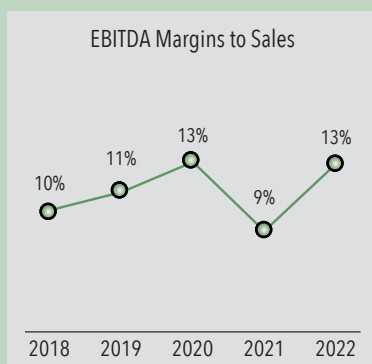


**"When you go from a fixed
mind set, a new world of
possibilities opens up."**

-Keller Williams Reatty

Analytical Review





Six Years at a Glance

Description	2022	2021	2020	2019	2018	2017
	Rupees in million					
Sales	42,599	32,725	24,442	26,156	24,080	20,898
Gross profit	7,973	5,267	4,921	4,884	4,333	3,563
Profit before tax	976	571	1,161	1,073	1,205	1,042
Profit after tax	354	357	690	886	1,061	897
Share capital	470	470	235	188	120	120
Share holder's equity	7,271	7,308	7,283	5,741	5,516	4,747
Property, plant & equipment	10,736	7,999	5,996	6,117	6,946	5,957
Total assets	40,250	33,345	24,451	19,150	18,121	15,885
Net current assets	(3,394)	(687)	(355)	(145)	1,044	1,123
Market Value Per Share (Rs.)	340	469	834	777	725	750
Dividend Declared (%)						
Cash - Interim	-	-	-	125	-	85
Cash - Final	50	75	150	75	300	220
Bonus Shares	-	-	100	50	25	-
Profitability (%)						
Gross Profit	18.72	16.09	20.13	18.67	17.99	17.05
Profit Before Tax	2.29	1.74	4.75	4.10	5.01	4.98
Profit After Tax	0.83	1.09	2.82	3.39	4.41	4.29
Return to Shareholders						
R.O.E -Before Tax (%)	13.42	7.81	15.94	18.69	21.85	21.95
R.O.E -After Tax (%)	4.87	4.88	9.47	15.43	19.24	18.89
E.P.S-After Tax (Rs.)	7.54	7.59	14.69	18.86	22.59	19.09
Price Earning Ratio	45.04	61.70	56.80	41.18	32.10	39.30
Activity (Times)						
Sales To Total Assets	1.06	0.98	1.00	1.37	1.33	1.32
Sales To Fixed Assets	3.97	4.09	4.08	4.28	3.47	3.51
Inventory Turnover Ratio	3.81	3.96	4.28	5.13	4.96	5.22
Interest Coverage Ratio	1.73	2.18	2.84	2.54	3.06	4.05
Liquidity/Leverage						
Current Ratio	0.84	0.96	0.97	0.98	1.11	1.14
Break-up Value per Share	154.75	155.53	309.98	305.46	458.58	394.62
Total Liabilities To Equity	4.54	3.56	2.36	2.40	2.29	2.35
Debt Equity Ratio	58:42	52:48	40:60	38:62	38:62	38:62



"Growth is uncomfortable;
you have to embrace the
discomfort if you want to
expand."

-Jonathan Majors

Horizontal Analysis

	2022		2021		2020		2019		2018	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Balance Sheet										
Equity & Reserve	7,271,421	-0.5%	7,308,181	0.4%	7,282,594	26.8%	5,741,208	4.1%	5,516,165	16.2%
Long term financing facilities	10,046,917	23.3%	8,146,121	164.1%	3,084,863	11.3%	2,770,768	5.9%	2,617,155	7.6%
Non Current Liability	3,950,159	26.5%	3,122,460	38.5%	2,254,772	37.5%	1,639,506	212.4%	524,871	-3.1%
Current Liabilities	18,981,295	28.5%	14,768,180	24.8%	11,828,991	31.5%	8,998,338	-2.7%	9,251,990	15.5%
	40,249,792	20.7%	33,344,941	36.4%	24,451,218	27.7%	19,149,820	6.9%	17,910,181	13.9%
Non Current Assets										
Property Plant and Equipment	10,736,350	34.2%	7,999,342	33.4%	5,996,063	-2.0%	6,117,464	-11.9%	6,946,303	16.6%
Right-of-use assets	3,386,718	28.2%	2,642,560	63.2%	1,618,879	15.4%	1,403,090	0%	-	0%
Intangibles	9,376	135.6%	3,979	213.1%	1,271	-52.7%	2,688	4.9%	2,562	175.8%
long term investment	7,987,951	17.8%	6,779,666	29.3%	5,242,711	96.5%	2,668,005	385.2%	549,917	5.4%
long term loan & deposit	202,232	22.3%	165,372	39.6%	118,500	12.8%	105,078	-9.0%	115,460	-1.4%
Current Assets										
Stores and spares	568,953	76.2%	322,895	39.0%	232,316	-7.9%	252,240	58.2%	159,415	30.2%
Stock in-trade	9,164,082	1.8%	9,001,107	84.5%	4,877,842	14.9%	4,247,068	5.0%	4,044,171	3.2%
Trade Debts	4,914,679	29.0%	3,808,763	-3.3%	3,938,337	30.4%	3,021,121	-8.5%	3,300,338	18.0%
Loans & Advances	695,309	21.5%	572,187	31.9%	433,755	11.0%	390,886	-15.7%	463,549	56.9%
Trade Deposits and Prepayments	236,834	-26.2%	320,840	36.6%	234,864	59.5%	147,214	57.5%	93,469	-29.1%
Other receivables	205,067	-22.8%	265,476	56.4%	169,767	-51.8%	352,051	-72.1%	1,262,438	35.7%
Income tax - net	536,034	-11.8%	607,515	57.4%	385,855	-4.6%	404,412	-56.0%	918,798	6.9%
Short term Investments	181,615	16.5%	155,943	0.0%	-	0.0%	-	0.0%	-	0.0%
Cash and Balance	1,424,592	103.7%	699,296	-41.8%	1,201,058	3019.4%	38,503	-28.4%	53,761	-32.1%
	40,249,792	20.7%	33,344,941	36.4%	24,451,218	27.7%	19,149,820	6.9%	17,910,181	13.9%

	2022		2021		2020		2019		2018	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%

Profit & Loss

Net Sales	42,599,481	30.2%	32,724,924	33.9%	24,442,492	-6.6%	26,156,201	8.6%	24,080,265	15.2%
Cost of Sales	34,626,020	26.1%	27,458,310	40.7%	19,521,551	-8.2%	21,271,958	7.7%	19,747,583	13.9%
Gross Profit	7,973,461	51.4%	5,266,614	7.0%	4,920,941	0.8%	4,884,243	12.7%	4,332,682	21.6%
Administration and selling expenses	5,024,261	35.8%	3,698,500	33.9%	2,761,398	-8.6%	3,020,079	7.8%	2,800,877	10.4%
Other income	1,073,620	280.1%	282,457	110.2%	134,378	-57.0%	312,202	57.3%	198,491	-44.5%
Operating profit	4,022,820	117.4%	1,850,571	-19.3%	2,293,921	5.4%	2,176,366	25.8%	1,730,296	25.1%
Financial charges	3,075,387	134.0%	1,314,456	21.2%	1,084,627	-3.5%	1,123,589	90.8%	588,940	72.3%
Share of profit	28,588	-17.7%	34,727	-172.2%	(48,110)	-337.6%	20,248	-68.3%	63,929	0.0%
Profit before taxation	976,021	71.0%	570,842	-50.8%	1,161,184	8.2%	1,073,025	-11.0%	1,205,285	15.7%
Provision for taxation	621,594	190.4%	214,016	-54.6%	471,160	152.4%	186,661	29.6%	143,978	-0.7%
Profit after taxation	354,427	-0.7%	356,826	-48.3%	690,024	-22.2%	886,364	-16.5%	1,061,307	18.3%

Vertical analysis

	2022		2021		2020		2019		2018	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Balance Sheet										
Equity & Reserve	7,271,421	18.1%	7,308,181	21.9%	7,282,592	29.8%	5,741,208	30.0%	5,516,165	30.8%
Long term financing facilities	10,046,917	25.0%	8,146,121	24.4%	3,084,863	12.6%	2,770,768	14.5%	2,617,155	14.6%
Non Current Liability	3,950,159	9.8%	3,122,460	9.4%	2,254,772	9.2%	1,639,506	8.6%	524,871	2.9%
Current Liabilities	18,981,295	47.2%	14,768,180	44.3%	11,828,991	48.4%	8,998,338	47.0%	9,251,990	51.7%
	40,249,792	100.0%	33,344,941	100.0%	24,451,218	100.0%	19,149,820	100.0%	17,910,181	100.0%
Non Current Assets										
Property Plant and Equipment	10,736,350	26.7%	7,999,342	24.0%	5,996,063	24.5%	6,117,464	31.9%	6,946,303	38.8%
Right-of-use assets	3,386,718	8.4%	2,642,560	7.9%	1,618,879	6.6%	1,403,090	7.3%	-	0.0%
Intangibles	9,376	0.0%	3,979	0.0%	1,271	0.0%	2,688	0.0%	2,562	0.0%
Long term investment	7,987,951	19.8%	6,779,666	20.3%	5,242,711	21.4%	2,668,005	13.9%	549,917	3.1%
Long term loans & deposit	202,232	0.5%	165,372	0.5%	118,500	0.5%	105,078	0.5%	115,460	0.6%
Current Assets										
Stores and spares	568,953	1.4%	322,895	1.0%	232,316	1.0%	252,240	1.3%	159,415	0.9%
Stock in-trade	9,164,082	22.8%	9,001,107	27.0%	4,877,842	19.9%	4,247,068	22.2%	4,044,171	22.6%
Trade Debts	4,914,679	12.2%	3,808,763	11.4%	3,938,337	16.1%	3,021,121	15.8%	3,300,338	18.4%
Loans & Advances	695,309	1.7%	572,187	1.7%	433,755	1.8%	390,886	2.0%	463,549	2.6%
Trade Deposits and Prepayments	236,834	0.6%	320,840	1.0%	234,864	1.0%	147,214	0.8%	93,469	0.5%
Other receivables	205,067	0.5%	265,476	0.8%	169,767	0.7%	352,051	1.8%	1,262,438	7.0%
Income tax - net	536,034	1.3%	607,515	1.8%	385,855	1.6%	404,412	2.1%	918,798	5.1%
Short term Investments	181,615	0.5%	155,943	0.5%	-	0.0%	-	0.0%	-	0.0%
Cash and Balance	1,424,592	3.5%	699,296	2.1%	1,201,058	4.9%	38,503	0.2%	53,761	0.3%
	40,249,792	100.0%	33,344,941	100.0%	24,451,218	100.0%	19,149,820	100.0%	17,910,181	100.0%

	2022		2021		2020		2019		2018	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%

Profit & Loss

Net Sales	42,599,481	100.0%	32,724,924	100.0%	24,442,492	100.0%	26,156,201	100.0%	24,080,265	100.0%
Cost of Sales	34,626,020	81.3%	27,458,310	83.9%	19,521,551	79.9%	21,271,958	81.3%	19,747,583	82.0%
Gross Profit	7,973,461	18.7%	5,266,614	16.1%	4,920,941	20.1%	4,884,243	18.7%	4,332,682	18.0%
Administration and selling expenses	5,024,261	11.8%	3,698,500	11.3%	2,761,398	11.3%	3,020,079	11.5%	2,800,877	11.6%
Other income	1,073,620	2.5%	282,457	0.9%	134,378	0.5%	312,202	1.2%	198,491	0.8%
Operating profit	4,022,820	9.4%	1,850,571	5.7%	2,293,921	9.4%	2,176,366	8.3%	1,730,296	7.2%
Financial charges	3,075,387	7.2%	1,314,456	4.0%	1,084,627	4.4%	1,123,589	4.3%	588,940	2.4%
Share of profit	28,588	0.1%	34,727	0.1%	(48,110)	-0.2%	20,248	0.1%	63,929	0.3%
Profit before taxation	976,021	2.3%	570,842	1.7%	1,161,184	4.8%	1,073,025	4.1%	1,205,285	5.0%
Provision for taxation	621,594	1.5%	214,016	0.7%	471,160	1.9%	186,661	0.7%	143,978	0.6%
Profit after taxation	354,427	0.8%	356,826	1.1%	690,024	2.8%	886,364	3.4%	1,061,307	4.4%

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, 2022.

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 2022, 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. 5 per share.



Chaudhry Ahmed Javed
Chairman

March 30, 2023
Lahore



**"Whenever you find
yourself on the side of the
majority, it is time to pause
and reflect."**

-Mark Twain





Directors' Report to the Shareholders

The Board of Directors of Service Industries Limited (SIL) is pleased to present to you its Annual Report along with the company's audited financial statements of the Company for the year ended December 31, 2022 ("FY 2022").

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 April 28, 2023.

The year 2022 has been quite challenging for Pakistan's economy, owing to the prevalent political and economic instability that has resulted in a shrinkage of business activities. This has directly impacted Large Scale Manufacturing (LSM) sector which has declined by 3.7% in the July to Dec 2022 period, in comparison to a growth of 7.7% in the corresponding period last year. The management of the company focused its attention on business continuity and also undertook carefully planned expansions to meet the annual business growth targets. There is a massive increase in topline of the Company, unfortunately, higher input costs and sharp increase in markup rates diminished the profit margins. Inflationary pressures, currency devaluation and a further increase in base interest rates to 20% may result in further slowdown of the economy and the business environment

Key Performance Indicators (KPIs) for FY 2022 v/s FY 2021

Please find below key performance indicators of separate financials of Service Industries Limited for the year ended December 31, 2022.

Particulars	FY 2022 Rs'000'	FY 2021 Rs'000'	Percentage Change
Net Sales	42,599,481	32,724,924	30%
Gross Profit	7,973,461	5,266,614	51%
Operating profit	4,022,820	1,850,571	117%
Profit before tax	976,021	570,842	71%
Net profit after tax	354,427	356,826	-1%
EPS - Rs.	7.54	7.59	-1%

SIL recorded sales of PKR 42.59 billion in its financial statements for the year 2022 showing an increase of 30% from last year. The significant increase in sales is mainly attributable to growth in sales of the tyre division of the company, expansion in retail network and increase in export sales of footwear. Operating profit increased from PKR 1.85 billion to PKR 4.02 billion showing an increase of 117%. However, increased financial charges due to exorbitant increase in interest rates and high tax provision resulted in a decrease of net profit after tax to PKR 354 million in 2022 as compared to PKR 357 million in 2021.

Tyre Division

The sales of tyres and tubes have witnessed huge increase in revenue,

mainly due to periodic price increases owing to rising material and other input costs. The sales have increased to PKR 28.245 billion in 2022 from PKR 22.194 billion in 2021, registering enhancement of PKR 6.050 billion (27%).

The division faced severe challenges due to higher raw material and input costs, massive devaluation of PKR against US \$ and increased markup rates. To combat these challenges, the management has revamped the pricing mechanism while staying focused on the customer base. Marketing teams have undertaken well-coordinated efforts to strengthen dealership networks and keep our market leadership position intact.

The Company has achieved significant manufacturing milestones in the current year. Installation and commissioning of a most modern mixing plant has been completed and its production has initiated post-year end. Further, plan to induct Bio Mass Boiler would help to ensure steam generation at lower cost. All these would add to the topline and bottom line of the division with enhanced sales and lower cost of production.

Footwear Division

The footwear segment has witnessed an increase of 50% in the topline, with overall sales raised from PKR 7.243 billion to PKR 10.830 billion. This huge increase is primarily driven by volumetric growth in retail and wholesale business lines. Footwear exports have also increased by 46% over the year.

The retail segment performed exceptionally well and extended its footprints, covering all major cities of the country. The number of stores increased from 91 in December 2021 to 152 in December 2022. There has been considerable improvement in gross margins due to better pricing strategy, diverse product offerings and presence of stores at all prime locations. Relaunch of strong brands and activation of online platform for sales have been quite successful.

The wholesale business also managed to enhance the sales level with prudent customer management, with key focus on credit term settlements and promotional discount allocations.

SPARE PARTS FOR AUTOMOBILES

Sales from spare parts have increased by PKR 498.518 million, reaching a level of PKR 3.051 billion in 2022 from PKR 2.553 billion in 2021. In-house production of Chain and Sprockets commenced during the year.

TECHNICAL RUBBER PRODUCTS

Our corporate sales have observed fall in business volume and sales have dropped from PKR 734.42 million to PKR 354.67 million. Management is working hard on bringing in new customers and is hopeful to have profitable operations in 2023.

Directors' Report to the Shareholders

SUBSIDIARY COMPANIES: INVESTMENTS AND RETURNS

Service Long March Tyres (Private) Limited (SLM), subsidiary company of SIL, commenced its operations in March 2022. SLM is the first and only manufacturer of All Steel and Radial Tyres for buses and trucks. SLM is expected to add valuable returns to the group in the form of dividends, considering huge potential of domestic and export market for Bus and Truck radial tyres. To consolidate the business operations of SLM, the Company made a further investment of PKR 1,080 million in SLM.

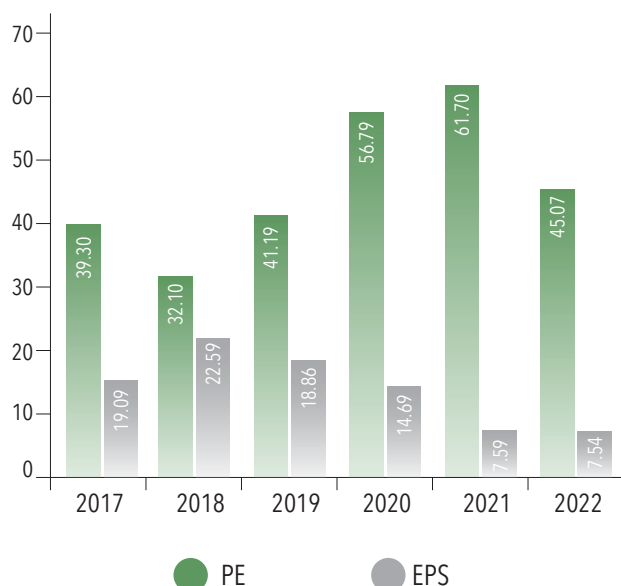
During the year, the Company earned dividend income amounting to PKR 735.975 million from one of its subsidiary companies, Service Global Footwear Limited. This is the first year in which the subsidiary has declared and paid dividend since its incorporation in 2019.

Further, the company made an investment of PKR 7 million in its foreign subsidiary SIL Gulf FZE, incorporated in UAE.

Earning Per Share (EPS)

The earnings per share of the Company stood at PKR 7.54 during the year ended 31st December 2022 as compared to PKR 7.59 during last year. Despite enhancement of 30% in the topline, the per share earnings have remained at the same level. The higher input material cost, unprecedented hike in markup rates, devaluation of PKR against US \$ and inflationary pressures have negatively impacted the profitability of the Company. The management is making every effort to minimize the impact of these external factors. Planning and control initiatives have been undertaken and hedging strategies adopted to avoid negative impacts.

Price Earning Ratio & Earning per Share



* There is retrospective effect on EPS due to issuance of bonus shares in FY 2021.

Dividend and Appropriations

Following is the summary of appropriations made during FY 2022:

	PKR in million
Accumulated equity as at January 01, 2022	7,308
Total comprehensive income for FY 2022	315
Final Dividend @ PKR 7.50 per ordinary share for FY 2021	(352)
Accumulated equity as at December 31, 2022	7,271

The Board of Directors of the Company has recommended final cash dividend of Rs. 5 per share (2021: final cash dividend Rs. 7.5 per share) in their meeting held on March 30, 2023.

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 their active participation in all the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees.

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

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

The Board ensures that the Company adopts the best practices of corporate governance. The Board also reviews performance of business segments each quarter with an aim to improve the low performing segments and at the same time explore further opportunities of growth in the more profitable segments. Moreover, the company has not defaulted in payment of any debts during the year.

Cash Flows & Capital Expenditure

The Company's working capital funds are arranged through internal cash generation, working capital loans from banks and financial institutions and through short term loan arrangement with subsidiary company. In order to meet funds gap for undertaking capital projects, the Company sources finance from banks under various schemes including LTFF, TERF and TERM Loans. There is proper monitoring of cash inflows and outflows and system-based alerts have been embedded to highlight the potential gaps. During the current year, the Company made capital investment of Rs.3,606 million (2021: Rs. 2,474 million) mainly on account of capex incurred in Tyre segment, commencement of in-house manufacturing of chain kits and addition of 60+ shops.

Risks, Uncertainties and Mitigations

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

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

Environment, Health and Safety (EHS)

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

a) Industrial Relations

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

b) Employment of females and persons with disability

SIL is proud to be an equal opportunity employer and encourages the participation of females and persons with special needs in the workforce. SIL has taken steps to create a work environment

conducive to females by dedicating separate production lines in Gujrat factories, employing 160+ females currently.

c) 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.

d) 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.

e) Business Ethics and Anti-Corruption Measures

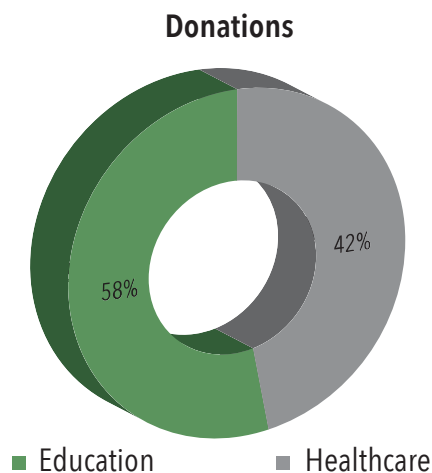
We have a commitment of conducting our business with honesty and integrity and in full compliance with applicable laws and regulations. Our Statement of Ethics & Business Practices states that "It is the Company's policy to conduct its operations in accordance with the highest business ethical considerations,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

f) Contribution to National Exchequer

SIL has a significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2022, SIL contributed PKR 2,426 million on this account.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

SIL is a socially conscious business entity and has been involved in the philanthropy activities since its inception. The company has made



contributions towards healthcare and education of underprivileged segments of society and is on the donor list of various welfare organizations.

Servis group, in a major step, corporatized the welfare activities in 2019 through establishment of Servis Foundation. During the year, the Company contributed PKR 66.269 million on account of CSR activities in various sectors.

FUTUR OUTLOOK

Pakistan is experiencing low to negative economic growth in the recent period, with political turmoil, economic instability and macro-economic indicators painting a gloomy picture. Hikes in discount rate to 20%, global recession, higher input cost with inflationary pressures (with CPI around 28%), devaluation of Pakistani rupee and reduction in disposal income of masses have created a challenging environment for business community.

The Company's management is actively tracking the latest developments and has been formulating strategies to mitigate these risks. Effective inventory management, credit terms negotiations with customers, alternate source of energy through induction of bio mass boiler, quota allocation by EDB for reduced duties, use of hedge instruments for foreign currency denominated transactions and revision in pricing mechanism are among the few steps taken.

The Company, in the given circumstances, is quite hopeful to increase its topline among all segments. Higher sales number would improve the profitability by absorbing fixed and incremental costs. The return of brand "Servis" in the footwear retail segment has played a key role in sales growth for 2022. With more than 50 new stores in pipeline for 2023, we are hopeful that this would further add to sales in the coming year. The tyre division is also on the path of expansion, and would be key contributor towards Company's profits.

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 arise. This also means attracting the best talent in the marketplace and giving them the skills and opportunities, which 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 has established an internal audit function, staffed with qualified professionals, 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.

Directors' Report to the Shareholders

- 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.
- 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, 2022, the following amounts were charged in the financial statements for remuneration including benefits to Chief Executive Officer and Executive Directors:

- a. Rs. 85.124 million (2021: 73.222 million) was paid to the Chief Executive Officer (Details given in Note 40 to the audited financial statements).
- b. Rs. 83.554 million (2021: 71.747 million) was paid to Executive Director (Details given in Note 40 to the audited financial statements).

During the year ended December 31, 2022 Rs. 3.040 million (2021: 2.742 million) was paid to Non-Executive Directors as meeting fee (Details given in Note 40 to the audited financial statements).

Composition of Board and Committees

As per requirements of Clause 34 (2)(i, ii & iii) of the 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, one of whom is Non-Executive Director and two are Independent Directors. The Chairman of the committee is an Independent Director. The terms of reference of this Committee have been determined in accordance with the guidelines provided in the Code of Corporate Governance and advised to the Committee for compliance.

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

Name of Member	Attendance
Mr. Muhammad Naeem Khan - Chairman	4/4
Mr. Osman Saifullah Khan - Member	2/4
Mr. Riaz Ahmed - Member	3/4

Human Resource and Remuneration Committee

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

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

Meetings of the Board of Directors

During the year under review, six (6) 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	0/6
Mr. Arif Saeed	6/6
Mr. Omar Saeed	5/6
Mr. Hassan Javed	6/6
Mr. Osman Saifullah Khan	2/6
Mr. Muhammad Naeem Khan	6/6
Mr. Riaz Ahmed	5/6
Mrs. Ayesha Naweed	6/6
Mr. Shahid Hussain Jatoi	6/6

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

Management Committee

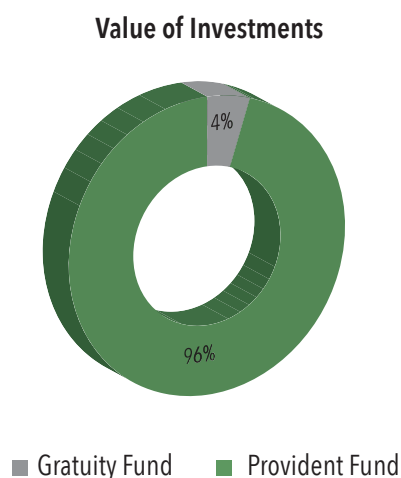
The Management Committee comprises senior members of the Company who meet and discuss significant business plans, issues and progress updates of their respective segments. Significant matters to be put forth before the Board as per the Code of Corporate Governance are also discussed in the Management 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, 2023.

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 un-audited financial statements, are as follows



	December 31, 2022	December 31, 2021
	(Rupees in million)	
Provident Fund	1,818	2,066
Gratuity Fund	70	76

Pattern of Shareholding

The pattern of shareholding as at December 31, 2022 along with disclosure as required under the Code of Corporate Governance is included in this Annual Report. All trades in the shares of the Company, if any, carried out by the Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children are also annexed.

Post Balance Sheet Event

No material changes and commitments affecting the financial position of the Company occurred between 31 December 2022 and 30 March 2023 except for:

- the declaration of final cash dividend of Rupees 5 per share (i.e. 50%) 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 2022.

Acknowledgment

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

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

For and on behalf of the board

Arif Saeed
Chief Executive

Omar Saeed
Director

March 30, 2023
Lahore

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

Name of Company: Service Industries Limited
Year ended: December 31, 2022

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

1. The total number of Directors are nine (9) as per the following:
 - a. Male: 8
 - b. Female: 1
2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Osman Saifullah Khan Mr. Shahid Hussain Jatoi Mr. Muhammad Naeem Khan Mrs. Ayesha Naweed (Female Director)
Non-Executive Directors	Chaudhry Ahmed Javed Mr. Riaz Ahmed
Executive Directors	Mr. Arif Saeed Mr. Omar 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 Companies Act, 2017 (the Act) and the 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. Following Directors have attained the directors training program certification:

Names of Directors
Mr. Omar Saeed
Mr. Hassan Javed
Mr. Riaz Ahmed
Mr. Shahid Hussain Jatoi
Mr. Muhammad Naeem Khan
Mrs. Ayesha Naweed

Following Directors meet the exemption criteria of minimum



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

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

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Muhammad Naeem Khan	Chairman
Mr. Osman Saifullah Khan	Member
Mr. Riaz Ahmed	Member

b) HR and Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

a) Audit Committee:

Four quarterly meetings were held during the financial year ended December 31, 2022.

b) HR and Remuneration Committee:

Two meetings of HR and Remuneration Committee were held during the financial year ended December 31, 2022.

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

Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1.	Responsibilities of the Board and its members The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)
2.	Directors' Training It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	6 out of 9 directors of the Company have acquired Directors' Training Program certification. Two directors are exempt from Directors' Training Program. The Company has planned to arrange Directors' Training Program certification for remaining 1 director by end of next financial year.	19(1)
3.	Directors' Training Companies are encouraged to arrange training for at least one female executive every year under the Directors' Training Program from year July 2020.	The Company has planned to arrange Directors' Training Program certification for female executives over the next few years.	19(3)
4.	Directors' Training Companies are encouraged to arrange training for at least one head of department every year under the Directors' Training program from July 2022.	The Company has planned to arrange Directors' Training Program certification for head of departments over the next few years.	19(3)
5.	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee.	29
6.	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and a senior officer of the Company performs the requisite functions and apprise the Board accordingly.	30
7.	Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.	35



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)

March 30, 2023
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 2022 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 2022.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: March 31, 2023

UDIN: CR202210158w7HNBeVAG

Independent Auditor's Report

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 2022, 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 2022 and of the profit, other comprehensive loss, 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	<p>Revenue recognition</p> <p>The Company recognized net revenue of Rupees 42,599.481 million for the year ended 31 December 2022.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue recognition note 2.24 to the financial statements. - Revenue - net note 30 to the financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue ; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • We also considered the appropriateness of disclosures in the financial statements.
2	<p>Stock-in-trade</p> <p>As at 31 December 2022, stock-in-trade is stated at Rupees 9,164.082 million. Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 22.77% of total assets of the Company as at 31 December 2022, and the judgment involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Stock-in-trade note 2.21 to the financial statements. - Stock-in-trade note 22 to the financial statements. 	<p>Our audit procedures to assess the existence and valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete; • Assessing accuracy of inventory ageing reports and adequacy of provisions; • In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.

Sr. No.	Key audit matters	How the matters were addressed in our audit
3	<p>Capital expenditures</p> <p>The Company is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Company's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Company and there is significant management judgment required that has significant impact on the reporting of the financial position for the Company. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Property, plant, equipment and depreciation note 2.8 to the financial statements. - Fixed assets note 15 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature; • We evaluated the appropriateness of capitalization policies and depreciation rates; • We performed tests of details on costs capitalized; • We verified the accuracy of management's calculation used for the impairment testing.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: March 31, 2023

UDIN: AR202210158xYzmAb90k

Financial Statements

The image is a grayscale composition of financial documents. In the foreground, a stack of three ledgers with lined pages is prominent. Below them, several sheets of paper are scattered, featuring various financial charts and graphs. On the left, a metal paperclip is visible. The background is filled with more documents, some showing pie charts and line graphs. The overall scene conveys a professional and analytical atmosphere.

Statement of Financial Position

As at December 31, 2022

	Note	2022 Amount	2021 Amount
		Rupees in thousand	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2021: 100,000,000)			
Ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, Subscribed and Paid -up share capital	3	469,874	469,874
Reserves	4	6,801,547	6,838,307
Total Equity		7,271,421	7,308,181
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	7,102,730	6,205,473
Long term deposits	6	1,915	1,440
Lease liabilities	7	3,721,780	2,817,034
Employees' retirement benefit	8	214,459	176,721
Deferred liabilities	9	616,041	395,243
		11,656,925	9,595,911
CURRENT LIABILITIES			
Trade and other payables	10	6,359,206	5,124,422
Accrued mark-up	11	612,873	262,097
Short term borrowings	12	11,699,132	9,152,752
Current portion of non-current liabilities	13	2,608,205	1,862,235
Unclaimed dividend		42,030	39,343
		21,321,446	16,440,849
Total liabilities		32,978,371	26,036,760
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		40,249,792	33,344,941

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



Arif Saeed
(Chief Executive)

	Note	2022 Amount Rupees in thousand	2021 Amount
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	10,736,350	7,999,342
Right-of-use assets	16	3,386,718	2,642,560
Intangible assets	17	9,376	3,979
Long term investments	18	7,987,951	6,779,666
Long term loans to employees	19	13,422	27,416
Long term security deposits	20	188,810	137,956
		22,322,627	17,590,919
CURRENT ASSETS			
Stores, spares and loose tools	21	568,953	322,895
Stock-in-trade	22	9,164,082	9,001,107
Trade debts	23	4,914,679	3,808,763
Loans and advances	24	695,309	572,187
Advance income tax - net of provision for taxation	25	536,034	607,515
Trade deposits and prepayments	26	236,834	320,840
Other receivables	27	205,067	265,476
Short term investments	28	181,615	155,943
Cash and bank balances	29	1,424,592	699,296
		17,927,165	15,754,022
TOTAL ASSETS		40,249,792	33,344,941



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Statement of Profit or Loss

For the year ended December 31, 2022

	Note	2022 Amount	2021 Amount
		Rupees in thousand	
Revenue - net	30	42,599,481	32,724,924
Cost of sales	31	(34,626,020)	(27,458,310)
Gross profit		7,973,461	5,266,614
Distribution cost	32	(3,218,564)	(2,309,860)
Administrative expenses	33	(1,505,313)	(1,276,251)
Other expenses	34	(300,384)	(112,389)
		(5,024,261)	(3,698,500)
		2,949,200	1,568,114
Other income	35	1,073,620	282,457
Profit from operations		4,022,820	1,850,571
Finance cost	36	(3,075,387)	(1,314,456)
		947,433	536,115
Share of profit of equity accounted investee - net of taxation		28,588	34,727
Profit before taxation		976,021	570,842
Taxation	37	(621,594)	(214,016)
Profit after taxation		354,427	356,826
Earnings per share - basic and diluted (Rupees)	38	7.54	7.59

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
Profit after taxation	354,427	356,826
Other comprehensive (loss) / income		
Items that will not be reclassified to profit or loss:		
(Deficit) / surplus arising on remeasurement of investment at fair value through other comprehensive income - net of tax	(9,106)	31,177
Remeasurements of employees' retirement benefit obligation - net of tax	(29,675)	(10,008)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year - net of tax	(38,781)	21,169
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	315,646	377,995

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Statement of Changes in Equity

For the year ended December 31, 2022

	RESERVES										TOTAL EQUITY	
	Capital reserves					Revenue reserves						Total
	Share Capital	Capital gains	Fair value reserve FVTOCI investment	Share premium	Share of share premium reserve held by equity accounted investee	Reserve pursuant to the Scheme	Sub total	General reserve	Un-appropriated profit	Sub total		
	234,937	102,730	69,360	21,217	23,935	927,163	1,144,405	1,558,208	4,345,042	5,903,250	7,047,655	7,282,592
Balance at 31 December 2020												
Transactions with owners:												
Final dividend for the year ended 31 December 2020 @ Rupees 15 per share	-	-	-	-	-	-	-	-	(352,406)	(352,406)	(352,406)	(352,406)
Issue of bonus shares for the year ended 31 December 2020 @ 100%	234,937	-	-	-	-	-	-	-	(234,937)	(234,937)	(234,937)	-
	234,937	-	-	-	-	-	-	-	(587,343)	(587,343)	(587,343)	(352,406)
Transfer of gain on disposal of FVTOCI investment to retained earnings	-	-	(35,539)	-	-	-	(35,539)	-	35,539	35,539	-	-
Profit for the year	-	-	-	-	-	-	-	-	356,826	356,826	356,826	356,826
Other comprehensive income for the year	-	-	31,177	-	-	-	31,177	-	(10,008)	(10,008)	21,169	21,169
Total comprehensive income for the year	-	-	31,177	-	-	-	31,177	-	346,818	346,818	377,995	377,995
Balance as at 31 December 2021	469,874	102,730	64,998	21,217	23,935	927,163	1,140,043	1,558,208	4,140,056	5,698,264	6,838,307	7,308,181
Transaction with owners:												
Final dividend for the year ended 31 December 2021 @ Rupees 7.50 per share	-	-	-	-	-	-	-	-	(352,406)	(352,406)	(352,406)	(352,406)
Profit for the year	-	-	-	-	-	-	-	-	354,427	354,427	354,427	354,427
Other comprehensive loss for the year	-	-	(9,106)	-	-	-	(9,106)	-	(29,675)	(29,675)	(38,781)	(38,781)
Total comprehensive income for the year	-	-	(9,106)	-	-	-	(9,106)	-	324,752	324,752	315,646	315,646
Balance as at 31 December 2022	469,874	102,730	55,892	21,217	23,935	927,163	1,130,937	1,558,208	4,112,402	5,670,610	6,801,547	7,271,421

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)




Badar Ul Hassan
(Chief Financial Officer)

Statement of Cash Flows

For the year ended December 31, 2022

	Note	2022 Amount Rupees in thousand	2021 Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	39	3,635,838	(532,399)
Finance cost paid		(2,607,602)	(1,082,265)
Income tax paid		(667,132)	(636,609)
Workers' welfare fund paid		(4,810)	(24,356)
Workers' profit participation fund paid		(50,000)	(35,000)
Employees' retirement benefit paid - net		(42,938)	(23,479)
Net decrease / (increase) in long term loans to employees		15,758	(16,335)
Net decrease / (increase) in security deposits		37,385	(41,275)
Insurance claim received against loss of assets due to fire		544,344	-
Net cash generated from / (used in) operating activities		860,843	(2,391,718)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(3,605,952)	(2,473,802)
Intangible assets acquired		(7,320)	(3,927)
Return on bank deposits and term deposits receipts		17,620	5,132
Proceeds from sale of operating fixed assets		2,774	12,572
Insurance claim received against loss on operating fixed assets		2,330	-
Long term investment made		(1,187,044)	(1,502,505)
Dividend income received		735,975	3,366
Proceeds from sale of long term investment		-	40,500
Short term investment made		(24,914)	(155,000)
Net cash used in investing activities		(4,066,531)	(4,073,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		3,476,129	2,545,007
Repayment of long term financing		(1,575,333)	(1,293,729)
Repayment of lease liabilities		(166,948)	(161,683)
Long term deposits - net		475	(300)
Short term borrowings - net		2,546,380	5,225,285
Dividend paid		(349,719)	(350,960)
Net cash from financing activities		3,930,984	5,963,620
Net increase / (decrease) in cash and cash equivalents		725,296	(501,762)
Cash and cash equivalents at the beginning of the year		699,296	1,201,058
Cash and cash equivalents at the end of the year		1,424,592	699,296

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)


Badar Ul Hassan
(Chief Financial Officer)

Notes to the Financial Statements

For the year ended December 31, 2022

1. The company and its operations

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

1.2 Geographical location

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

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
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
Muridke factory	Mouza Chak No. 25/UCC, Tehsil Muridke, District Sheikhupura
Retail outlets	
Lahore 1	Servis, Airport Road, Opposite Honda Point Shop, Lahore
Lahore 2	Servis, Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore
Lahore 3	Servis, 23, Hunza Block, Allama Iqbal Town, Lahore
Lahore 4	Servis, 136 Jahnzaib Block, Allama Iqbal Town, Lahore
Lahore 5	Servis, 17-A, Main G.T. Road, Baghbanpura, Lahore
Lahore 6	Servis, Batapur, Attoke Awan, Lahore Cantt., Lahore
Lahore 7	Servis, Plot-170, Block H, Phase 1, DHA, Lahore
Lahore 8	Servis, Plot-133, Block Y, Phase 3, DHA, Lahore
Lahore 9	Servis, B-3, M.A. Johar Town, Lahore
Lahore 10	Servis, 23-Karim Block, Allama Iqbal Town, Lahore
Lahore 11	Servis, Opposite Raja Sahib, Model Town Link Road, Lahore
Lahore 12	Servis, Near Urban Sole, Mall Road, Lahore
Lahore 13	Servis, Shop No. 1, Dinga Singh Building, 46 - Mall Road, Lahore
Lahore 14	Servis, Main Multan Road, Maraka, Lahore
Lahore 15	Servis, R-2, M.M. Alam Road, Gulberg II, Lahore
Lahore 16	Servis, Tufail Road, Saddar Gol Chakkar, Lahore Cantt., Lahore
Lahore 17	Servis, 683, Main Road, Shadbagh, Lahore
Lahore 18	Servis, SE-3R-107, Shalimar Link Road, Lahore
Lahore 19	Servis, Canal Bank Road, Tajbagh Scheme, Lahore
Lahore 20	Servis, Plot-12, Block 8, Sector B-1, Madina Market, Township, Lahore
Lahore 21	Servis, 2-G, PIA Employees Cooperative Housing Society, Lahore
Karachi 1	Servis, Plot No. G-21/23, Block 8, Clifton, Karachi
Karachi 2	Servis, C-282, Gulshan-e-Hadeed, Phase 1 & 2, Extension Bin Qasim, Karachi
Karachi 3	Servis, B-61, Block H, Sector 2, North Nazimabad, Karachi
Karachi 4	Servis, Liaqatabad No. 10, Karachi
Karachi 5	Servis, Block 21, Shop No. LG-13, Lucky One Mall, Main Rashid Minhas Road, Opposite UBL Sports Complex, Karachi

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Karachi 6	Servis, Asia Pacific Trade Center, Rashid Minhas Road, Gulistan-e-Jauhar, Karachi
Multan 1	Servis, Zain Tower, 10-A, Gulshat Colony, Multan
Multan 2	Servis, Gardezi Market Near Jalal Masjid Chowk, Gulgasht Colony, Multan
Multan 3	Servis, Plot-12, Block Y, Street-100, Multan
Multan 4	Servis, 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt., Multan
Multan 5	Servis, Ghani Bukhari Road, Multan Cantt., Multan
Multan 6	Servis, Bosan Road, Shalimar Colony, Mall of Multan, Multan
Multan 7	Servis, Near Telephone Exchange, Mumtazabad, Multan
Multan 8	Servis, 979-C, Main Market Mumtazabad, Multan
Multan 9	Servis, Nishter Chowk, Multan
Islamabad 1	Servis, 104 Aabpara Market, International Market, Khayaban-e-Soharwardi Road, Islamabad
Islamabad 2	Servis, Awami Trade Center, G-9, Islamabad
Islamabad 3	Servis, Shop No. 3-4, LG Floor, Giga Mall, Islamabad
Islamabad 4	Servis, 11-C, Main PWD, Islamabad
Islamabad 5	Servis, 2-D, PWD Scheme, Islamabad
Abbottabad 1	Servis, Mansehra Road, Near Khan Motors, Abbottaabad
Abbottabad 2	Servis, RK Plaza Opposite, Al Syed Hospital, Main Mansehra Road, Abbottabad
Rawalpindi 1	Servis, Airport Road, Gulzar-e-Quaid, Rawalpindi
Rawalpindi 2	Servis, Plaza 99, Wallayat Complex, Bahria Expressway, Rawalpindi
Rawalpindi 3	Servis, 154, Street Service Avenue, Phase 7, Bahria Town, Rawalpindi
Rawalpindi 4	Servis, 67 & 67-A, Bank Road, Rawalpindi
Rawalpindi 5	Servis, Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi
Rawalpindi 6	Servis, Tench Bhatta Bazar, Rawalpindi
Arifwala 1	Servis, Bahawalnagar Road, Arifwala
Arifwala 2	Servis, Thana Bazar, Arifwala
Attock	Servis, Naseem Mart, Kamrah Road, Attock
Bahawalnagar	Servis, Plot-6, Block No. 20, City Chowk, Bahawalnagar
Bahawalpur 1	Servis, Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur
Bahawalpur 2	Servis, Railway Road, Bahawalpur
Bannu	Servis, Railway Road, Bannu
Bhakkar	Servis, Darya Khan Road, Bhakkar
Bhalwal	Servis, Liaqat Shaheed Road, Bhalwal
Burewala 1	Servis, Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala
Burewala 2	Servis, Khewat No. 152-190/362, Chak No. 439, 95-C Block, City Gate, Multan Road, Burewala
Chakwal	Servis, Al Fateh Plaza, Talagang Road, Near GPO, Chakwal
Charsadda	Servis, Nowshera Road, Charsadda
Chichawatni	Servis, Sultan Plaza, Khatoni No. 1197, Naya Bazar, Chichawatni
Chistian	Servis, Main Bazar, Chistian
D.G. Khan 1	Servis, Saddar Bazar, D.G. Khan
D.G. Khan 2	Servis, Block 13, Jaampur Road, D.G. Khan
D.G. Khan 3	Servis, Bank Road, Opposite Clive Shoe Store, D.G. Khan
Daska 1	Servis, College Road, Near Borjan, Daska
Daska 2	Servis, College Road, Opposite Irfan Plaza, Daska

Notes to the Financial Statements

For the year ended December 31, 2022

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Deepalpur	Servis, Pakpattan Chowk, Deepalpur
Faisalabad 1	Servis, Harian Wala Chowk, D-Ground, Faisalabad
Faisalabad 2	Servis, Gulberg, Faisalabad
Faisalabad 3	Servis, Jhang Road, Faisalabad
Faisalabad 4	Servis, Kohinoor Plaza, Faisalabad
Faisalabad 5	Servis, Shop No. 1407, Street No. 20, Bilal Chowk, Samanabad, Faisalabad
Faisalabad 6	Servis, Satyana Road, Near Mcdonalds, Faisalabad
Faisalabad 7	Servis, 584-B, Chen One Road, Peoples Colony 1, Faisalabad
Faisalabad 8	Servis, Susan Road, Faisalabad
Faisalabad 9	Servis, Shop No. 30, Misaq-ul-Mall, Sheikhpura Road, Faisalabad
Muridke	Servis, Fair Price Shop, 10-km, Sheikhpura Road, Near Servis Factory, Muridke
Gojra	Servis, Plot No.88, Quaid-e-Azam Road, Mehdi Shah Bazar, Gojra
Gujranwala 1	Servis, 400-C, College Chowk, Main Market, Satellite Town, Gujranwala
Gujranwala 2	Servis, 751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala
Gujranwala 3	Servis, Gujranwala Kings Mall, Adjacent to Borjan Shoes, Gujranwala
Gujrat 1	Servis, Hassan Chowk, Kacheri Road, Gujrat
Gujrat 2	Servis, Kacheri Chowk, Kot Road, Gujrat
Gujrat 3	Servis, Gulzar-e-Madina Road, Ramtalai Chowk, Gujrat
Gujrat 4	Servis, Fair Price Shop, Near Servis Factory, G.T Road, Gujrat
Hafizabad	Servis, Vanike Tarar Road, Near Jamia Masjid Al-Qadeem, Hafizabad
Haripur	Servis, Plot No. 20, Mouza Pandak, Haripur
Haronabad	Servis, Baldya Road, Opposite ECS Store, Haroonabad
Hyderabad 1	Servis, D-1 & D-4, Block D, Autobahn Road, Hyderabad
Hyderabad 2	Servis, Main Jamshoro Road, Hyderabad
Hyderabad 3	Servis, Garrison Complex, Next to J., Hyderabad
Jauharabad	Servis, 155, Block 20, Mandi Town, Jauharabad
Jhelum	Servis, Commercial Plaza, Civil Line Road, Jhelum
Jhang 1	Servis, Fawara Chowk, Jhang
Jhang 2	Servis, Yousaf Shah Road, Jhang
Kasur 1	Servis, Shahbaz Khan Road, Opposite The Bank of Punjab, Kasur
Kasur 2	Servis, Chandani Chowk, Railway Road, Kasur
Khairpur	Servis, 483-A, Mall Road, Khairpur
Khanewal	Servis, Plot No. 6-7, Block 12, Jamia Masjid Road, Khanewal
Kharian	Servis, Main G.T. Road, Near Stylo Shoes, Kharian
Kohat	Servis, Rehman Plaza, Kacheri Road, Kohat
Layyah	Servis, Chobara Road, Layyah
Mandi Bahauddin 1	Servis, Kacheri Road, Mandi Bahauddin
Mandi Bahauddin 2	Servis, Opposite Al-Asar Mall, Jail Road, Mandi Bahauddin
Mandi Bahauddin 3	Servis, Kacheri Road, Near HBL, Mandi Bahauddin
Mansehra	Servis, Paracha Plaza, Shahrah-e-Resham, Mansehra
Mardan 1	Servis, Opposite Railway Station, Nowshehra Road, Mardan
Mardan 2	Servis, Bank Road, Opposite UBL, Mardan

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Mian Channu	Servis, Plot No. 11, Nishtar Road, Mian Channu
Mianwali	Servis, High School Road, Fahad Plaza, Mianwali
Mirpurkhas	Servis, Hyderabad Road, Near Telenor Franchise, Mirpur Khas
Murree	Servis, Mall Road Near Bundu Khan, Murree
Muzaffarabad	Servis, Al-Raheem Plaza, Neelam Road, Lower Plate, Muzaffarabad, Azad Kashmir
Muzaffargarh	Servis, Multan Road, Muzaffargarh
Narowal	Servis, Bypass Chowk, Circular Road, Narowal
Nawabshah	Servis, Gol Chakr Road, Shaheed Benazirabad, Nawabshah
Okara 1	Servis, B1-2R/169, M.A. Jinnah Road, Okara
Okara 2	Servis, Kacheri Bazar, Okara
Pattoki	Servis, Brand Way Mall Bypass Opposite Punjab College, Pattoki
Peshawar 1	Servis, University Road, Peshawar
Peshawar 2	Servis, Shop No. 454-455, Saddar Road, Peshawar
Peshawar 3	Servis, 17-C, Saddar Road, Peshawar Cantt., Peshawar
Peshawar 4	Servis, 1451, University Road, Peshawar
Peshawar 5	Servis, The Ficus 2 Plaza, Near Northwest Institute, Ring Road, Peshawar
Peshawar 6	Servis, Main Saddar, Near Waheed Sons, Saddar Cantt., Peshawar
Peshawar 7	Servis, Nasapa, Charsadda Road, Peshawar
Rahim Yar Khan 1	Servis, Shahi Road, Rahim Yar Khan
Rahim Yar Khan 2	Servis, 5/A, Al-Hamra Road, Model Town, Rahim Yar Khan
Rahim Yar Khan 3	Servis, 27, New Sadiq Bazar, Rahim Yar Khan
Rahwali	Servis, G.T. Road, Opposite Siddique Family Hospital, Rahwali Cantt.
Sadiqabad	Servis, Ammam Din Plaza, Club Road Near Sadiq Club, Sadiqabad
Sahiwal 1	Servis, Near Metro Shoes, Girls College Road, Sahiwal
Sahiwal 2	Servis, High Street, Sahiwal
Sargodha 1	Servis, City Tower, City Road, Sargodha
Sargodha 2	Servis, 03-Jinnah Park, University Road, Sargodha
Sheikhupura	Servis, Batti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhupura
Sialkot Cantt.	Servis, Allama Iqbal Road, Near Toba Masjid, Sialkot Cantt., Sialkot
Sialkot 1	Servis, Railway Road, Drama Wala Chowk, Hassanpura, Sialkot
Swabi	Servis, Main Jhangira Road, Dara Lar, Swabi
Swat 1	Servis, G.T. Road, Near City Center, Qambar Swat
Swat 2	Servis, Kanju Chowk, Airport Road, Swat
Tandu Adam	Servis, A/134, Ward A, Survey No. 543/221, Tandul Adam
Toba Tek Singh	Servis, Saddar Bazar, Toba Tek Singh
Vehari 1	Servis, 143-C Club Road, Vehari
Vehari 2	Servis, Ludden Road, Vehari
Vehari 3	Servis, Jinnah Road, Vehari
Wah Cantt.	Servis, B-68, SVY No. 36, Lala Rukh, Wah Cantt.
Wazirabad	Servis, Opposite Telephone Exchange, Sialkot Road, Wazirabad

Notes to the Financial Statements

For the year ended December 31, 2022

WAREHOUSES

Lahore	19-A, Main Ravi Road, Near Kasurpura Stop, Yadgar, Lahore
Lahore	2.5 Km, Manga Raiwind Road, 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 Mahal Road, Near City School, Bahawalpur

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

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

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

b) Accounting convention

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

c) Critical accounting estimates and judgements

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

i) Useful lives, patterns of economic benefits and impairments

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

ii) Inventories

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realizable value and an allowance is recorded against the inventory balances for any such declines.

iii) Income tax

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

iv) Allowance for expected credit losses

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

v) Provisions

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

vi) Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

vii) 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.

viii) Revenue from contracts with customers involving sale of goods

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

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

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 January 2022:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021;
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.
- 'Reference to the Conceptual Framework (Amendments to IFRS 3)' published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

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

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

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2022 but

Notes to the Financial Statements

For the year ended December 31, 2022

are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

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

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 01 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 01 January 2024.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements are likely to have no significant impact on the financial statements.

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Functional and presentation currency

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

2.3 Foreign currency transactions and translation

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

2.4 Employees' retirement benefits

i) Contributory provident fund

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

ii) Defined benefit plan

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

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

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

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

iii) Compensated absences

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

2.5 Taxation

Current

Provision for current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation

Notes to the Financial Statements

For the year ended December 31, 2022

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 recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings 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 Property, plant, equipment and depreciation

Operating fixed assets

Fixed assets except freehold land 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 is stated at cost less any recognized impairment loss.

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

Depreciation

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

De-recognition

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

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

2.9 Right-of-use assets

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

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

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

2.10 Lease liabilities

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

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

2.11 Intangible assets

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

2.12 Investment in subsidiary companies

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

2.13 Investment in associate - (with significant influence)

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

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For the year ended December 31, 2022

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognize 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

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

2.14 Ijarah transactions

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

2.15 Investments and other financial assets

a) Classification

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

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

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

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

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 amortized 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 recognized directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized 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 (FVTPL)

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.16 Financial liabilities - classification and measurement

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

Notes to the Financial Statements

For the year ended December 31, 2022

2.17 Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVTOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.18 De-recognition of financial assets and liabilities

a) Financial assets

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

b) Financial liabilities

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

2.19 Offsetting of financial instruments

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

2.20 Impairment of non-financial assets

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

2.21 Inventories

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

Stores, spares and loose tools

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

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.

Notes to the Financial Statements

For the year ended December 31, 2022

2.22 Trade and other payables

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

2.23 Trade and other receivables

Trade debts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

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

2.24 Revenue recognition

(a) Sale of goods

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

(b) Processing services

The Company provides processing services to local customers. These services are sold separately and the Company's contract with the customer for services constitute a single performance obligation.

Revenue from services is recognized at the point in time, generally at the time of dispatch. There are no terms giving rise to variable consideration under the Company's contracts with its customers.

(c) 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.

(d) Dividend

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

2.25 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.

2.26 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.

2.27 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.

2.28 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.

2.29 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.

2.30 Refund liabilities

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

2.31 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.

2.32 Warranty obligations

The Company recognises the estimated liability, on an accrual basis, to replace products under warranty at the reporting date, and recognises the estimated product warranty costs in the statement of profit or loss when the sale is recognised.

2.33 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.

2.34 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.

2.35 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.

2.36 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.

2.37 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.

Notes to the Financial Statements

For the year ended December 31, 2022

2.38 Government grants

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

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

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

2.39 Segment reporting

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

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

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

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

2.40 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is not amortised but is reviewed for impairment at least annually.

2.41 Dividend and other appropriations

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

3. Issued, Subscribed and Paid-Up Share Capital

	2022	2021	2022	2021
	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	43,804,264	43,804,264	438,042	438,042
	46,987,454	46,987,454	469,874	469,874

3.1 Movement during the year

	2022	2021	2022	2021
	Number of shares		Rupees in thousand	
At 01 January	46,987,454	23,493,727	469,874	234,937
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	-	23,493,727	-	234,937
	46,987,454	46,987,454	469,874	469,874

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

	2022	2021
	Number of shares	
3.3 Ordinary shares of the Company held by associated company / associated undertaking:		
Shahid Arif Investments (Private) Limited - associated company	39,624	39,624
Service Charitable Trust	45,254	45,254
Service Provident Fund Trust	2,181,274	2,181,274

4. RESERVES

Composition of reserves is as follows:

Capital reserves

Capital gains		102,730	102,730
Fair value reserve FVTOCI investment - net of deferred income tax	(Note 4.1)	55,892	64,998
Share premium	(Note 4.2)	21,217	21,217
Share of reserve held by equity accounted investee		23,935	23,935
Reserve pursuant to the Scheme of Compromises, Arrangement and Reconstruction between the Company and Service Global Footwear Limited		927,163	927,163
		1,130,937	1,140,043

Revenue reserves

General reserve		1,558,208	1,558,208
Un-appropriated profit		4,112,402	4,140,056
		5,670,610	5,698,264
		6,801,547	6,838,307

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

Notes to the Financial Statements

For the year ended December 31, 2022

	2022	2021
	Rupees in thousand	
Balance at 01 January	74,284	69,360
Fair value adjustment during the year	(7,347)	40,463
Transfer of gain on disposal of FVTOCI investment to retained earnings	-	(35,539)
	66,937	74,284
Deferred income tax liability	(11,045)	(9,286)
Balance at 31 December	55,892	64,998

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

	2022	2021
	Rupees in thousand	

5. LONG TERM FINANCING

From banking companies - secured

Long term loans	(Note 5.1)	6,277,645	4,793,174
Long term musharaka	(Note 5.2)	788,766	525,134
		7,066,411	5,318,308

From related party - unsecured

Long term loan from subsidiary company	(Note 5.7)	2,250,000	2,500,000
		9,316,411	7,818,308

Current portion shown under current liabilities (Note 13)

Long term loans	(1,629,672)	(1,294,914)
Long term musharaka	(84,009)	(67,921)
Long term loan from subsidiary company	(500,000)	(250,000)
	(2,213,681)	(1,612,835)
	7,102,730	6,205,473

5.1 Long term loans

LENDER	2022		2021		RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	2022	Rupees in thousand	2021	Rupees in thousand					
Allied Bank Limited (Note 5.3)	90,000	180,000	180,000	180,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 20 June 2018 and ending on 20 December 2023.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	250,000	250,000	250,000	250,000	6-month KIBOR + 0.15%	Seven unequal instalments commenced on 29 January 2020 and ending on 29 June 2025.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	109,166 16,303 125,469	123,219 19,001 142,220	123,219 19,001 142,220	123,219 19,001 142,220	SBP rate for LTF + 0.25% 6-month KIBOR + 0.25%	Three hundred and twenty nine unequal instalments commenced on 21 May 2019 and ending on 29 August 2030.	Quarterly Quarterly	Quarterly Quarterly	First joint pari passu charge of Rupees 1,282 million over plant and machinery of the Company and ranking charge of Rupees 667 million over plant and machinery of the Company.
Allied Bank Limited (Note 5.4)	-	537,516	537,516	537,516	SBP rate for refinance scheme for payment of salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 27 February 2021 and ended on 27 November 2022.	-	Quarterly	
Allied Bank Limited	401,125	401,125	401,125	401,125	3-month KIBOR + 0.25%	Twenty equal quarterly instalments commencing on 1 March 2023 and ending on 1 December 2027.	Quarterly	Quarterly	
Allied Bank Limited	97,329	-	-	-	3-month KIBOR + 0.25%	Ten equal quarterly instalments commencing on 21 December 2023 and ending on 21 March 2026.	Quarterly	Quarterly	
MCB Bank Limited (Note 5.3)	50,000	100,000	100,000	100,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2023.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	320,000	400,000	400,000	400,000	6-month KIBOR + 0.14%	Ten equal half yearly instalments commenced on 30 December 2018 and ending on 30 June 2024.	Half yearly	Half yearly	First joint pari passu charge of Rupees 3,241 million over plant and machinery of the Company with 25% margin and ranking charge of Rupees 767 million over land and building of the Company with 25% margin.
MCB Bank Limited (Note 5.3)	250,000	300,000	300,000	300,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commenced on 27 June 2019 and ending on 27 December 2024.	Half yearly	Half yearly	
MCB Bank Limited	600,000	800,000	800,000	800,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 11 June 2021 and ending on 11 December 2025.	Half yearly	Half yearly	
MCB Bank Limited	575,000	575,000	575,000	575,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commencing on 29 May 2023 and ending on 29 November 2027.	Half yearly	Half yearly	
Habib Bank Limited (Note 5.3)	8,163	9,684	9,684	9,684	SBP rate for LTF + 0.50%	One hundred and sixty unequal instalments commenced on 12 December 2019 and ending on 30 April 2028.	-	Quarterly	
Habib Bank Limited (Note 5.3)	88,171	146,953	146,953	146,953	SBP rate for LTF + 0.50%	Sixteen equal quarterly instalments commenced on 22 December 2019 and ending on 22 June 2024.	-	Quarterly	
Habib Bank Limited (Note 5.5)	987,535	433,176	433,176	433,176	SBP rate for TERF + 1%	Thirty-three unequal instalments commencing on 20 April 2023 and ending on 20 April 2031.	-	Half yearly	
Habib Bank Limited	1,350,000	517,500	517,500	517,500	6-month KIBOR + 0.20%	Eleven unequal instalments commenced on 26 August 2022 and ending on 26 February 2027.	Half yearly	Half yearly	
Pakistan Kuwait Investment Company (Private) Limited	1,000,000	-	-	-	6-month KIBOR + 1%	Ten equal half yearly instalments commencing on 15 March 2023 and ending on 15 September 2027.	Half yearly	Half yearly	First joint pari passu charge of Rupees 2,000 million on plant and machinery of the Company with 25% margin.
Pakistan Kuwait Investment Company (Private) Limited	84,853	-	-	-	3-month KIBOR + 1%	Sixty four unequal instalments commencing on 28 February 2023 and ending on 23 December 2027.	Quarterly	Quarterly	
	6,277,645	4,793,174	4,793,174	4,793,174					

Notes to the Financial Statements

For the year ended December 31, 2022

5.2 Long term musharaka

LENDER	2022	2021	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Meezan Bank Limited (Note 5.3)	150,000	210,000	6-month KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 December 2019 and ending on 18 May 2025.	Half yearly	Half yearly	Exclusive charge of Rupees 365,578 million over plant and machinery of the Company with 15% margin and first joint pari passu charge of Rupees 134 million over plant and machinery of the Company with 25% margin.
Meezan Bank Limited	52,831	51,332	SBP rate for Islamic financing facility for renewable energy + 1.00%	Seventy eight unequal instalments commenced on 03 August 2021 and ending on 21 May 2028.	-	Quarterly	
Faysal Bank Limited (Note 5.6)	326,699	263,802	SBP rate for ITERF + 0.75%	Thirty-three unequal instalments commencing on 10 June 2023 and ending on 10 June 2031.	-	Quarterly	First joint pari passu charge of Rupees 667,000 million over plant and machinery of the Company with 25% margin.
Bank of Punjab (Note 5.6)	259,236	-	SBP rate for ITERF + 0.60%	Ninety six unequal instalments commencing on 4 July 2023 and ending on 20 September 2032.	-	Half yearly	Exclusive charge of Rupees 667 million over plant and machinery of the Company with 25% margin.
	788,766	525,134					

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

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

5.5 This loan is obtained by the Company under SBP Temporary Economic Refinance Facility (TERF). It is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rates ranging from 8.54% to 13.05% per annum.

5.6 These loans are obtained by the Company under SBP Islamic Temporary Economic Refinance Facility (ITERF). It is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rates ranging from 8.45% to 17.11% per annum.

5.7 This represents unsecured loan from Service Global Footwear Limited - subsidiary company for working capital requirement. This carries mark-up at 6 month KIBOR plus 0.25 percent per annum or average borrowing cost, whichever is higher. Effective rate of mark-up charged on this long term loan ranges from 11.72% to 17.29% (2021: 7.94% to 11.72%) per annum. Loan is repayable in ten equal half yearly instalments commenced from 30 December 2022 and ending on 30 June 2027.

6. LONG TERM DEPOSITS

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

		2022 Amount	2021 Amount
Rupees in thousand			
7. Lease liabilities			
Total lease liabilities	(Note 7.1)	3,967,990	2,984,950
Current portion shown under current liabilities	(Note 13)	(246,210)	(167,916)
		3,721,780	2,817,034

7.1 Reconciliation of lease liabilities

Balance at 01 January		2,984,950	1,854,699
Additions during the year		1,226,155	1,609,496
Interest on lease liabilities	(Note 36)	360,941	227,142
Impact of lease modification / termination		(76,167)	(317,563)
Payments made during the year		(527,889)	(388,824)
Balance at 31 December		3,967,990	2,984,950

7.2 Maturity analysis of lease liability is as follows:

Upto 6 months		308,918	207,141
6-12 months		333,295	227,767
1-2 year		711,605	485,349
More than 2 years		4,983,373	3,476,135
		6,337,191	4,396,392
Less: Future finance cost		(2,369,201)	(1,411,442)
Present value of lease liabilities		3,967,990	2,984,950

7.3 Implicit rates against lease liabilities range from 8.05% to 18.08% (2021: 8.05% to 12.83%) per annum.

8. Employees' Retirement Benefit

The latest actuarial valuation of the Fund as at 31 December 2022 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

Notes to the Financial Statements

For the year ended December 31, 2022

	2022	2021
	Amount	Amount
	Rupees in thousand	
8.1 Amounts recognized in the statement of financial position is as follows:		
Present value of defined benefit obligations	284,399	252,845
Fair value of plan assets	(69,940)	(76,124)
Net defined benefit obligation	214,459	176,721
8.2 Movement in the present value of net defined benefit obligation		
Net liability at 01 January	176,721	154,077
Transferred to defined benefit obligation relating to Service Global Footwear Limited - subsidiary company	(7,618)	-
Current service cost	24,576	22,238
Past service cost	7,735	-
Net interest on defined benefit obligation	18,690	13,877
Net remeasurements for the year	29,675	10,008
Contributions made during the year	(35,320)	(23,479)
Net liability at 31 December	214,459	176,721
8.3 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at 01 January	252,845	225,093
Transferred to defined benefit obligation relating to Service Global Footwear Limited - subsidiary company	(7,618)	-
Current service cost	24,576	22,238
Past service cost	7,735	-
Interest cost	27,634	20,801
Benefits paid during the year	(35,320)	(23,479)
Remeasurements on obligation:		
Actuarial losses from changes in financial assumptions	1,534	1,033
Experience adjustments	13,013	7,159
Present value of defined benefit obligation at 31 December	284,399	252,845
8.4 Movement in the fair value of the plan assets		
Fair value of plan assets at 01 January	76,124	71,016
Interest income on plan assets	8,944	6,924
Contributions made during the year	35,320	23,479
Benefits paid during the year	(35,320)	(23,479)
Remeasurements on fair value of plan assets	(15,128)	(1,816)
Fair value of plan assets at 31 December	69,940	76,124

8.4.1 As per the Scheme, employees gratuity fund of Service Industries Limited in the name of Service Industries Limited Employees Gratuity Fund Trust is being continued for the benefits of the employees of the Company and Service Global Footwear Limited - subsidiary company. 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.

	2022	2021
	Amount	Amount
	Rupees in thousand	
Mutual funds	96,810	102,711
Bank balances	880	3,616
Total plan assets	97,690	106,327
Allocated to the Company	69,940	76,124
Allocated to the Service Global Footwear Limited - subsidiary company	27,750	30,203
	-	-

8.5 Amounts recognized in the statement of profit or loss

Current service cost	24,576	22,238
Past service cost	7,735	-
Interest cost	27,634	20,801
Interest income on plan assets	(8,944)	(6,924)
Net expense charged in the statement of profit or loss	51,001	36,115

8.5.1 Charge for the year has been allocated as follows:

Cost of sales	(Note 31)	19,257	12,037
Distribution cost	(Note 32)	15,222	15,376
Administrative expenses	(Note 33)	16,522	8,702
		51,001	36,115

8.6 Remeasurements charged to statement of other comprehensive income

Experience adjustments	13,013	7,159
Return on plan assets excluding interest income	15,128	1,816
Actuarial losses from changes in financial assumptions	1,534	1,033
Total remeasurements charged to statement of other comprehensive income	29,675	10,008

Notes to the Financial Statements

For the year ended December 31, 2022

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

	2022	2021	2020	2019	2018
	Rupees in thousand				
Present value of defined benefit obligation	284,399	252,845	225,093	212,148	262,604
Fair value of the plan assets	(69,940)	(76,124)	(71,016)	(63,740)	(82,158)
Deficit in the plan	214,459	176,721	154,077	148,408	180,446
Remeasurement (loss) / gain on obligation	(14,547)	(8,192)	(1,806)	(13,804)	17,171
Remeasurement (loss) / gain on plan assets	(15,128)	(1,816)	106	(6,843)	(10,099)

8.8 Estimated charge to profit or loss for the year ending 31 December 2023 will be Rupees 55.243 million.

	2022	2021	
Discount rate used for interest cost	% per annum	11.75	9.75
Discount rate used for year end obligation	% per annum	14.50	11.75
Expected rate of salary increase	% per annum	13.50	10.75

8.9 Principal actuarial assumptions used:

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	257,338	308,761
Future salary increase	100	309,105	256,632

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

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

8.12 The average duration of the benefit obligation is 9 years.

8.13 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						
17,736	20,048	59,282	320,176	4,117,533	4,534,775	
					2022	2021
					Amount	Amount
Rupees in thousand						

9. Deferred Liabilities

Deferred income - Government grant	(Note 9.1)	604,036	267,978
Gas Infrastructure Development Cess (GIDC) payable	(Note 9.2)	-	-
Deferred income tax liability - net	(Note 9.3)	12,005	127,265
		616,041	395,243

9.1 Deferred income - Government grant

Balance at 01 January		327,813	76,759
Recognized during the year		519,344	324,749
Amortized during the year	(Note 35)	(116,651)	(73,695)
		730,506	327,813
Current portion shown under current liabilities	(Note 13)	(126,470)	(59,835)
		604,036	267,978

The State Bank of Pakistan (SBP), through its Circular No. 01 and 02 of 2020 dated 17 March 2020 and Circular No. 09 of 2020 dated 08 May 2020 introduced a Temporary Economic Refinance Facility (TERF) and Islamic Temporary Economic Refinance Facility (ITERF) for setting of new industrial units and for undertaking Balancing, Modernization and Replacement and / or expansion of projects / businesses and through Circular No. 06 of 2020 dated 10 April 2020 introduced a Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns. These refinance were available through Banks / DFIs. One of the key feature of these refinance facilities is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance', the benefit of a Government loan at a below-market rate of interest is treated as a Government grant. The Company obtained these loans as disclosed in note 5 to the financial statements. In accordance with IFRS 9 'Financial Instruments', loans obtained under the refinance facilities were initially recognized at fair value which is the present value of loans proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating. There are no unfulfilled conditions or contingencies attached to this grant.

Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
9.2 Gas Infrastructure Development Cess (GIDC) Payable		
Gas Infrastructure Development Cess payable at amortized cost	21,649	20,649
Adjustment due to impact of IFRS 9	(Note 36) 195	1,000
Current portion shown under current liabilities	(Note 13) (21,844)	(21,649)
	-	-

9.2.1 This represents Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. During the year ended 31 December 2021, Honourable Supreme Court of Pakistan upheld the GIDC Act, 2015 to be constitutional and intra vires. The Company has filed a review petition in Honourable Lahore High Court which is pending adjudication. GIDC payable has been recognized at amortized cost in accordance with IFRS 9.

	2022 Amount	2021 Amount
	Rupees in thousand	
9.3 Deferred income tax liability - net		
The deferred income tax liability originated due to timing differences relating to:		
Taxable temporary differences:		
Accelerated tax depreciation	881,920	595,148
Investment in associate	38,875	26,403
Fair value reserve FVTOCI investment	11,045	9,286
Right-of-use assets	983,503	613,074
	1,915,343	1,243,911
Deductible temporary differences:		
Allowance for expected credit losses	(91,870)	(61,794)
Provision for doubtful advances to suppliers	(1,626)	-
Provision for slow moving and obsolete stores	(9,187)	(6,735)
Provision for slow moving and obsolete stock-in-trade	(15,406)	(10,968)
Lease liabilities	(1,152,304)	(692,508)
Available unused tax loss - unabsorbed tax depreciation	(11,108)	-
Minimum tax carry forward	(621,837)	(344,641)
	(1,903,338)	(1,116,646)
Deferred income tax liability - net	12,005	127,265

9.3.1 Movement in deferred income tax balances during the year is as follows:

	2022			Closing balance
	Opening balance	Recognised in statement of profit or loss	Recognised in other comprehensive income	
	Rupees in thousand			
Accelerated tax depreciation	595,148	286,772	-	881,920
Investment in associate	26,403	12,472	-	38,875
Fair value reserve FVTOCI investment	9,286	-	1,759	11,045
Right-of-use assets	613,074	370,429	-	983,503
Allowance for expected credit losses	(61,794)	(30,076)	-	(91,870)
Provision for doubtful advances to suppliers	-	(1,626)	-	(1,626)
Provision for slow moving and obsolete stores	(6,735)	(2,452)	-	(9,187)
Provision for slow moving and obsolete stock-in-trade	(10,968)	(4,438)	-	(15,406)
Lease liabilities	(692,508)	(459,796)	-	(1,152,304)
Available unused tax loss - unabsorbed tax depreciation	-	(11,108)	-	(11,108)
Minimum tax carry forward:				
Available	(664,786)	(383,758)	-	(1,048,544)
Movement in deferred income tax not recognized	320,145	106,562	-	426,707
Deferred income tax recognized	(344,641)	(277,196)	-	(621,837)
	127,265	(117,019)	1,759	12,005

Notes to the Financial Statements

For the year ended December 31, 2022

	2021			Closing balance
	Opening balance	Recognised in statement of profit or loss	Recognised in other comprehensive income	
	Rupees in thousand			
Accelerated tax depreciation	591,236	3,912	-	595,148
Investment in associate	21,194	5,209	-	26,403
Fair value reserve FVTOCI investment	-	-	9,286	9,286
Right-of-use assets	-	613,074	-	613,074
Allowance for expected credit losses	(63,793)	1,999	-	(61,794)
Provision for slow moving and obsolete stores	(6,281)	(454)	-	(6,735)
Provision for slow moving and obsolete stock-in-trade	(15,394)	4,426	-	(10,968)
Lease liabilities	-	(692,508)	-	(692,508)
Minimum tax carry forward				
Available	(208,050)	(456,736)	-	(664,786)
Movement in deferred income tax not recognized	-	320,145	-	320,145
Deferred income tax recognized	(208,050)	(136,591)	-	(344,641)
	318,912	(200,933)	9,286	127,265

9.3.2 Deferred income tax asset has been recognised to the extent that the realization of related tax benefits is probable from future taxable profits. It is probable that sufficient taxable profits will be available for utilization of recognized deferred income tax asset. Detail of available unused tax loss and minimum tax carried forward is given as follows:

	Accounting year to which tax loss relates	Amount	Accounting year in which tax loss will expire
	Rupees in thousand		
Available unused tax loss - unabsorbed tax depreciation	2022	38,303	Unlimited

	Accounting year to which tax loss relates	Amount	Accounting year in which tax loss will expire
	Rupees in thousand		
Minimum tax carry forward	2022	456,707	2025
	2021	288,414	2026
	2019	188,262	2024
	2018	115,161	2023
		1,048,544	

		2022	2021
		Amount	Amount
		Rupees in thousand	
10. Trade and other payables			
Trade creditors	(Note 10.1)	3,440,696	2,733,720
Accrued liabilities		1,311,650	1,044,568
Letters of credit		375,195	424,853
Contract liabilities - unsecured		921,578	610,421
Provident fund payable		32,161	27,295
Provision for service warranties		37,434	37,198
Workers' profit participation fund	(Note 10.2)	(16,203)	(11,648)
Workers' welfare fund	(Note 10.3)	19,918	23,971
Income tax deducted at source		38,577	8,998
Sales tax payable		183,045	-
Payable against purchase of freehold land and building thereon		-	215,704
Others		15,155	9,342
		6,359,206	5,124,422

10.1 These include Rupees Nil (2021: Rupees 103.367 million) due to Service Global Footwear Limited - subsidiary company. This was in ordinary course of business and interest free.

		2022	2021
		Amount	Amount
		Rupees in thousand	
10.2 Workers' profit participation fund			
Balance at 01 January		(11,648)	(1,857)
Allocation for the year	(Note 34)	45,445	25,209
		33,797	23,352
Payments made during the year		(50,000)	(35,000)
Balance at 31 December		(16,203)	(11,648)

10.3 Workers' welfare fund			
Balance at 01 January		23,971	41,810
Provision for the year	(Note 34)	757	6,517
		24,728	48,327
Payments during the year		(4,810)	(24,356)
Balance at 31 December		19,918	23,971

Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
11. ACCRUED MARK-UP			
Long term financing	(Note 11.1)	231,493	105,068
Short term borrowings	(Note 11.2)	381,380	157,029
		612,873	262,097

11.1 This includes accrued mark-up of Rupees Nil (2021: Rupees 50.292 million) on loan obtained from Service Global Footwear Limited - subsidiary company.

11.2 This includes accrued mark-up of Rupees Nil (2021: Rupees 4.812 million) on loan obtained from Service Global Footwear Limited - subsidiary company.

		2022	2021
		Amount	Amount
		Rupees in thousand	
12. SHORT TERM BORROWINGS			
From banking companies - secured			
Short term running finances	(Notes 12.1 and 12.2)	5,874,667	4,182,235
Export refinance	(Notes 12.1 and 12.3)	1,816,847	1,851,415
Other short term finance - money market loans	(Notes 12.1 and 12.4)	4,000,000	2,100,000
		11,691,514	8,133,650
From related party - unsecured			
Loan from Service Global Footwear Limited - subsidiary company	(Note 12.5)	7,618	1,019,102
		11,699,132	9,152,752

12.1 These finances are obtained from banking companies under mark-up arrangements and are secured by hypothecation of present and future current assets of the Company. These form part of total credit facilities of Rupees 12,530 million (2021: Rupees 10,830 million).

12.2 The rates of mark-up range from 10.47% to 17.58% (2021: 7.45% to 10.52%) per annum.

12.3 The rates of mark-up range from 2.25% to 10% (2021: 2.20% to 3%) per annum.

12.4 The rates of mark-up range from 7.80% to 16.78% (2021: 7.59% to 10.88%) per annum.

12.5 This represents unsecured loan from Service Global Footwear Limited - subsidiary company for working capital requirement. Total credit facility available is Rupees 4,500 million (2021: Rupees 4,500 million). This carries mark-up at the rate of 1 month KIBOR plus 0.05 percent per annum. Effective rate of mark-up charged on this short term loan ranges from 10.40% to 16.63% (2021: 7.48% to 9.57%) per annum.

		2022	2021
		Amount	Amount
		Rupees in thousand	
13. Current portion of non-current liabilities			
Long term financing	(Notes 5)	2,213,681	1,612,835
Lease liabilities	(Note 7)	246,210	167,916
Deferred income - Government grant	(Note 9.1)	126,470	59,835
Gas Infrastructure Development Cess (GIDC) Payable	(Note 9.2)	21,844	21,649
		2,608,205	1,862,235

14. Contingencies and Commitments

14.1 Contingencies

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

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

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

14.1.4 DCIR initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.707 million was created. The Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10.626 million and remanded back certain charges to the tune of Rupees 172.081 million. The Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. Furthermore, the Company filed an application for stay of recovery and Honourable Lahore High Court, Lahore, has granted stay in said case. The management of the Company is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.

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

Notes to the Financial Statements

For the year ended December 31, 2022

- 14.1.6** The Company received show cause notice dated 14 December 2018 for which detailed reply was furnished to Assistant Commissioner Unit-07 Sindh Revenue Board (SRB). Taxation officer subsequently passed assessment order under section 47 read with section 44 of the Sindh Sales Tax on Services Act, 2011 demanding sales tax amounting to Rupees 30.572 million. Aggrieved with impugned order, the Company has preferred an appeal to the Commissioner Appeals SRB which, upon lapse of 180 days for deciding the appeal, was transferred to ATIR SRB, which is pending adjudication. Based on merits of the case and advice of the tax advisor, no provision against this demand has been recognized in these financial statements.
- 14.1.7** Honourable Lahore High Court, Lahore, 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. Federal Board of Revenue challenged the decision of Honourable Lahore High Court, Lahore, in Honourable Supreme Court of Pakistan which is pending for hearing. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 14.1.8** DCIR conducted income tax audit for the year 2011 in which a demand of Rupees 19.605 million was created. The Company filed an appeal before CIR (Appeals) who confirmed the demand of Rupees 12.989 million and remanded back certain charges amounting to Rupees 6.616 million in its order dated 07 August 2020. The Company has filed an appeal before ATIR against said points. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 14.1.9** The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The learned single judge of Honourable Lahore High Court, Lahore, has dismissed the writ petition of the Company, therefore intra-court appeal has been filed. Consequently, the Company has claimed input sales tax on packing material of Rupees 50.069 million (2021: Rupees 50.069 million) in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.
- 14.1.10** 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 whereby tax department shall consider whether the Company is entitled to claim input sales tax on aforesaid goods that are used for the purpose of taxable supplies. The Company has claimed input sales tax of Rupees 18.608 million on such goods in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favourable outcome of its appeal.
- 14.1.11** DCIR initiated income tax case of tax year 2008. Demand of Rupees 68.406 million was created by amending return. Appeal was preferred with CIR (Appeals) which was dismissed against the Company without discussing the merits of the case. The Company has filed appeal with ATIR which has been heard, ATIR has remanded back to the CIR (Appeals). The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 14.1.12** Additional Commissioner Inland Revenue (ACIR) completed assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) for tax year 2015 and raised a demand of Rupees 13.055 million based on disallowance of certain expenditure under section 21(I) of the Ordinance. The Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who remanded back the issue to taxation officer for fresh consideration, effectively deleting the impugned tax demand. Further, ACIR completed assessment proceedings under section 122(5A) of the Ordinance for tax year 2018 and raised a demand of Rupees 48.324 million consequent to addition of salaries and advertisement expenses under section 21(c) and section 24 of the Ordinance. The Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who remanded back the issue to taxation officer for fresh consideration, effectively deleting the impugned tax demand. On 08 February 2022, the Company filed appeals before the ATIR contesting the directions of CIR (Appeals) for both of the aforementioned cases which are in the process of being heard. Based on tax advisor's opinion the management is confident that the matter will be decided in favour of the Company and accordingly no provision has been made in these financial statements.
- 14.1.13** 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. Further more, the Company filed an application for stay of recovery and Honourable Lahore High Court, Lahore, has granted stay in said case. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.

14.1.14 DCIR completed assessment proceedings and passed an order under section 11(2) of the Sales Tax Act, 1990 demanding sales tax amounting to Rupees 167.535 million along with penalty amounting to Rupees 8.377 million against claimed input tax for the tax periods from July 2020 to November 2021. The Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who has confirmed the order of DCIR. The Company has filed appeal before ATIR, which is pending adjudication. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.

14.1.15 DCIR completed assessment proceedings and passed an order under section 11(2) of the Sales Tax Act, 1990 demanding sales tax amounting to Rupees 30.785 million along with penalty amounting Rupees 1.5 million considering that the Company has failed to discharge its sales tax liability by not depositing due sales tax during the period of June 2019 under the provision of sub-section (1) of section 8B of the Sales Tax Act, 1990. The Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who has annulled the demand of DCIR. The management is confident of favourable outcome of matter, hence, no provision has been made in these financial statements.

14.1.16 Director (PESSI), Gujrat has demanded through notice dated March 2022 social security contribution amounting to Rupees 96.002 million covering the period from August 2017 to November 2021 on account of short payment of contribution. The Company filed an appeal before Social Security Court, Gujrat against the aforesaid notice, which was dismissed and the Company was advised to make the payment of aforesaid amount. The Company has filed writ petition against the matter in Honourable Lahore High Court, Lahore. Honourable Lahore High Court, Lahore has granted stay in the said case. As per legal counsel of the Company, the Company has strong legal grounds for its success.

14.1.17 The Company has issued cross corporate guarantees of Rupees 9,000 million (2021: Rupees 9,000 million) on behalf of Service Long March Tyres (Private) Limited - subsidiary company to secure the obligations of subsidiary company towards its lenders.

14.1.18 The Company's share in contingencies of associate accounted for under equity method is Rupees 37.49 million (2021: Rupees 25.066 million).

14.1.19 Guarantees issued in ordinary course of business through banks are of Rupees 2,453.647 million (2021: Rupees 2,721.638 million).

14.2 Commitments

14.2.1 Contracts for capital expenditure are approximately of Rupees 384.709 million (2021: Rupees 1,834.702 million).

14.2.2 Letters of credit other than capital expenditure are of Rupees 1,589.768 million (2021: Rupees 2,763.165 million).

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

	2022	2021
	Amount	Amount
	Rupees in thousand	
Not later than one year	61,463	68,561
Later than one year and not later than five years	43,657	85,752
	105,120	154,313

Notes to the Financial Statements

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14.2.4 Following represent commitments arising from short-term and low value leases recognized on a straight-line basis as expense under the practical expedients applied by the Company. The amount of future payments under these leases and the period in which these payments will become due are as follows:

	2022	2021
	Amount	Amount
	Rupees in thousand	
Not later than 1 year	33,194	21,267
15. FIXED ASSETS		
Operating fixed assets (Note 15.1)	8,800,881	7,375,009
Capital work-in-progress (Note 15.2)	1,935,469	624,333
	10,736,350	7,999,342

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

Description	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
-----Rupees in thousand -----								
At 31 December 2020								
Cost	5,021	1,747,342	6,093,250	64,268	82,222	1,291,718	355,436	9,639,257
Accumulated depreciation	-	(609,441)	(2,343,722)	(32,359)	(32,684)	(654,179)	(124,352)	(3,796,737)
Net book value	5,021	1,137,901	3,749,528	31,909	49,538	637,539	231,084	5,842,520
Year ended 31 December 2021								
Opening net book value	5,021	1,137,901	3,749,528	31,909	49,538	637,539	231,084	5,842,520
Additions	294,865	379,692	1,089,848	25,547	22,804	206,645	199,243	2,218,644
Disposals / written off:								
Cost	-	(1,700)	(14,862)	-	(5,561)	(9,471)	(9,882)	(41,476)
Accumulated depreciation	-	1,630	13,638	-	3,858	6,963	7,850	33,939
Depreciation	-	(70)	(1,224)	-	(1,703)	(2,508)	(2,032)	(7,537)
	-	(107,956)	(407,927)	(4,719)	(10,930)	(96,786)	(50,300)	(678,618)
Closing net book value	299,886	1,409,567	4,430,225	52,737	59,709	744,890	377,995	7,375,009
At 31 December 2021								
Cost	299,886	2,125,334	7,168,236	89,815	99,465	1,488,892	544,797	11,816,425
Accumulated depreciation	-	(715,767)	(2,738,011)	(37,078)	(39,756)	(744,002)	(166,802)	(4,441,416)
Net book value	299,886	1,409,567	4,430,225	52,737	59,709	744,890	377,995	7,375,009

Notes to the Financial Statements

For the year ended December 31, 2022

Description	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 2022								
Opening net book value	299,886	1,409,567	4,430,225	52,737	59,709	744,890	377,995	7,375,009
Additions	95,896	187,474	1,260,253	36,978	140,057	285,675	288,483	2,294,816
Disposals / written off:								
Cost	-	-	(371)	(489)	(1,651)	(5,279)	-	(7,790)
Accumulated depreciation	-	-	358	174	866	4,062	-	5,460
	-	-	(13)	(315)	(785)	(1,217)	-	(2,330)
Written off due to fire:								
Cost	-	-	-	(3,219)	-	(820)	(807)	(4,846)
Accumulated depreciation	-	-	-	1,103	-	670	208	1,981
	-	-	-	(2,116)	-	(150)	(599)	(2,865)
Adjustment :								
Cost	(5,520)	(5,980)	-	-	-	-	-	(11,500)
Accumulated depreciation	-	50	-	-	-	-	-	50
	(5,520)	(5,930)	-	-	-	-	-	(11,450)
Depreciation	-	(133,147)	(493,093)	(7,431)	(24,279)	(118,482)	(75,867)	(852,299)
Closing net book value	390,262	1,457,964	5,197,372	79,853	174,702	910,716	590,012	8,800,881
At 31 December 2022								
Cost	390,262	2,306,828	8,428,118	123,085	237,871	1,768,468	832,473	14,087,105
Accumulated depreciation	-	(848,864)	(3,230,746)	(43,232)	(63,169)	(857,752)	(242,461)	(5,286,224)
Net book value	390,262	1,457,964	5,197,372	79,853	174,702	910,716	590,012	8,800,881
Annual rate of depreciation (%)		5-10	10	10	20	10-30	10	

15.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 500,000, disposed of / 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 -----							
Furniture, fixture and fittings							
Heavy Duty Racks	1,197	360	837	837	-	Insurance Claim	Jubilee General Insurance Company Limited, Karachi
Leasehold improvements							
Level 2 Racks	807	208	599	599	-	Insurance Claim	Jubilee General Insurance Company Limited, Karachi
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	10,632	6,873	3,759	3,668	(91)		
	12,636	7,441	5,195	5,104	(91)		

15.1.2 During the year, fire outbreak at warehouse of footwear division of the Company at Maraka, Lahore damaged certain items of operating fixed assets with an aggregate book value of Rupees 2.865 million. The Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim. The Company had claimed such loss from its insurance provider in accordance with the relevant insurance policies.

Notes to the Financial Statements

For the year ended December 31, 2022

2022 2021
Amount Amount
Rupees in thousand

15.1.3 The depreciation charge for the year has been allocated as follows:

Cost of sales	(Note 31)	686,647	574,406
Distribution cost	(Note 32)	128,816	75,592
Administrative expenses	(Note 33)	36,836	28,620
		852,299	678,618

15.1.4 Particulars of immovable properties are as follows:

Head office and manufacturing units	Address	Area of land Sq. Feet
Head office	2 - Main Gulberg, Lahore.	35,017
Manufacturing unit		
Gujrat factory and residential colony	G.T. Road, Gujrat.	2,038,608
Muridke Factory	Mouza Chak Number 25/UCC, Tehsil Muridke, District Sheikhpura	689,491
		2,763,116

15.2 Movement in capital work in progress

	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Advances against purchase of vehicles	Service equipment	Leasehold improvements	Advances against capital expenditures	Total
	----- Rupees in thousand -----							
Balance at 31 December 2020	7,911	88,462	194	208	15,341	41,427	-	153,543
Additions during the year	153,181	1,244,880	25,561	43,682	262,274	161,080	163,672	2,054,330
Transferred to operating fixed assets during the year	(53,948)	(1,088,605)	(24,783)	(20,042)	(196,919)	(199,243)	-	(1,583,540)
Balance at 31 December 2021	107,144	244,737	972	23,848	80,696	3,264	163,672	624,333
Additions during the year	394,033	2,019,171	38,725	82,942	522,316	289,342	131,387	3,477,916
Transferred to operating fixed assets during the year	(186,474)	(1,250,485)	(36,033)	(78,825)	(161,808)	(288,483)	-	(2,002,108)
Adjusted during the year	-	-	-	-	-	-	(163,672)	(163,672)
Charged to profit or loss during the year	(1,000)	-	-	-	-	-	-	(1,000)
Balance at 31 December 2022	314,703	1,013,423	3,664	27,965	441,204	4,123	131,387	1,935,469

15.2.1 Particulars of royalty paid during the year in connection with business of manufacturing motorcycle chains are as follows:

Name of the company	Registered address	Relationship with the Company or directors	
		Related / Other	Rupees in thousand
Hangzhou SFR Technology Co. Ltd., No. 106 Hourmuqiao Road, Cangqian Street, Yuhang District, Hangzhou, China 311121		Other	9,298
			6,860

Notes to the Financial Statements

For the year ended December 31, 2022

	2022	2021
	Amount	Amount
	Rupees in thousand	
16. Right-of-use assets		
Reconciliation of carrying amount of right-of-use assets		
Balance at 01 January	2,642,560	1,618,879
Additions during the year	1,226,155	1,609,496
Impact of lease modification / termination	(55,757)	(282,131)
Depreciation for the year (Note 16.2)	(426,240)	(303,684)
Balance at 31 December	3,386,718	2,642,560

16.1 Lease of buildings

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

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

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

	2022	2021
	Amount	Amount
	Rupees in thousand	
16.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 31)	-	15,437
Distribution cost (Note 32)	426,240	288,247
	426,240	303,684

17. Intangible Assets

Intangible assets in use (Notes 17.1 and 17.1.4)	3,728	3,979
Intangible asset under development	5,648	-
	9,376	3,979

17.1 Intangible assets in use

Balance at 01 January	3,979	1,271
Addition during the year	1,672	3,927
Amortization during the year (Note 17.1.2)	(1,923)	(1,219)
Balance at 31 December	3,728	3,979

17.1.1 Cost at 31 December	50,515	48,843
Accumulated amortization at 31 December	(46,787)	(44,864)
Net book value at 31 December	3,728	3,979

		2022 Amount	2021 Amount
Rupees in thousand			
17.1.2 Amortization on intangible assets has been allocated as follows:			
Distribution cost	(Note 32)	454	569
Administrative expenses	(Note 33)	1,469	650
		1,923	1,219

17.1.3 Intangible assets - computer software have been amortized at the rate of 33.33% per annum.

17.1.4 These include intangible assets having cost of Rupees 39.134 million (2021: Rupees 37.696 million) which are fully amortized.

		2022 Amount	2021 Amount
Rupees in thousand			
18. Long term investments			
Investment in subsidiary companies - at cost	(Note 18.1)	7,559,766	6,372,722
Investment in associate (with significant influence) - under equity method	(Note 18.2)	344,159	315,571
Investment in joint ventures	(Note 18.3)	-	-
Other investment - at FVTOCI	(Note 18.4)	84,026	91,373
		7,987,951	6,779,666

18.1 Investment in subsidiary companies - at cost

Service Industries Capital (Private) Limited - unquoted 40,000,000 (2021: 30,000,000) fully paid ordinary shares of Rupees 10 each Equity held 100% (2021: 100%)	(Note 18.1.1)	400,000	300,000
Service Global Footwear Limited - quoted 163,550,000 (2021: 163,550,000) fully paid ordinary shares of Rupees 10 each Equity held 79.75% (2021: 80%)	(Note 18.1.2)	3,026,184	3,026,184
Service Long March Tyres (Private) Limited - unquoted 411,233,350 (2021: 303,250,000) fully paid ordinary shares of Rupees 10 each Equity held 32.09% (2021: 32.09%)	(Note 18.1.3)	4,126,367	3,046,538
SIL GULF (FZE) - unquoted 1 (2021: Nil) fully paid share of UAE Dirhams 150,000 Equity held 100% (2021: Nil)		7,215	-
		7,559,766	6,372,722

Notes to the Financial Statements

For the year ended December 31, 2022

18.1.1 Investment in Service Industries Capital (Private) Limited includes 3 shares held in the name of nominee directors of the Company.

18.1.2 Investment in Service Global Footwear Limited includes 9 shares held in the name of nominee directors of the Company.

18.1.3 The Company and Service Global Footwear Limited - subsidiary company collectively hold 51% of the ordinary shares of Service Long March Tyres (Private) Limited and controls the composition of the board of Service Long March Tyres (Private) Limited as it can appoint or remove a majority of the directors of Service Long March Tyres (Private) Limited. Hence, Service Long March Tyres (Private) Limited is deemed to be a subsidiary company of the Company as per the Companies Act, 2017.

	2022	2021
	Amount	Amount
	Rupees in thousand	
18.2 Investment in associate (with significant influence) - under equity method		
Speed (Private) Limited - unquoted		
160,709 (2021: 160,709) fully paid ordinary shares of Rupees 100 each	190,949	190,949
Share of post acquisition changes in investee's net assets		
At 01 January	124,622	89,895
Share of post acquisition profit / (loss) for the year - net of tax	28,588	34,727
	153,210	124,622
	344,159	315,571

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

	2022	2021
	Amount	Amount
	Rupees in thousand	
18.2.2 Summary of financial information of associate as per un-audited financial statements for the year:		
Current assets	1,556,148	1,419,824
Non-current assets	879,556	792,879
Total assets	2,435,704	2,212,703
Current liabilities	425,378	356,238
Non-current liabilities	712,935	689,612
Total liabilities	1,138,313	1,045,850
Net assets	1,297,391	1,166,853

18.2.3 Breakup value per share (Rupees) 1,768 1,590

	2022	2021
	Amount	Amount
	Rupees in thousand	
18.2.4 Reconciliation to carrying amounts:		
Balance at 01 January	1,166,853	1,008,280
Profit after income tax - net of tax	130,538	158,573
Balance at 31 December	1,297,391	1,166,853
Percentage of holding	21.90%	21.90%
Company's share	284,129	255,541
Goodwill	60,030	60,030
Carrying value of investment in associate	344,159	315,571
Summarized statement of comprehensive income:		
Revenue - net for the year	2,549,052	2,485,943
Profit for the year	130,538	158,573
Total comprehensive income for the year	130,538	158,573
18.3 Investment in joint ventures		
S2 Power Limited		
24,000 (2021: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited		
24,000 (2021: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
Impairment loss against investment (Note 18.3.1)	(480)	(480)
	-	-
18.3.1 Impairment loss against investment		
Balance at 01 January	480	240
Impairment loss recognized during the year (Note 34)	-	240
Balance at 31 December	480	480
18.4 Other investment - at FVTOCI		
TRG Pakistan Limited - quoted		
775,000 (2021: 775,000) fully paid ordinary shares of Rupees 10 each	17,089	17,089
Fair value adjustment	66,937	74,284
	84,026	91,373

Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
19. Long term loans to employees			
Considered good:			
Executives	(Notes 19.1, 19.2 and Note 19.3)	19,581	34,315
Other employees	(Note 19.3)	1,515	2,539
		21,096	36,854
Current portion shown under current assets	(Note 24)		
Executives		(6,993)	(7,806)
Other employees		(681)	(1,632)
		(7,674)	(9,438)
		13,422	27,416

19.1 Reconciliation of carrying amount of loans to executives:

Balance at 01 January	34,315	18,268
Disbursements during the year	6,600	28,195
Repayments during the year	(21,334)	(12,148)
Balance at 31 December	19,581	34,315

19.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 32.375 million (2021: Rupees 34.439 million).

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

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

		2022	2021
		Amount	Amount
		Rupees in thousand	
20. Long Term Security Deposits			
Security deposits against Ijarah		23,513	25,002
Security deposits against right-of-use assets		109,178	86,767
Security deposits - others		73,413	28,722
		206,104	140,491
Current portion shown under current assets	(Note 26)	(17,294)	(2,535)
		188,810	137,956

		2022	2021
		Amount	Amount
		Rupees in thousand	
21. Stores, spares and loose tools			
Machinery spares		116,126	47,369
Stores	(Note 21.1)	483,084	303,382
Loose tools		1,379	1,175
		600,589	351,926
Provision for slow moving and obsolete items	(Note 21.2)	(31,636)	(29,031)
		568,953	322,895

21.1 These include stores in transit of Rupees 40.292 million (2021: Rupees 4.214 million).

21.2 Provision for slow moving and obsolete items

Balance at 01 January		29,031	24,715
Provision for the year		2,605	4,316
Balance at 31 December		31,636	29,031

22. Stock-In-Trade

Raw materials	(Note 22.1)	3,571,065	4,326,819
Packing materials		112,394	93,056
Work-in-process		760,874	559,759
Finished goods	(Notes 22.2, 22.3 and 22.5)		
- Own production		2,468,316	2,978,105
- Purchased		2,304,483	1,090,642
		4,772,799	4,068,747
		9,217,132	9,048,381
Provision for slow moving and obsolete items	(Note 22.6)	(53,050)	(47,274)
		9,164,082	9,001,107

22.1 These include stock in transit of Rupees 316.546 million (2021: Rupees 962.545 million).

22.2 These include stock in transit of Rupees 142.810 million (2021: Rupees 72.586 million).

22.3 Finished goods of Rupees 73.135 million (2021: Rupees 104.993 million) are being carried at net realizable value.

22.4 The aggregate amount of Rupees 5.77 million (2021: Rupees 19.390 million) has been charged to cost of sales, being the cost of inventory written down during the year.

22.5 During the year, fire outbreak at warehouse of footwear division of the Company at Maraka, Lahore damaged certain items of finished goods. The carrying values of the assets damaged were Rupees 692.046 million. The Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim. The Company had claimed loss from its insurance provider in accordance with the relevant insurance policies.

Notes to the Financial Statements

For the year ended December 31, 2022

	2022	2021
	Amount	Amount
	Rupees in thousand	
22.6 Provision for slow moving and obsolete items		
Balance at 01 January	47,274	60,573
Charge / (reversal) of provision for the year	5,776	(13,299)
Balance at 31 December	53,050	47,274
23. Trade debts		
Considered good:		
Secured:		
- Against irrevocable letters of credit	9,372	14,124
Unsecured:		
- Related parties	(Notes 23.3, 23.4 and 23.5)	-
- Others	(Note 23.6)	59,621
	5,221,663	4,001,372
	5,221,663	4,060,993
	5,231,035	4,075,117
Allowance for expected credit losses	(Note 23.7)	(316,356)
	4,914,679	3,808,763
23.1 Foreign jurisdictions of trade debts:		
Europe	93,601	47,865
South America	225,728	101,277
North America	45,326	88,930
Asia	14,351	12,049
Australia	6,897	-
Africa	12,005	5,391
	397,908	255,512

	2022	2021
	Amount	Amount
	Rupees in thousand	
23.2 Types of counterparties:		-
Export		
Corporate	396,544	214,307
Other	1,364	41,205
	397,908	255,512
Local		
Corporate	1,438,544	1,701,156
Other	3,394,583	2,118,449
	4,833,127	3,819,605
	5,231,035	4,075,117

23.3 This represents amounts due from following related parties:

Jomo Technologies (Private) Limited - associated company	-	58,075
Service Long March Tyres (Private) Limited - subsidiary company	-	1,546

23.4 The maximum aggregate amount receivable from related parties at the end of any month during the year was as follows:

	2022	2021
	Amount	Amount
	Rupees in thousand	
Service Global Footwear Limited - subsidiary company	126,039	-
Jomo Technologies (Private) Limited - associated company	53,068	58,075
Service Long March Tyres (Private) Limited - subsidiary company	135,217	1,546

23.5 As at the reporting date, trade debts due from related parties amounting to Rupees Nil (2021: Rupees 35.055 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

	2022	2021
	Amount	Amount
	Rupees in thousand	
Upto 1 month	-	7,088
1 to 6 months	-	5,259
More than 6 months	-	22,708
	-	35,055

Notes to the Financial Statements

For the year ended December 31, 2022

23.6 As at 31 December 2022, trade debts due from other than related parties of Rupees 1,232.722 million (2021: Rupees 1,097.810 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:

	2022	2021
	Amount	Amount
	Rupees in thousand	
Upto 1 month	403,094	411,251
1 to 6 months	554,590	400,865
More than 6 months	275,038	285,694
	1,232,722	1,097,810

23.7 Allowance for expected credit losses

Balance at 01 January		266,354	251,020
Expected credit losses recognized during the year	(Note 34)	50,002	15,334
Balance at 31 December		316,356	266,354

24. Loans and advances

Considered good:			
Advances to staff		11,083	6,781
Current portion of long term loans to employees	(Note 19)	7,674	9,438
Advances to suppliers	(Note 24.1)	193,339	95,273
Letters of credit		473,477	456,375
Others	(Note 24.2)	9,736	4,320
		695,309	572,187

24.1 Advances to suppliers

Advances to suppliers		198,937	95,273
Provision against doubtful advances to suppliers	(Note 24.1.1)	(5,598)	-
		193,339	95,273

24.1.1 Provision against doubtful advances to suppliers

Balance at 01 January		-	-
Provision recognized during the year	(Note 34)	5,598	2,807
Advances to suppliers written off against provision		-	(2,807)
Balance at 31 December		5,598	-

24.2 These include amount due from following related parties:

S2 Power Limited - joint venture		2,691	2,691
S2 Hydro Limited - joint venture		11,476	11,476
		14,167	14,167
Impairment loss against advances	(Note 24.2.1)	(14,167)	(14,167)
		-	-

	2022	2021
	Amount	Amount
	Rupees in thousand	
24.2.1 Impairment loss against advances		
Balance at 01 January	14,167	2,691
Impairment loss recognized during the year (Note 34)	-	11,476
Balance at 31 December	14,167	14,167

24.2.2 The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:

	2022	2021
	Amount	Amount
	Rupees in thousand	
S2 Power Limited - joint venture	2,691	2,691
S2 Hydro Limited - joint venture	11,476	11,476

25. ADVANCE INCOME TAX - NET OF PROVISION FOR TAXATION

Advance income tax	1,711,878	1,449,785
Provision for taxation	(1,175,844)	(842,270)
	536,034	607,515

26. TRADE DEPOSITS AND PREPAYMENTS

Security deposits	118,470	221,468
Prepayments	101,070	96,837
Current portion of long term security deposits (Note 20)	17,294	2,535
	236,834	320,840

27. OTHER RECEIVABLES

Considered good:

Duty draw back	26,553	37,518
Custom duty rebate	112,415	66,744
Sales tax refundable	-	134,746
Receivable from subsidiary companies (Note 27.1)	-	604
Others	66,099	25,864
	205,067	265,476

Notes to the Financial Statements

For the year ended December 31, 2022

27.1 The Company, Service Global Footwear Limited and Service Industries Capital (Private) Limited - Subsidiary Companies opted for group taxation under section 59AA of Income Tax Ordinance, 2001 for the tax year 2021. Due to listing of Service Global Footwear Limited - Subsidiary Company on 28 April 2021 and resultant dilution of shareholding of the Company in Subsidiary Company, from year 2021 the management decided to cease the group taxation. Hence, the net impact, after incorporating the prior period adjustments and advance tax, was recognized as receivable from the subsidiary companies.

	2022	2021
	Amount	Amount
	Rupees in thousand	
27.1.1 This represents amounts due from following related parties:		
Service Global Footwear Limited - subsidiary company	-	265
Service Industries Capital (Private) Limited - subsidiary company	-	340

27.1.2 The maximum aggregate amount due from related parties at the end of any month during the year was as follows:

Service Global Footwear Limited - subsidiary company	265	265
Service Industries Capital (Private) Limited - subsidiary company	340	340

28. SHORT TERM INVESTMENT

At amortized cost

Term deposits receipts	(Note 28.1)	179,914	155,000
Interest accrued thereon		1,701	943
		181,615	155,943

28.1 These represent term deposits with banking company having maturity period of one year and carry profit at the rates ranging from 5.56% to 9.70% per annum (2021: 6.16% to 7.16% per annum).

		2022	2021
		Amount	Amount
		Rupees in thousand	
29. Cash and bank balances			
With banks:			
On current accounts			
Local currency		1,308,086	680,728
Foreign currency	(Note 29.1)	12,641	2,576
		1,320,727	683,304
On saving accounts			
Local currency	(Note 29.2)	66,986	1,903
		1,387,713	685,207
Cash in transit		9,914	4,486
Cash in hand		26,965	9,603
		1,424,592	699,296

29.1 This represents USD 1,394 (2021: USD 1,395) and EURO 51,077 (2021: EURO 11,463).

29.2 Rate of profit on saving accounts ranges from 7% to 15% (2021: 5.25% to 8.25%) per annum.

	2022	2021
	Amount	Amount
	Rupees in thousand	
30. REVENUE - NET		
Revenue from contracts with customers:		
Export:		
- Sales	5,330,673	4,091,747
- Discounts, commissions etc.	(72,229)	(90,026)
	5,258,444	4,001,721
Local:		
- Sales	47,307,292	36,142,403
- Sales tax	(7,126,154)	(5,739,982)
- Discounts, commissions etc.	(2,959,048)	(1,686,480)
	37,222,090	28,715,941
Processing income (net of sales tax of Rupees 20.221 million)	118,947	-
Duty draw back	-	7,262
	42,599,481	32,724,924
30.1 Sales of footwear - net		
Export sales	1,794,789	1,232,134
Local sales	9,035,077	6,003,736
Duty draw back	-	7,262
	10,829,866	7,243,132
Processing income (net of sales tax of Rupees 20.221 million)	118,947	-
Sales of tyres - net		
Export sales	3,462,388	2,768,510
Local sales	24,782,270	19,426,040
	28,244,658	22,194,550
Sales of spare parts for automobiles - net		
Export sales	1,267	1,077
Local sales	3,050,069	2,551,741
	3,051,336	2,552,818
Sales of technical rubber products - net		
Local sales	354,674	734,424
	42,599,481	32,724,924

Notes to the Financial Statements

For the year ended December 31, 2022

30.2 The amount of Rupees 442.769 million included in contract liabilities (Note 10) at 31 December 2021 has been recognised as revenue in 2022 (2021: 241.468 million).

30.3 Revenue is recognized at point in time as per the terms and conditions of underlying contracts with customers.

		2022	2021
		Amount	Amount
		Rupees in thousand	
31. Cost of sales			
Raw materials consumed	(Note 31.1)	22,270,270	18,879,101
Salaries, wages and other benefits	(Note 31.2)	2,896,563	2,666,483
Stores and spares consumed		314,560	384,850
Packing materials consumed		696,161	674,391
Fuel and power		2,263,662	1,549,514
Insurance		43,248	32,245
Travelling		39,738	10,864
Repair and maintenance		249,468	221,090
Entertainment		8,669	3,209
Depreciation on operating fixed assets	(Note 15.1.3)	686,647	574,406
Depreciation on right-of-use-assets	(Note 16.2)	-	15,437
Charge / (reversal) of provision for slow moving and obsolete inventory		8,381	(8,983)
Vendor processing charges		18,146	5,042
Other manufacturing charges		98,297	72,612
		29,593,810	25,080,261
Work-in-process			
Opening stock		559,759	426,949
Closing stock		(760,874)	(559,759)
		(201,115)	(132,810)
Cost of goods manufactured		29,392,695	24,947,451
Finished goods			
Opening stock		4,068,747	2,453,109
Purchases during the year		5,937,377	4,126,497
Closing stock		(4,772,799)	(4,068,747)
		5,233,325	2,510,859
		34,626,020	27,458,310
31.1 Raw materials consumed			
Opening stock		4,326,819	1,994,118
Purchases during the year		21,514,516	21,211,802
Closing stock		(3,571,065)	(4,326,819)
Raw materials consumed during the year	(Note 31.3)	22,270,270	18,879,101

- 31.2** Salaries, wages and other benefits include Rupees 81.293 million (2021: Rupees 77.449 million), Rupees 19.257 million (2021: Rupees 12.037 million) and Rupees 42.965 million (2021: Rupees 40.768 million) in respect of provident fund contribution, gratuity fund and compensated absences by the Company respectively.
- 31.3** Custom duty rebate for the year amounting to Rupees 113.340 million (2021: Rupees 91.135 million) has been adjusted against raw materials consumed.

		2022	2021
		Amount	Amount
		Rupees in thousand	
32. Distribution Cost			
Salaries and other benefits	(Note 32.1)	812,511	599,302
Freight and insurance		704,895	652,862
Advertisement and publicity		499,417	358,057
Communication		9,731	3,716
Entertainment		16,058	8,053
Samples		49,684	45,666
Depreciation on operating fixed assets	(Note 15.1.3)	128,816	75,592
Depreciation on right-of-use-assets	(Note 16.2)	426,240	288,247
Amortization on intangible assets	(Note 17.1.2)	454	569
Rent, rates and taxes	(Notes 32.2 and 32.3)	141,906	42,332
Repairs and maintenance		20,423	896
Legal and professional		15,972	2,925
Postage and courier		33,285	25,960
Fuel and power		184,976	81,357
Travelling and conveyance		115,869	53,633
Others		58,327	70,693
		3,218,564	2,309,860

- 32.1** Salaries and other benefits include Rupees 18.792 million (2021: Rupees 13.344 million), Rupees 15.222 million (2021: Rupees 15.376 million) and Rupees 0.139 million (2021: Rupees 0.689 million) in respect of provident fund contribution, gratuity fund and compensated absences by the Company respectively.
- 32.2** These include rent expense of Rupees 70.738 million (2021: Rupees 39.617 million) relating to shops not classified as lease due to sales based rent.
- 32.3** These include rent expense of Rupees 1.175 million (2021: Rupees 1.849 million) and Rupees 2.108 million (2021: Rupees 0.580 million) relating to short term and low value leases respectively.

Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
33. Administrative Expenses			
Salaries and other benefits	(Note 33.1)	985,327	866,896
Communication		30,195	23,499
Printing and stationery		16,311	11,053
Travelling and conveyance		43,386	24,316
Entertainment		34,100	29,593
Vehicles' running		66,893	31,000
Insurance		5,441	4,110
Rent, rates and taxes	(Note 33.2)	33,434	26,716
Fuel and power		35,254	20,454
Repairs and maintenance		20,469	13,144
Auditor's remuneration	(Note 33.3)	5,367	4,459
Legal and professional		50,516	39,496
Fee and subscription		5,889	11,408
Depreciation on operating fixed assets	(Note 15.1.3)	36,836	28,620
Amortization on intangible assets	(Note 17.1.2)	1,469	650
Ijarah rentals		58,534	54,683
Computer running and maintenance		21,169	16,357
Advertisement		37	193
General		54,686	69,604
		1,505,313	1,276,251

33.1 Salaries and other benefits include Rupees 27.840 million (2021: Rupees 23.537 million), Rupees 16.522 million (2021: Rupees 8.702 million) and Rupees 2.673 million (2021: Rupees 1.541 million) in respect of provident fund contribution, gratuity fund and compensated absences by the Company respectively.

33.2 This includes rent expense of Rupees 15.878 million (2021: Rupees 17.889 million) and Rupees 2.146 million (2021: Rupees 3.586 million) relating to short term leases and leases of low value assets respectively.

		2022	2021
		Amount	Amount
		Rupees in thousand	
33.3 Auditor's remuneration:			
Audit fee		3,563	3,239
Half yearly review		892	811
Certification charges		500	200
Reimbursable expenses		412	209
		5,367	4,459

		2022 Amount	2021 Amount
Rupees in thousand			
34. Other Expenses			
Donations	(Notes 34.1)	66,269	50,735
Workers' profit participation fund	(Note 10.2)	45,445	25,209
Workers' welfare fund	(Note 10.3)	757	6,517
Provision for doubtful advances to suppliers	(Note 24.1.1)	5,598	2,807
Advances to employees written off		6,555	-
Other receivable written off		71	-
Allowance for expected credit losses - trade debts	(Note 23.7)	50,002	15,334
Assets written off - net		125,687	71
Impairment loss against investment in joint ventures	(Note 18.3.1)	-	240
Impairment loss against advances to joint ventures	(Note 24.2.1)	-	11,476
		300,384	112,389

34.1 The names of donees to whom donation amount exceeds Rupees 6.627 million (2021: Rupees 5.074 million) are as follows:

Servis Foundation	(Note 34.1.1)	45,246	33,003
Shalamar Hospital	(Note 34.1.2)	8,581	10,845
Service Charitable Trust	(Note 34.1.3)	7,922	5,463
		61,749	49,311

34.1.1 Mr. Chaudhry Ahmed Javed, Chairman, Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed and Mr. Hassan Javed, Directors of the Company are directors of Servis Foundation.

34.1.2 Mr. Omar Saeed, Director of the Company is Trustee.

34.1.3 Mr. Chaudhry Ahmed Javed, Chairman, Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed and Mr. Hassan Javed, Directors of the Company are members of Board of Trustees.

35. OTHER INCOME

Income from financial assets

Return on bank deposits and term deposits receipts		18,378	6,075
Dividend income		735,975	3,366
Exchange gain - net		66,391	26,000

Income from non-financial assets

Amortization of deferred income - Government grant	(Note 9.1)	116,651	73,695
Gain on lease modification / termination		20,410	35,431
Gain on disposal of operating fixed assets - net		359	5,106
Scrap sales		79,456	83,240
Miscellaneous		36,000	49,544
		1,073,620	282,457

Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
36. Finance Cost		
Mark-up / interest on:		
- long term financing	751,181	351,876
- short term borrowings	1,351,694	380,479
- loans from Service Global Footwear Limited - subsidiary company	544,882	287,668
- lease liabilities (Note 7.1)	360,941	227,142
- provident fund payable	163	435
Adjustment due to impact of IFRS 9 on GIDC (Note 9.2)	195	1,000
Bank charges and commission	66,331	65,856
	3,075,387	1,314,456

37. Taxation		
Current (Note 37.1)	718,231	409,294
Prior year	20,382	5,655
Deferred tax	(117,019)	(200,933)
	621,594	214,016

37.1 Provision for current taxation mainly represents minimum tax and final tax under section 113 and section 154 of the Income Tax Ordinance, 2001 respectively.

Reconciliation between tax expense and accounting profit:

Accounting profit before taxation	976,021	570,842
Applicable tax rate	29%	29%
Tax on accounting profit	283,046	165,544
Prior year	20,382	5,655
Deferred tax	(117,019)	(200,933)
Super tax	39,027	-
Tax effect of final tax regime income taxed at a lower rate	(1,593,990)	(1,120,694)
Tax effect of minimum tax	491,538	240,855
Tax effect of expenses / income that are not considered in determining taxable liability	1,498,610	1,115,067
Others	-	8,522
	621,594	214,016

38. Earnings Per Share - Basic And Diluted

38.1 There is no dilutive effect on basic earnings per share for the year ended 31 December 2022 and 31 December 2021 as the Company has no potential ordinary shares as on 31 December 2022 and 31 December 2021.

Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	354,427	356,826
Weighted average number of ordinary shares (Numbers)	46,987,454	46,987,454
Earnings per share (Rupees)	7.54	7.59

	2022	2021
	Amount	Amount
	Rupees in thousand	
39. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	976,021	570,842
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	852,299	678,618
Depreciation on right-of-use-assets	426,240	303,684
Amortization on intangible assets	1,923	1,219
Exchange gain - net	(66,391)	(26,000)
Provision for gratuity	51,001	36,115
Finance cost	3,075,387	1,314,456
Dividend income	(735,975)	(3,366)
Provision for workers' profit participation fund	45,445	25,209
Provision for workers' welfare fund	757	6,517
Charge / (reversal) of provision for slow moving and obsolete inventory	8,381	(8,983)
Allowance for expected credit losses	50,002	15,334
Return on bank deposits and term deposits receipts	(18,378)	(6,075)
Amortization of deferred income - Government grant	(116,651)	(73,695)
Impact of lease modification / termination	(20,410)	(35,431)
Share of profit of equity accounted investee	(28,588)	(34,727)
Impairment loss against investment in joint ventures	-	240
Impairment loss against advances to joint ventures	-	11,476
Gain on disposal of operating fixed assets - net	(359)	(5,035)
Provision for doubtful advances to suppliers	5,598	2,807
Other receivable written off	71	-
Advances to employees written off	6,555	-
Assets written off - net	125,687	71
Working capital changes (Note 39.1)	(1,002,777)	(3,305,675)
	3,635,838	(532,399)

Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
39.1 Working capital changes		
(Increase)/ decrease in current assets:		
Stores, spares and loose tools	(246,058)	(81,596)
Stock-in-trade	(863,937)	(4,123,265)
Trade debts	(1,089,527)	140,240
Loans and advances	(137,039)	(154,939)
Prepayments	(4,233)	(73,014)
Other receivables	83,338	(95,709)
	(2,257,456)	(4,388,283)
Increase in trade and other payables	1,254,679	1,082,608
	(1,002,777)	(3,305,675)

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

	2022				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	-----Rupees in thousand -----				
Balance at 31 December 2021	7,818,308	2,984,950	9,152,752	1,440	39,343
Financing / borrowings obtained	3,476,129	-	55,818,297	-	-
Repayment of financing / lease liabilities / borrowings	(1,575,333)	(166,948)	(53,271,917)	-	-
Long term deposits - net	-	-	-	475	-
Dividend declared	-	-	-	-	352,406
Dividend paid	-	-	-	-	(349,719)
Other changes - non-cash movement:					
Deferred income - Government grant - net	(402,693)	-	-	-	-
Lease liabilities recognized during the year	-	1,226,155	-	-	-
Impact of lease modification / termination	-	(76,167)	-	-	-
Balance at 31 December 2022	9,316,411	3,967,990	11,699,132	1,915	42,030

	2021				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	-----Rupees in thousand-----				
Balance at 31 December 2020	4,318,084	1,854,699	6,427,467	1,740	37,897
Financing / borrowings obtained	2,545,007	-	45,627,671	-	-
Repayment of financing / lease liabilities / borrowings	(1,293,729)	(161,682)	(40,402,386)	-	-
Long term deposits - net	-	-	-	(300)	-
Dividend declared	-	-	-	-	352,406
Dividend paid	-	-	-	-	(350,960)
Other changes - non-cash movement:					
Deferred income - Government grant - net	(251,054)	-	-	-	-
Lease liabilities recognized during the year	-	1,609,496	-	-	-
Impact of lease modification / termination	-	(317,563)	-	-	-
Transfer	2,500,000	-	(2,500,000)	-	-
Balance at 31 December 2021	7,818,308	2,984,950	9,152,752	1,440	39,343

40. Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	-----Rupees in thousand-----					
Managerial remuneration	41,438	36,083	40,375	35,083	296,549	215,272
Bonus	24,000	20,000	24,000	20,000	86,709	82,158
Allowances:						
House rent	4,144	3,608	4,038	3,508	95,832	73,861
Conveyance	-	-	-	-	35,623	39,278
Medical	-	-	-	-	41,265	30,897
Utilities	4,144	3,608	4,037	3,508	44,922	25,368
Special allowance	-	-	-	-	-	4,899
Retirement and other benefits	11,398	9,923	11,104	9,648	39,594	32,224
Total	85,124	73,222	83,554	71,747	640,494	503,957
Number of persons	1	1	1	1	106	82

40.1 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.

Notes to the Financial Statements

For the year ended December 31, 2022

40.2 Aggregate amount charged in these financial statements for meeting fee to directors was Rupees 3.040 million (2021: Rupees 2.742 million).

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

41. Transactions with related parties

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

Nature of relationship	Nature of transactions		2022	2021
Subsidiary Companies				
Service Global Footwear Limited	Sale of goods	(Rupees in thousand)	140,844	100,205
	Expenses charged	(Rupees in thousand)	235,853	183,712
	Purchase of goods	(Rupees in thousand)	68,244	224,929
	Loans obtained	(Rupees in thousand)	9,886,995	3,008,311
	Loans repaid	(Rupees in thousand)	11,156,097	2,403,500
	Interest expense on borrowings	(Rupees in thousand)	544,882	287,668
	Share under group taxation	(Rupees in thousand)	-	265
	Dividend income	(Rupees in thousand)	735,975	-
	Services rendered	(Rupees in thousand)	118,947	-
Service Industries Capital (Private) Limited	Share under group taxation	(Rupees in thousand)	-	340
	Investment made	(Rupees in thousand)	100,000	-
SIL GULF (FZE)	Investment made	(Rupees in thousand)	7,215	-
	Sale of goods	(Rupees in thousand)	45,014	-
Service Long March Tyres (Private) Limited	Investment made	(Rupees in thousand)	1,079,829	1,502,505
	Service rendered	(Rupees in thousand)	36,000	34,000
	Purchase of goods	(Rupees in thousand)	23,986	-
	Sale of goods	(Rupees in thousand)	522,148	1,699
	Reimbursement of expenses	(Rupees in thousand)	6,826	-
Associated companies / undertakings				
Jomo Technologies (Private) Limited	Sale of goods	(Rupees in thousand)	1,703	44,446
Shahid Arif Investment (Private) Limited	Bonus shares issued	(Number of shares)	-	19,812
	Cash dividend paid	(Rupees in thousand)	297	297
	Bonus shares issued	(Number of shares)	-	22,627
Service Charitable Trust	Cash dividend paid	(Rupees in thousand)	339	339
	Donation made	(Rupees in thousand)	7,922	5,463
	Donation made	(Rupees in thousand)	45,246	33,003
Servis Foundation	Donation made	(Rupees in thousand)	8,581	10,845
Shalamar Hospital	Donation made	(Rupees in thousand)	8,581	10,845

Nature of relationship	Nature of transactions	2022	2021
Post employment benefit plans			
Service Industries Limited Employees			
Gratuity Fund Trust	Company's contribution made (Rupees in thousand)	51,001	36,115
Service Provident Fund Trust	Company's contribution made (Rupees in thousand)	127,925	114,330
	Bonus shares issued (Number of shares)	-	1,090,637
	Cash dividend paid (Rupees in thousand)	16,360	16,360
Directors			
	Cash dividend paid (Rupees in thousand)	155,024	157,791
	Sale of vehicle (Rupees in thousand)	-	766
	Bonus shares issued (Number of shares)	-	10,519,335

41.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in Note 40.

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

Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year ended		Percentage of Shareholding
		2022	2021	
S2 Power Limited	Common Directorship	No	No	48.00%
S2 Hydro Limited	Common Directorship	No	No	48.00%
Speed (Private) Limited	Shareholding	No	No	21.90%
SBL Trading (Private) Limited	Common directorship	No	No	Nil
Service Industries Capital (Private) Limited	Wholly owned subsidiary company	Yes	Yes	100.00%
Service Global Footwear Limited	Subsidiary company	Yes	Yes	79.75%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company)	No	No	60.00%
Service Long March Tyres (Private) Limited	Subsidiary company due to control	Yes	Yes	32.09%
SIL GULF (FZE)	Wholly owned subsidiary company	Yes	No	100.00%
Jomo Technologies (Private) Limited	Common directorship and associate of Service Industries Capital (Private) Limited (subsidiary company)			
Shahid Arif Investment (Private) Limited	Common directorship	Yes	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Servis Foundation	Common directorship	Yes	Yes	Nil

Notes to the Financial Statements

For the year ended December 31, 2022

Name of related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year ended		Percentage of Shareholding
		2022	2021	
Service Charitable Trust	Directors of the Company are Trustees	Yes	Yes	Nil
Shalamar Hospital	Directors of the Company are Trustees	Yes	Yes	Nil
Kidney Centre Gujrat	Directors of the Company are member of Board of Governors	No	No	Nil
Systems Limited	Common directorship	No	No	Nil
Nestle Pakistan Limited	Common directorship	No	No	Nil

41.3 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 of Shareholding
Service Shoes Lanka (Private) Limited	Sri Lanka	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company)	60%
SIL GULF (FZE)	UAE	Wholly owned Subsidiary Company	100%
Dongguan Service Global Limited	China	Subsidiary of Service Global Footwear Limited (subsidiary company)	-

41.3.1 As on 31 December 2022 and 31 December 2021, disclosures relating to subsidiary of Service Industries Capital (Private) Limited - subsidiary company, subsidiary of Service Global Footwear Limited - subsidiary company and subsidiary of the Company incorporated outside Pakistan are as follows:

Particulars	Subsidiary	Sub-subsidiaries	
Name of the company	SIL GULF (FZE)	Service Shoes Lanka (Private) Limited	Dongguan Service Global Limited
Jurisdiction	United Arab Emirates	Sri Lanka	China
Beneficial owner	Service Industries Limited	Service Industries Capital (Private) Limited	Service Global Footwear Limited
Investment made during the year ended 31 December 2022		2017	To be made
Investment in:			
Local currency	PKR 7,215,000	PKR 62,770,000	To be made
Foreign currency	UAE AED 150,000	USD 600,000	To be made
Terms and conditions of investment	Investment in shares of wholly owned subsidiary company	Investment in shares of subsidiary company	To be made
Amount of returns received	None	None	None
Litigation against investee company	None	None	None
Default / breach related to foreign company	None	None	None
Gain / (loss) on disposal of investment	Not applicable	Not applicable	Not applicable

42. Plant Capacity Footwear division

Installed capacity		Actual production	
2022	2021	2022	2021

Number of pairs	4,200,000	4,500,000	4,023,437	3,793,577
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Tyre division

Installed capacity		Actual production	
2022	2021	2022	2021

Number of tyres	23,330,560	20,428,253	11,334,795	15,217,693
Number of tubes	62,614,162	60,092,733	42,885,951	49,603,093

Others

Service genuine parts

Installed capacity		Actual production	
2022	2021	2022	2021

Number of chains	287,671	-	202,830	-
Number of sprockets	230,137	-	35,772	-

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Technical rubber products

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

42.1 Reason for low production

The capacity of the plant was utilized to the extent of orders received. In case of footwear, the deviation in actual production from installed capacity is due to rapidly growing trends as the Company has to change major shoe lines in accordance with the market trends. This involves change in manufacturing operations and product mix which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

43. Financial Risk Management

43.1 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.

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, Pound Sterling (GBP) and Chinese Yuan (CNY). 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:

	2022	2021
Cash at banks - USD	1,394	1,395
Cash at banks - EURO	51,077	11,463
Trade debts - USD	2,392,689	2,174,831
Trade debts - EURO	80,610	64,886
Trade debts - GBP	42,350	5,348
Trade and other payables - USD	(1,638,361)	(2,273,997)
Trade and other payables - EURO	(17,484)	(56,781)
Trade and other payables - CNY	-	(425,466)
Net exposure - USD	755,722	(97,771)
Net exposure - EURO	114,203	19,568
Net exposure - GBP	42,350	5,348
Net exposure - CNY	-	(425,466)

The following significant exchange rates were applied during the period:

	2022	2021
Rupees per US Dollar		
Average rate	204.92	163.26
Reporting date rate	226.40	176.60
Rupees per EURO		
Average rate	213.99	192.73
Reporting date rate	241.45	201.00
Rupees per GBP		
Average rate	250.83	224.26
Reporting date rate	273.02	239.55
Rupees per CNY		
Average rate	30.22	25.31
Reporting date rate	32.53	27.85

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP and CNY with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 9.986 million higher / lower (2021: Rupees 0.572 million lower / higher), mainly as a result of exchange gains / losses (2021: exchange losses / gains) 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:

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Index	Impact on statement of other comprehensive loss (Fair value reserve FVTOCI investment)	Impact on statement of other comprehensive income (Fair value reserve FVTOCI investment)
	2022 Amount Rupees in thousand	2021 Amount Rupees in thousand

PSX (5% increase)	(3,508)	3,998
PSX (5% decrease)	3,508	(3,098)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investment classified as FVTOCI.

(iii) Interest rate risk

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

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

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

	2022 Amount Rupees in thousand	2021 Amount
Fixed rate instruments		
Financial liabilities		
Long term financing	1,831,801	1,565,682
lease liabilities	3,967,990	2,984,950
Short term borrowings	1,816,847	1,851,415
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	66,986	1,903
Short term investment	179,914	155,000
Financial liabilities		
Long term financing	7,484,610	6,252,626
Short term borrowings	9,882,285	7,301,337

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 162.640 million lower / higher (2021: Rupees 127.272 million), mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting the dates were outstanding for the whole year.

(b) Credit risk

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

	2022	2021
	Amount	Amount
	Rupees in thousand	
Long term investment	84,026	91,373
Long term loans to employees	21,096	36,854
Security deposits	324,574	361,959
Trade debts	4,914,679	3,808,763
Loans and advances	9,736	4,320
Other receivables	66,099	26,468
Short term investments	181,615	155,943
Bank balances	1,387,713	685,207
	6,989,538	5,170,887

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:

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	Rating			2022	2021
	Short term	Long term	Agency	Amount	Amount
-----Rupees in thousand-----					
Banks					
Allied Bank Limited	A1+	AAA	PACRA	67,314	7,575
Askari Bank Limited	A1+	AA+	PACRA	11	1,746
Bank Alfalah Limited	A1+	AA+	PACRA	59,418	40,173
Bank AL Habib Limited	A1+	AAA	PACRA	2,663	199
Faysal Bank Limited	A1+	AA	PACRA	149,144	44,598
Habib Bank Limited	A1+	AAA	PACRA	730,934	343,814
MCB Bank Limited	A1+	AAA	PACRA	85,134	61,591
MCB Islamic Bank Limited	A1	A	PACRA	131,100	-
Meezan Bank Limited	A1+	AAA	VIS	8,665	2,161
National Bank of Pakistan	A1+	AAA	PACRA	558	37,387
Samba Bank Limited	A1	AA	VIS	92	68,207
Soneri Bank Limited	A1+	AA-	PACRA	28,446	5,300
Standard Chartered Bank (Pakistan) Limited	A1+	AA-	PACRA	2,028	1,416
Silk Bank Limited	A2	A-	VIS	17	288
United Bank Limited	A1+	AAA	VIS	30,190	70,752
Bank Islami Pakistan Limited	A1	A+	PACRA	2,481	-
JS Bank Limited	A1+	AA-	PACRA	2	-
Industrial and Commercial Bank of China	P1	A1	Moody's	117	-
The Bank of Khyber	A1	A+	PACRA	9	-
The Bank of Punjab	A1+	AA+	PACRA	89,390	-
				1,387,713	685,207
Investments					
TRG Pakistan Limited		Unknown		84,026	91,373
MCB Islamic Bank Limited	A1	A	PACRA	181,615	155,943
				1,653,354	932,523

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.

Trade debts

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained, if any, from these customers to calculate the net exposure towards these customers. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has accordingly adjusted the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows:

	Local sales			Export sales			
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance	
	%	Rupees in thousand		%	Rupees in thousand		
At 31 December 2022							
Not past due	0.00%	0.00%	3,758,809	-	0.00%	239,504	-
Up to 30 days	0.34%	28.08%	26,954	6,009	0.36%	62,980	229
31 to 60 days	3.94%	63.19%	39,744	29,430	4.49%	24,321	1,093
61 to 90 days	11.04%	69.58%	83,122	37,336	9.72%	-	-
91 to 180 days	26.96%	91.74%	111,622	82,292	23.97%	3,424	821
181 to 360 days	43.95%	81.62%	34,751	34,346	37.27%	14,214	5,297
Above 360 days	100.00%	100.00%	119,503	119,503	100.00%	-	-
			4,174,505	308,916		344,443	7,440
Trade debts which are not subject to risk of default			658,622	-	-	53,465	-
Gross Trade debts			4,833,127	308,916	-	397,908	7,440

	Local sales			Export sales		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	Rupees in thousand		%	Rupees in thousand	
At 31 December 2021						
Not past due	0.00%	1,658,765	-	0.00%	120,324	-
Up to 30 days	3.55%	180,580	6,417	0.00%	-	-
31 to 60 days	28.87%	71,354	20,602	0.00%	-	-
61 to 90 days	39.08%	24,080	9,412	0.00%	-	-
91 to 180 days	56.68%	122,051	69,176	0.00%	-	-
181 to 360 days	56.55%	71,024	40,163	0.00%	-	-
Above 360 days	100.00%	120,585	120,584	100.00%	-	-
		2,248,439	266,354		120,324	-
Trade debts which are not subject to risk of default		1,571,165	-		135,189	-
Gross Trade debts		3,819,604	266,354		255,513	-

(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

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committed credit facilities. At 31 December 2022, the Company had Rupees 5,530.868 million (2021: Rupees 6,177.248 million) available borrowing limits and Rupees 1,424.592 million (2021: Rupees 699.296 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 2022:

	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	9,316,411	12,785,874	2,125,139	1,624,073	2,801,169	6,235,493
Long term deposits	1,915	1,915	-	-	-	1,915
Lease liabilities	3,967,990	6,337,191	308,918	333,295	711,605	4,983,373
Trade and other payables	5,180,130	5,180,130	5,180,130	-	-	-
Accrued mark-up	612,873	612,873	612,873	-	-	-
Short term borrowings	11,699,132	12,375,366	12,375,366	-	-	-
Unclaimed dividend	42,030	42,030	42,030	-	-	-
	30,820,481	37,335,379	20,644,456	1,957,368	3,512,774	11,220,781

Contractual maturities of financial liabilities as at 31 December 2021:

	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	7,818,308	9,597,197	968,558	1,362,236	2,117,468	5,148,935
Long term deposits	1,440	1,440	-	-	-	1,440
Lease liabilities	2,984,950	4,396,392	207,141	227,767	485,349	3,476,135
Trade and other payables	4,465,385	4,465,385	4,465,385	-	-	-
Accrued mark-up	262,097	262,097	262,097	-	-	-
Short term borrowings	9,152,752	8,648,488	8,648,488	-	-	-
Unclaimed dividend	39,343	39,343	39,343	-	-	-
	24,724,275	27,410,342	14,591,012	1,590,003	2,602,817	8,626,510

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

43.2 Financial instruments by categories

Assets as per statement of financial position

	2022		2021	
	FVTOCI	Amortized cost	FVTOCI	Amortized cost
	-----Rupees in thousand-----			
Long term investments	84,026	-	91,373	-
Long term loans to employees	-	21,096	-	36,854
Security deposits	-	324,574	-	361,959
Trade debts	-	4,914,679	-	3,808,763
Loans and advances	-	9,736	-	4,320
Other receivables	-	66,099	-	26,468
Short term investments	-	181,615	-	155,943
Cash and bank balances	-	1,424,592	-	699,296
	84,026	6,942,391	91,373	5,093,603

2022	2021
At amortized cost	

-----Rupees in thousand-----

Liabilities as per statement of financial position

Long term financing	9,316,411	7,818,308
Long term deposits	1,915	1,440
Lease liabilities	3,967,990	2,984,950
Trade and other payables	5,180,130	4,465,385
Accrued mark-up	612,873	262,097
Short term borrowings	11,699,132	9,152,752
Unclaimed dividend	42,030	39,343
	30,820,481	24,724,275

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43.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:

	2022		
	Financial assets	Non-financial assets	Assets as per statement of financial position
	-----Rupees in thousand-----		
Long term investments	84,026	7,903,925	7,987,951
Long term loans to employees	13,422	-	13,422
Long term security deposits	188,810	-	188,810
Trade debts	4,914,679	-	4,914,679
Loans and advances	28,493	666,816	695,309
Trade deposits and prepayments	135,764	101,070	236,834
Other receivables	66,099	138,968	205,067
Short term investments	181,615	-	181,615
Cash and bank balances	1,424,592	-	1,424,592
	7,037,500	8,810,779	15,848,279

	2022		
	Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position
	-----Rupees in thousand-----		
Long term financing	9,316,411	-	9,316,411
Long term deposits	1,915	-	1,915
Lease liabilities	3,967,990	-	3,967,990
Trade and other payables	5,180,130	1,179,076	6,359,206
Accrued mark-up	612,873	-	612,873
Short term borrowings	11,699,132	-	11,699,132
Unclaimed dividend	42,030	-	42,030
	30,820,481	1,179,076	31,999,557

	2021		
	Financial assets	Non-financial assets	Assets as per statement of financial position
	-----Rupees in thousand-----		
Long term investments	91,373	6,688,293	6,779,666
Long term loans to employees	27,416	-	27,416
Long term security deposits	137,956	-	137,956
Trade debts	3,808,763	-	3,808,763
Loans and advances	20,539	551,648	572,187
Trade deposits and prepayments	224,003	96,837	320,840
Other receivables	26,468	239,008	265,476
Short term investments	155,943	-	155,943
Cash and bank balances	699,296	-	699,296
	5,191,757	7,575,786	12,767,543

	2021		
	Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position
	-----Rupees in thousand-----		
Long term financing	7,818,308	-	7,818,308
Long term deposits	1,440	-	1,440
Lease liabilities	2,984,950	-	2,984,950
Trade and other payables	4,465,385	659,037	5,124,422
Accrued mark-up	262,097	-	262,097
Short term borrowings	9,152,752	-	9,152,752
Unclaimed dividend	39,343	-	39,343
	24,724,275	659,037	25,383,312

43.4 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.

43.5 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

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monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 5 and note 12 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'.

		2022	2021
Borrowings	Rupees in thousand	21,015,543	16,971,060
Total equity	Rupees in thousand	7,271,421	7,308,181
Total capital	Rupees in thousand	28,286,964	24,279,241
Gearing ratio	Percentage	74.29%	69.90%

Increase in gearing is due to increase in borrowings of the Company.

44. UNUTILIZED CREDIT FACILITIES

	Non- funded		Funded	
	2022	2021	2022	2021
	-----Rupees in thousand -----			
Total facilities	13,645,000	12,030,000	17,230,000	15,330,000
Utilized at the end of the year	(4,287,783)	(4,638,500)	(11,699,132)	(9,152,752)
Unutilized at the end of the year	9,357,217	7,391,500	5,530,868	6,177,248

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

Recurring fair value measurements At 31 December 2022	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

-----Rupees in thousand -----

Financial asset				
Financial asset at fair value through other comprehensive income	84,026	-	-	84,026
Total financial assets	84,026	-	-	84,026

Recurring fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

-----Rupees in thousand -----

Financial asset				
Financial asset at fair value through other comprehensive income	91,373	-	-	91,373
Total financial assets	91,373	-	-	91,373

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 recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

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

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 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 and tubes.

Others: Manufacturing of different qualities of rubber products on specifications and trading and manufacturing of spare parts of automobiles.

Footwear		Tyre		Others		Total - Company	
2022	2021	2022	2021	2022	2021	2022	2021

-----Rupees in thousand -----

Sales	10,948,813	7,243,132	28,244,658	22,194,550	3,406,010	3,287,242	42,599,481	32,724,924
Profit/(loss) before taxation and unallocated								
Income and expenses	415,342	(192,482)	2,987,717	2,108,771	224,464	366,927	3,627,523	2,283,216
Unallocated income and expenses							(2,651,502)	(1,712,374)
Taxation							(621,594)	(214,016)
Profit after taxation							354,427	356,826

46.1 Reconciliation of reportable segment assets and liabilities

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Footwear		Tyre		Others		Total - Company	
2022	2021	2022	2021	2022	2021	2022	2021

-----Rupees in thousand-----

Total assets for reportable segment	10,991,281	8,215,216	16,283,976	15,263,194	2,232,004	772,998	29,507,261	24,251,408
Unallocated assets							10,742,532	9,093,533
Total assets as per statement of financial position							40,249,792	33,344,941
Unallocated liabilities							32,978,371	26,036,760
Total liabilities as per statement of financial position							32,978,371	26,036,760

46.2 Geographical information

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

Europe	1,053,267	642,703	603,511	781,623	1,267	1,077	1,658,045	1,425,403
South America	-	-	1,124,734	1,076,197	-	-	1,124,734	1,076,197
Central America	-	-	7,926	2,826	-	-	7,926	2,826
North America	217,268	144,624	58,305	3,559	-	-	275,573	148,183
Asia	485,693	432,360	1,596,035	857,509	-	-	2,081,728	1,289,869
Australia	14,160	12,447	-	-	-	-	14,160	12,447
Africa	24,401	-	71,877	46,796	-	-	96,278	46,796
Pakistan	9,154,024	6,003,736	24,782,270	19,426,040	3,404,743	3,286,165	37,341,037	28,715,941
Duty Drawback	-	7,262	-	-	-	-	-	7,262
	10,948,813	7,243,132	28,244,658	22,194,550	3,406,010	3,287,242	42,599,481	32,724,924

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

46.4 Revenue from major customers

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

47. PROVIDENT FUND RELATED DISCLOSURES

Employees provident fund of Service Industries Limited in the name of Service Provident Fund Trust is 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.

	2022	2021
48. NUMBER OF EMPLOYEES		
Number of employees as at 31 December	8,481	8,505
Average number of employees during the year	8,493	8,338

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 2022 of Rupees 5 per share (i.e. 50%) at their meeting held on March 30, 2023. 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.

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 30, 2023 by the Board of Directors of the Company.

51. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

52. General

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)



Consolidated Financial Statements

Group Directors' Report

to the Shareholders

The Directors take pleasure in presenting their Report along with the Consolidated Financial Statements of the Service Industries Limited and its subsidiaries for the year ended December 31, 2022.

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 partially owned subsidiary of Service Industries Limited, Service Long March Tyres (Private) Limited, partially owned subsidiary of Service Industries Limited, Service Shoes Lanka (Private) Limited, a partially owned subsidiary company of Service Industries Capital (Private) Limited, SIL Gulf FZE, a wholly owned subsidiary of Service Industries Limited and Dongguan Service Global Limited, subsidiary company of Service Global Footwear Limited.

Service Industries Limited

The Director Report providing a commentary on the performance of Service Industries Limited for the year ended December 31, 2022 has been presented separately. Service Industries Limited has annexed its Consolidated Financial Statements along with its Separate Financial Statements, in accordance with the requirements of International Financial Reporting Standards and Companies Act 2017.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is wholly owned subsidiary of the Service Industries Limited. Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 (now the Companies Act 2017) in Pakistan as a company limited by shares on November 10, 2015. The registered office of Service Industries Capital (Private) Limited is situated at Servis 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. Service Industries Limited has 79.75% (2021: 80%) equity stake in Service Global Footwear Limited. The Director Report providing a commentary on the performance of Service Global Footwear Limited for the year ended December 31, 2022 has been presented in its separate annual report.

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited is a Private Limited Company incorporated in Pakistan on January 07, 2020 under Companies Act, 2017 (XIX of 2017). The registered office of the Company is situated at Servis House, 2-Main Gulberg, Lahore. The principal line of business of the Company is to carry on the business of manufacturing, sale, marketing, import and export of all steel radial truck and bus tyres. The shareholding of Service Industries Limited in Service Long March Tyres (Private) Limited is 32.09% (2021:32.09%) and shareholding of Service Global Footwear Limited in Service Long March Tyres (Private) Limited is 18.91% (2021: 18.91%).

The Company and Service Global Footwear Limited - subsidiary company collectively hold 51% of the ordinary shares of Service Long March Tyres (Private) Limited and controls the composition of the board of Service Long March Tyres (Private) 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.

SIL Gulf FZE

SIL Gulf FZE, a wholly owned subsidiary of Service Industries Limited, is incorporated in United Arab Emirates under the applicable corporate regulatory requirements of the jurisdiction. The principal object of the Company is to engage in selling of tyre and allied products.

Dongguan Service Global Limited

Dongguan Service Global Limited is a limited liability company (wholly owned by foreign legal person) registered with Dongguan Administration of Market Regulations, China. Date of incorporation of Dongguan Service Global Limited is 18 December 2022. Business scope of Dongguan Service Global Limited is wholesale of shoes and hats, sales of leather products, sales of needle textiles and raw materials, wholesale of hardware products, sales of bags, sales of daily necessities, inspection of clothing and apparel, finishing services, technical services and other related matters. Commercial address of Dongguan Service Global Limited is Room 302, No. 18, Houjie Town, Dongguan

City, Guangdong Province, China. Subsidiary Company shall own 100% shares of Dongguan Service Global Limited. However, Service Global Footwear Limited – Subsidiary Company has not yet remitted funds into the bank account of Dongguan Service Global Limited against the shares subscribed and expects to make investment in shares of Dongguan Service Global Limited shortly.

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.

For and on Behalf of the Board



Arif Saeed
Chief Executive



Omar Saeed
Director

March 30, 2023
Lahore

Independent Auditor's Report

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 2022, 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 2022, 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 2022 are un-audited 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 285.489 million as at 31 December 2022 and total turnover and net loss of Rupees 383.627 million and Rupees 189.686 million respectively for the year ended 31 December 2022 pertaining to the aforesaid Subsidiary Company have been classified as a disposal group held for sale and a discontinued operation without incorporating adjustments necessary to give effect to uniform accounting policies adopted by the Group and disclosures required under the provisions of and directives issued under the Companies Act, 2017 and accounting and reporting standards as applicable in Pakistan.

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition The Group recognized net revenue of Rupees 61,669 million from continuing operations for the year ended 31 December 2022.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue recognition note 2.23 to the consolidated financial statements. - Revenue - net note 31 to the consolidated financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • We also considered the appropriateness of disclosures in the financial statements.
2	<p>Stock-in-trade As at 31 December 2022, stock-in-trade (other than grouped under assets held for sale) amounted to Rupees 19,481 million.</p> <p>Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 26.56% of total assets of the Group as at 31 December 2022, and the judgment involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Stock-in-trade note 2.20 to the consolidated financial statements. - Stock-in-trade note 22 to the consolidated financial statements. 	<p>Our audit procedures to assess the existence and valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete;

		<ul style="list-style-type: none"> Assessing accuracy of inventory ageing reports and adequacy of provisions; In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.
3	<p>Capital expenditures</p> <p>The Group is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Group's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Group and there is significant management judgment required that has significant impact on the reporting of the financial position for the Group. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> Summary of significant accounting policies, Property, plant, equipment and deprecation note 2.9 to the consolidated financial statements. Fixed assets note 15 to the consolidated financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature; We evaluated the appropriateness of capitalization policies and depreciation rates; We performed tests of details on costs capitalized; We verified the accuracy of management's calculation used for the impairment testing.

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 classify Service Shoes Lanka (Private) Limited (Subsidiary Company) as a disposal group held for sale and a discontinued operation based on audited financial statements prepared on the basis of uniform accounting policies adopted by the Group and disclosures required under the provisions of and directives issued under the Companies Act, 2017 and accounting and reporting standards as applicable in Pakistan. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: March 31, 2023

UDIN: AR202210158jG276cFpq

Consolidated Statement of Financial Position

As at December 31, 2022

	Note	2022 Amount	2021 Amount
		Rupees in thousand	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
100,000,000 (2021: 100,000,000)			
Ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, Subscribed and Paid -up share capital	3	469,874	469,874
Reserves	4	8,248,530	9,220,402
Equity attributable to equity holders of the Holding Company		8,718,404	9,690,276
Non-controlling interest		6,580,739	5,663,630
Total Equity		15,299,143	15,353,906
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	13,387,147	11,395,994
Long term deposits	6	1,915	1,440
Lease liabilities	7	3,721,780	2,817,034
Employees' retirement benefit	8	371,850	297,612
Deferred liabilities	9	2,369,499	2,252,771
		19,852,191	16,764,851
CURRENT LIABILITIES			
Trade and other payables	10	9,939,781	7,554,758
Accrued mark-up	11	1,139,189	296,284
Short term borrowings	12	23,436,108	12,458,263
Current portion of non-current liabilities	13	3,060,938	2,127,597
Unclaimed dividend		46,880	39,343
		37,622,896	22,476,245
Liabilities directly associated with the assets held for sale	39	582,594	-
Total liabilities		58,057,681	39,241,096
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		73,356,824	54,595,002

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



Arif Saeed
(Chief Executive)

	Note	2022 Amount Rupees in thousand	2021 Amount
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	32,852,198	26,534,730
Right-of-use assets	16	3,386,718	2,642,560
Intangible assets	17	9,376	43,602
Long term investments	18	626,612	597,268
Long term loans to employees	19	35,600	45,704
Long term security deposits	20	199,382	149,472
		37,109,886	30,013,336
CURRENT ASSETS			
Stores, spares and loose tools	21	682,046	367,266
Stock-in-trade	22	19,480,754	11,622,051
Trade debts	23	8,582,194	4,468,249
Loans and advances	24	1,730,019	915,549
Trade deposits and prepayments	25	274,158	330,531
Other receivables	26	2,148,055	1,157,736
Advance income tax - net of provision for taxation	27	821,400	943,976
Accrued interest	28	17,609	26,931
Short term investments	29	181,615	155,943
Cash and bank balances	30	2,043,598	4,593,434
		35,961,448	24,581,666
Assets held for sale	39	285,490	-
		36,246,938	24,581,666
TOTAL ASSETS		73,356,824	54,595,002



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	Note	2022 Amount Rupees in thousand	2021 Amount
Continuing operations			
Revenue - net	31	61,668,669	39,385,032
Cost of sales	32	(51,406,625)	(32,911,184)
Gross profit		10,262,044	6,473,848
Distribution cost	33	(4,321,758)	(2,872,120)
Administrative expenses	34	(2,387,286)	(1,717,542)
Other expenses	35	(387,385)	(147,594)
		(7,096,429)	(4,737,256)
		3,165,615	1,736,592
Other income	36	831,105	943,055
Profit from operations		3,996,720	2,679,647
Finance cost	37	(4,013,679)	(1,524,966)
		(16,959)	1,154,681
Share of profit / (loss) of equity accounted investees - net of taxation		7,580	(15,898)
(Loss) / profit before taxation		(9,379)	1,138,783
Taxation	38	(1,157,143)	(433,194)
(Loss) / profit after taxation from continuing operations		(1,166,522)	705,589
Discontinued operations			
Loss after taxation for the year from discontinued operations	39	(58,296)	(120,855)
(Loss) / profit after taxation		(1,224,818)	584,734
Share of (loss) / profit attributable to:			
Equity holders of the holding company		(637,131)	534,617
Non-controlling interest		(587,687)	50,117
		(1,224,818)	584,734
(Loss) / earnings per share - basic and diluted (rupees)	40	(13.56)	11.38
(Loss) / earnings per share from continuing operations - basic and diluted (rupees)	40	(12.82)	12.92

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)




Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
(Loss) / profit after taxation	(1,224,818)	584,734
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
(Deficit) / surplus arising on remeasurement of investment at fair value through other comprehensive income - net of tax	(9,106)	31,177
Remeasurements of employees' retirement benefit obligation - net of tax	(46,535)	(11,500)
Share of remeasurement of retirement benefit of associate - net of tax	(74)	(1)
	(55,715)	19,676
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	94,819	(15,240)
Exchange difference on translation of goodwill	-	1,387
	94,819	(13,853)
Other comprehensive income for the year	39,104	5,823
Total comprehensive (loss) / income for the year	(1,185,714)	590,557
Share of total comprehensive (loss) / income attributable to:		
Equity holders of the holding company	(632,000)	546,834
Non-controlling interest	(553,714)	43,723
	(1,185,714)	590,557

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)


Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Changes in Equity


For the year ended December 31, 2022

	Attributable to the Equity Holders of the Holding Company											Shareholders' equity	Non-controlling interest	TOTAL EQUITY							
	Capital reserves			Revenue reserves				Total Reserves		Share of employees' share compensation reserve held by equity accounted investee	Share options reserve				Reserve pursuant to the Scheme	Exchange translation reserve	Share of share premium reserve held by equity accounted investee	Share premium	Fair value reserve FVOCI investment	Capital gains	Share Capital
	Share Capital	Capital gains	Fair value reserve FVOCI investment	Share premium	Share of share premium reserve held by equity accounted investee	Exchange translation reserve	Reserve pursuant to the Scheme	Share options reserve	Share of employees' share compensation reserve held by equity accounted investee												
Balance as at 31 December 2020	234,937	102,730	69,360	21,217	44,395	4,871	927,163	-	1,169,736	1,558,208	5,424,644	6,982,852	8,152,588	8,387,525	1,451,499	9,839,024					
Transactions with owners:																					
Final dividend for the year ended 31 December 2020 @ Rupees 15 per share																					
Issue of bonus shares for the year ended 31 December 2020 @ 100%	234,937																				
Share premium on initial public offer of Service Global Footwear Limited - Subsidiary Company			1,335,419						1,335,419				1,335,419	1,335,419	333,855	1,669,274					
Recognition of share options reserve	234,937			1,335,419			14,978		1,350,397				14,978	14,978	3,745	18,723					
Adjustment due to equity accounted investee company								256	256				256	256		256					
Transfer of gain on disposal of FVOCI investment to retained earnings			(35,539)						(35,539)		35,539										
Transfer to non-controlling interest											(242,330)		(242,330)	(242,330)	242,330						
Non-controlling interest on investment in subsidiary companies																					
Profit for the year									23,420		534,617		534,617	534,617	50,117	584,734					
Other comprehensive income for the year			31,177			(7,757)			23,420		(11,203)		12,217	12,217	(6,394)	5,823					
									23,420		523,414		546,834	546,834	43,723	590,557					
Balance as at 31 December 2021	469,874	102,730	64,998	1,356,636	44,395	(2,886)	927,163	14,978	256	2,508,270	1,558,208	6,712,132	9,220,402	9,690,276	5,663,630	15,353,906					
Transactions with owners:																					
Final dividend for the year ended 31 December 2021 @ Rupees 7.50 per share																					
Final dividend relating to year 2021 paid to non-controlling interest @ Rupees 2 per share																					
Adjustment due to Employees Stock Option Scheme				14,978				(14,978)							(81,775)	(81,775)					
Interim dividend relating to year 2022 paid to non-controlling interest @ Rupees 2.5 per share															(103,843)	(103,843)					
Recognition of share options reserve								19,962		19,962			19,962	19,962	5,069	25,031					
Adjustment due to equity accounted investee company																					
Adjustment due to deemed disposal of equity accounted investee																					
Transfer to non-controlling interest																					
Non-controlling interest on investment in subsidiary companies																					
Loss for the year									78	78			78	78		78					
Other comprehensive income for the year			(9,106)						(27)	(27)	27										
Total comprehensive loss for the year			(9,106)						(3,386)	(3,386)	(4,120)		(7,506)	(7,506)	7,506						
Adjustment due to equity accounted investee company																					
Loss for the year																					
Other comprehensive income for the year																					
Total comprehensive loss for the year																					
Balance as at 31 December 2022	469,874	102,730	55,892	1,368,228	44,395	54,568	927,163	19,962	307	2,573,245	1,558,208	4,117,077	5,675,285	8,248,530	6,580,739	15,279,143					

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Note	2022 Amount Rupees in thousand	2021 Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	41	(6,591,656)	206,828
Finance cost paid		(2,682,797)	(902,760)
Income tax paid		(935,325)	(771,768)
Workers' profit participation fund paid		(68,300)	(65,104)
Workers' welfare fund paid		(16,265)	(40,385)
Employees' retirement benefit paid		(41,922)	(27,418)
Long term loans to employees - net		9,635	(27,891)
Insurance claim received against loss of assets due to fire and business interruption		1,021,301	-
Security deposits - net		35,186	(47,677)
Net cash used in operating activities		(9,270,143)	(1,676,175)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(8,332,972)	(17,839,936)
Intangible assets acquired		(7,320)	(3,927)
Long term investment made		-	(40,000)
Proceeds from sale of long term investment		-	40,500
Loans given to associates		(100,000)	(70,000)
Loans repaid by associates		-	90,000
Return on bank deposits, term deposit receipts and loans to associate received		158,701	210,405
Proceeds from sale of operating fixed assets		8,508	12,660
Insurance claim received against loss on fixed assets due to fire		20,966	-
Short term investment made		(24,914)	(155,943)
Net cash used in investing activities		(8,277,031)	(17,756,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		4,588,504	11,942,580
Repayment of long term financing		(1,723,793)	(1,431,297)
Repayment of lease liabilities		(166,948)	(161,682)
Long term deposits - net		475	(300)
Short term borrowings - net		11,093,199	4,589,432
Share capital issued to non-controlling interest		1,643,866	3,569,375
Share deposit money received from non-controlling interest		-	19,103
Share premium - net received		-	1,669,274
Dividend paid		(530,487)	(350,960)
Net cash from financing activities		14,904,816	19,845,525
Effects of exchange rate changes on cash and cash equivalents		94,819	(15,240)
Net (decrease) / increase in cash and cash equivalents		(2,547,539)	397,869
Cash and cash equivalents at the beginning of the year		4,593,434	4,195,565
Cash and cash equivalents at the end of the year	41.3	2,045,895	4,593,434

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


Arif Saeed
(Chief Executive)


Omar Saeed
(Director)


Badar Ul Hassan
(Chief Financial Officer)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1 THE GROUP AND ITS OPERATIONS

1.1 The Group consists of:

Holding Company

- Service Industries Limited

Subsidiary Companies

- Service Global Footwear Limited
- Service Industries Capital (Private) Limited
- Service Shoes Lanka (Private) Limited
- Service Long March Tyres (Private) Limited
- SIL GULF (FZE)
- Dongguan Service Global Limited

(a) Service Industries Limited

Service Industries Limited was incorporated as a private limited company on 20 March 1957 in Pakistan under the repealed 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
Muridke factory	Mouza Chak No. 25/UCC, Tehsil Muridke, District Sheikhpura

Retail outlets

Lahore 1	Servis, Airport Road, Opposite Honda Point Shop, Lahore
Lahore 2	Servis, Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore
Lahore 3	Servis, 23, Hunza Block, Allama Iqbal Town, Lahore
Lahore 4	Servis, 136 Jahnzaib Block, Allama Iqbal Town, Lahore
Lahore 5	Servis, 17-A, Main G.T. Road, Baghbanpura, Lahore
Lahore 6	Servis, Batapur, Attoke Awan, Lahore Cantt., Lahore
Lahore 7	Servis, Plot-170, Block H, Phase 1, DHA, Lahore
Lahore 8	Servis, Plot-133, Block Y, Phase 3, DHA, Lahore
Lahore 9	Servis, B-3, M.A. Johar Town, Lahore
Lahore 10	Servis, 23-Karim Block, Allama Iqbal Town, Lahore
Lahore 11	Servis, Opposite Raja Sahib, Model Town Link Road, Lahore
Lahore 12	Servis, Near Urban Sole, Mall Road, Lahore
Lahore 13	Servis, Shop No. 1, Dinga Singh Building, 46 - Mall Road, Lahore
Lahore 14	Servis, Main Multan Road, Maraka, Lahore
Lahore 15	Servis, R-2, M.M. Alam Road, Gulberg II, Lahore
Lahore 16	Servis, Tufail Road, Saddar Gol Chakkar, Lahore Cantt., Lahore
Lahore 17	Servis, 683, Main Road, Shadbagh, Lahore

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Lahore 18	Servis, SE-3R-107, Shalimar Link Road, Lahore
Lahore 19	Servis, Canal Bank Road, Tajbagh Scheme, Lahore
Lahore 20	Servis, Plot-12, Block 8, Sector B-1, Madina Market, Township, Lahore
Lahore 21	Servis, 2-G, PIA Employees Cooperative Housing Society, Lahore
Karachi 1	Servis, Plot No. G-21/23, Block 8, Clifton, Karachi
Karachi 2	Servis, C-282, Gulshan-e-Hadeed, Phase 1 & 2, Extension Bin Qasim, Karachi
Karachi 3	Servis, B-61, Block H, Sector 2, North Nazimabad, Karachi
Karachi 4	Servis, Liaqatabad No. 10, Karachi
Karachi 5	Servis, Block 21, Shop No. LG-13, Lucky One Mall, Main Rashid Minhas Road, Opposite UBL, Sports Complex, Karachi
Karachi 6	Servis, Asia Pacific Trade Center, Rashid Minhas Road, Gulistan-e-Jauhar, Karachi
Multan 1	Servis, Zain Tower, 10-A, Gulshat Colony, Multan
Multan 2	Servis, Gardezi Market Near Jalal Masjid Chowk, Gulgasht Colony, Multan
Multan 3	Servis, Plot-12, Block Y, Street-100, Multan
Multan 4	Servis, 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt., Multan
Multan 5	Servis, Ghani Bukhari Road, Multan Cantt., Multan
Multan 6	Servis, Bosan Road, Shalimar Colony, Mall of Multan, Multan
Multan 7	Servis, Near Telephone Exchange, Mumtazabad, Multan
Multan 8	Servis, 979-C, Main Market Mumtazabad, Multan
Multan 9	Servis, Nishter Chowk, Multan
Islamabad 1	Servis, 104 Aabpara Market, International Market, Khayaban-e-Soharwardi Road, Islamabad
Islamabad 2	Servis, Awami Trade Center, G-9, Islamabad
Islamabad 3	Servis, Shop No. 3-4, LG Floor, Giga Mall, Islamabad
Islamabad 4	Servis, 11-C, Main PWD, Islamabad
Islamabad 5	Servis, 2-D, PWD Scheme, Islamabad
Abbotabad 1	Servis, Mansehra Road, Near Khan Motors, Abbottaabad
Abbotabad 2	Servis, RK Plaza Opposite, Al Syed Hospital, Main Mansehra Road, Abbottabad
Rawalpindi 1	Servis, Airport Road, Gulzar-e-Quaid, Rawalpindi
Rawalpindi 2	Servis, Plaza 99, Wallayat Complex, Bahria Expressway, Rawalpindi
Rawalpindi 3	Servis, 154, Street Service Avenue, Phase 7, Bahria Town, Rawalpindi
Rawalpindi 4	Servis, 67 & 67-A, Bank Road, Rawalpindi
Rawalpindi 5	Servis, Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi
Rawalpindi 6	Servis, Tench Bhatta Bazar, Rawalpindi
Arifwala 1	Servis, Bahawalnagar Road, Arifwala
Arifwala 2	Servis, Thana Bazar, Arifwala
Attock	Servis, Naseem Mart, Kamrah Road, Attock
Bahawalnagar	Servis, Plot-6, Block No. 20, City Chowk, Bahawalnagar
Bahawalpur 1	Servis, Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur
Bahawalpur 2	Servis, Railway Road, Bahawalpur
Bannu	Servis, Railway Road, Bannu
Bhakkar	Servis, Darya Khan Road, Bhakkar
Bhalwal	Servis, Liaqat Shaheed Road, Bhalwal
Burewala 1	Servis, Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Burewala 2	Servis, Khewat No. 152-190/362, Chak No. 439, 95-C Block, City Gate, Multan Road, Burewala
Chakwal	Servis, Al Fateh Plaza, Talagang Road, Near GPO, Chakwal
Charsadda	Servis, Nowshera Road, Charsadda
Chichawatni	Servis, Sultan Plaza, Khatoni No. 1197, Naya Bazar, Chichawatni
Chistian	Servis, Main Bazar, Chistian
D.G. Khan 1	Servis, Saddar Bazar, D.G. Khan
D.G. Khan 2	Servis, Block 13, Jaampur Road, D.G. Khan
D.G. Khan 3	Servis, Bank Road, Opposite Clive Shoe Store, D.G. Khan
Daska 1	Servis, College Road, Near Borjan, Daska
Daska 2	Servis, College Road, Opposite Irfan Plaza, Daska
Deepalpur	Servis, Pakpattan Chowk, Deepalpur
Faisalabad 1	Servis, Harian Wala Chowk, D-Ground, Faisalabad
Faisalabad 2	Servis, Gulberg, Faisalabad
Faisalabad 3	Servis, Jhang Road, Faisalabad
Faisalabad 4	Servis, Kohinoor Plaza, Faisalabad
Faisalabad 5	Servis, Shop No. 1407, Street No. 20, Bilal Chowk, Samanabad, Faisalabad
Faisalabad 6	Servis, Satyana Road, Near Mcdonalds, Faisalabad
Faisalabad 7	Servis, 584-B, Chen One Road, Peoples Colony 1, Faisalabad
Faisalabad 8	Servis, Susan Road, Faisalabad
Faisalabad 9	Servis, Shop No. 30, Misaq-ul-Mall, Sheikhpura Road, Faisalabad
Muridke	Servis, Fair Price Shop, 10-km, Sheikhpura Road, Near Servis Factory, Muridke
Gojra	Servis, Plot No.88, Quaid-e-Azam Road, Mehdi Shah Bazar, Gojra
Gujranwala 1	Servis, 400-C, College Chowk, Main Market, Satellite Town, Gujranwala
Gujranwala 2	Servis, 751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala
Gujranwala 3	Servis, Gujranwala Kings Mall, Adjacent to Borjan Shoes, Gujranwala
Gujrat 1	Servis, Hassan Chowk, Kacheri Road, Gujrat
Gujrat 2	Servis, Kacheri Chowk, Kot Road, Gujrat
Gujrat 3	Servis, Gulzar-e-Madina Road, Ramtalai Chowk, Gujrat
Gujrat 4	Servis, Fair Price Shop, Near Servis Factory, G.T Road, Gujrat
Hafizabad	Servis, Vanike Tarar Road, Near Jamia Masjid Al-Qadeem, Hafizabad
Haripur	Servis, Plot No. 20, Mouza Pandak, Haripur
Haroonabad	Servis, Baldya Road, Opposite ECS Store, Haroonabad
Hyderabad 1	Servis, D-1 & D-4, Block D, Autobahn Road, Hyderabad
Hyderabad 2	Servis, Main Jamshoro Road, Hyderabad
Hyderabad 3	Servis, Garrison Complex, Next to J., Hyderabad
Jauharabad	Servis, 155, Block 20, Mandi Town, Jauharabad
Jhelum	Servis, Commercial Plaza, Civil Line Road, Jhelum
Jhang 1	Servis, Fawara Chowk, Jhang
Jhang 2	Servis, Yousaf Shah Road, Jhang
Kasur 1	Servis, Shahbaz Khan Road, Opposite The Bank of Punjab, Kasur
Kasur 2	Servis, Chandani Chowk, Railway Road, Kasur
Khairpur	Servis, 483-A, Mall Road, Khairpur
Khanewal	Servis, Plot No. 6-7, Block 12, Jamia Masjid Road, Khanewal

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Kharian	Servis, Main G.T. Road, Near Stylo Shoes, Kharian
Kohat	Servis, Rehman Plaza, Kacheri Road, Kohat
Layyah	Servis, Chobara Road, Layyah
Mandi Bahauddin 1	Servis, Kacheri Road, Mandi Bahauddin
Mandi Bahauddin 2	Servis, Opposite Al-Asar Mall, Jail Road, Mandi Bahauddin
Mandi Bahauddin 3	Servis, Kacheri Road, Near HBL, Mandi Bahauddin
Mansehra	Servis, Paracha Plaza, Shahrah-e-Resham, Mansehra
Mardan 1	Servis, Opposite Railway Station, Newshehra Road, Mardan
Mardan 2	Servis, Bank Road, Opposite UBL, Mardan
Mian Channu	Servis, Plot No. 11, Nishtar Road, Mian Channu
Mianwali	Servis, High School Road, Fahad Plaza, Mianwali
Mirpurkhas	Servis, Hyderabad Road, Near Telenor Franchise, Mirpur Khas
Murree	Servis, Mall Road Near Bundu Khan, Murree
Muzaffarabad	Servis, Al-Raheem Plaza, Neelam Road, Lower Plate, Muzaffarabad, Azad Kashmir
Muzaffargarh	Servis, Multan Road, Muzaffargarh
Narowal	Servis, Bypass Chowk, Circular Road, Narowal
Nawabshah	Servis, Gol Chakr Road, Shaheed Benazirabad, Nawabshah
Okara 1	Servis, B1-2R/169, M.A. Jinnah Road, Okara
Okara 2	Servis, Kacheri Bazar, Okara
Pattoki	Servis, Brand Way Mall Bypass Opposite Punjab College, Pattoki
Peshawar 1	Servis, University Road, Peshawar
Peshawar 2	Servis, Shop No. 454-455, Saddar Road, Peshawar
Peshawar 3	Servis, 17-C, Saddar Road, Peshawar Cantt., Peshawar
Peshawar 4	Servis, 1451, University Road, Peshawar
Peshawar 5	Servis, The Ficus 2 Plaza, Near Northwest Institute, Ring Road, Peshawar
Peshawar 6	Servis, Main Saddar, Near Waheed Sons, Saddar Cantt., Peshawar
Peshawar 7	Servis, Nasapa, Charsadda Road, Peshawar
Rahim Yar Khan 1	Servis, Shahi Road, Rahim Yar Khan
Rahim Yar Khan 2	Servis, 5/A, Al-Hamra Road, Model Town, Rahim Yar Khan
Rahim Yar Khan 3	Servis, 27, New Sadiq Bazar, Rahim Yar Khan
Rahwali	Servis, G.T. Road, Opposite Siddique Family Hospital, Rahwali Cantt.
Sadiqabad	Servis, Ammam Din Plaza, Club Road Near Sadiq Club, Sadiqabad
Sahiwal 1	Servis, Near Metro Shoes, Girls College Road, Sahiwal
Sahiwal 2	Servis, High Street, Sahiwal
Sargodha 1	Servis, City Tower, City Road, Sargodha
Sargodha 2	Servis, 03-Jinnah Park, University Road, Sargodha
Sheikhupura	Servis, Batti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhupura
Sialkot Cantt.	Servis, Allama Iqbal Road, Near Toba Masjid, Sialkot Cantt., Sialkot
Sialkot 1	Servis, Railway Road, Drama Wala Chowk, Hassanpura, Sialkot
Swabi	Servis, Main Jhangira Road, Dara Lar, Swabi
Swat 1	Servis, G.T. Road, Near City Center, Qambar Swat
Swat 2	Servis, Kanju Chowk, Airport Road, Swat
Tandu Adam	Servis, A/134, Ward A, Survey No. 543/221, Tandu Adam

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

Offices, Manufacturing units, Retail outlets and Warehouses		Addresses
Vehari 2		Servis, Ludden Road, Vehari
Vehari 3		Servis, Jinnah Road, Vehari
Wah Cantt.		Servis, B-68, SVY No. 36, Lala Rukh, Wah Cantt.
Wazirabad		Servis, Opposite Telephone Exchange, Sialkot Road, Wazirabad
WAREHOUSES		
Lahore		19-A, Main Ravi Road, Near Kasurpura Stop, Yadgar, Lahore
Lahore		2.5 Km, Manga Raiwind Road, 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 Mahal Road, Near City School, Bahawalpur

(b) 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 and got listed on 28 April 2021. The shares of the company are quoted on Pakistan Stock Exchange. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is subsidiary of Service Industries Limited. Ownership interest held by non - controlling interest in Service Global Footwear Limited – Subsidiary Company is 20.25% (2021 : 20%). Geographical location and addresses of all business units are as follows:

Offices, Manufacturing unit, and Factory outlet	Addresses
Registered office and Head office	Servis House, 2 – Main Gulberg, Lahore
Factory site	10 - KM, Muridke – Sheikhupura Road, Lahore
Freehold land	Hadbast Manga Otari, Raiwind, Lahore
Factory outlet	10 - KM, Muridke – Sheikhupura Road, Lahore

(c) 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.

(d) Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited was incorporated as a private limited company on 07 January 2020 in Pakistan under the Companies Act, 2017. Its registered office is situated at Servis House, 2 – Main Gulberg, Lahore and its factory site is located at Sindh Industrial Trading Estates Area, Nooriabad District, Jamshoro. The principal activities of the Company are to carry on business of manufacturing, sale, marketing, import and export of all steel radial truck, bus, light truck and off the road tyres. It is a subsidiary of Service Industries Limited. Ownership interest held by non-controlling interest in Service Long March Tyres (Private) Limited – Subsidiary Company is 52.83% (2021: 52.78%).

(e) 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 Wickrama 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% (2021: 40%).

(f) SIL GULF (FZE)

SIL GULF (FZE) is registered as a Free Zone Establishment with limited liability in Sharjah International Airport Free (SAIF) Zone with licence No. 22182 on 25 February 2021, under SAIF Zone. The registered office address of the Company is SAIF office Q1 - 05 - 081/A, Sharjah, United Arab Emirates. The principal activities of the Company are trading of the tyres and rims, car tyres and outfit, ready-made garments, hand bags and leather products, tanned leather, textile and rubber, professional health and safety and tools. It is wholly owned subsidiary of Service Industries Limited.

(g) Dongguan Service Global Limited

Dongguan Service Global Limited is a limited liability company (wholly owned by foreign legal person) registered with Dongguan Administration of Market Regulations, China. Date of incorporation of Dongguan Service Global Limited is 18 December 2022. Business scope of Dongguan Service Global Limited is wholesale of shoes and hats, sales of leather products, sales of needle textiles and raw materials, wholesale of hardware products, sales of bags, sales of daily necessities, inspection of clothing and apparel, finishing services, technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion, import and export of goods, technology import and export (except for projects subject to approval according to law, independently carry out business activities according to law with a business license). Commercial address of Dongguan Service Global Limited is Room 302, No. 18, Houjie Town, Dongguan City, Guangdong Province, China. The capital of Dongguan Service Global Limited is USD 1,250,000. Service Global Footwear Limited - Subsidiary Company shall own 100% shares of Dongguan Service Global Limited. However, Service Global Footwear Limited - Subsidiary Company has not yet remitted funds into the bank account of Dongguan Service Global Limited against the shares subscribed and expects to make investment in shares of Dongguan Service Global Limited shortly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation**a) Statement of compliance**

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

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

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

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

i) Useful lives, patterns of economic benefits and impairments

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

ii) Inventories

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realizable value and an allowance is recorded against the inventory balances for any such declines.

iii) Income tax

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

iv) Contingencies

The Group reviews the status of all pending litigations and claims against the Group. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the consolidated statement of financial position date.

v) Provisions

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

vi) 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.

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

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

viii) Revenue from contracts with customers involving sale of goods

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

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

Following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 January 2022:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021;
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use;
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements';

- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases';
- 'Reference to the Conceptual Framework (Amendments to IFRS 3)' published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'

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

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

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2022 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.

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

Following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their consolidated financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their consolidated financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

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

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 01 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 01 January 2024.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Notes to the Consolidated Financial Statements

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The above amendments and improvements are likely to have no significant impact on the consolidated financial statements.

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

There are other standards and amendments to published approved standards that are mandatory for accounting periods beginning on or after 01 January 2023 but are considered not to be relevant or do not have any significant impact on the Group's financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

a) Subsidiaries

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

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

Intragroup balances and transactions have been eliminated.

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

b) Associates

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

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

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

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

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

c) Translations of the financial statements of foreign subsidiary

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

2.3 Functional and presentation currency

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

2.4 Foreign currency transactions and translation

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

2.5 Employees' retirement benefits

i) Contributory provident fund

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

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

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

ii) Defined benefit plan

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in consolidated other comprehensive income. Service Industries Limited – Holding Company and Service Global Footwear Limited – Subsidiary Company determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the 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

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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 and SIL GULF (FZE) – Subsidiary Companies**

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 year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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

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

Deferred

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

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

2.7 **Borrowings**

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

2.8 **Borrowing costs**

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

2.9 **Property plant and equipment**

Operating fixed asset

Fixed assets except freehold land 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 is 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 Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of profit or loss during the period in which they are incurred.

Depreciation

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

De-recognition

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

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

2.10 Right-of-use assets

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

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

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

2.11 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of respective Group companies. 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

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corresponding right-of-use asset, or to consolidated statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.12 Intangible assets

Intangible assets other than goodwill

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

Goodwill

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

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

2.13 Ijarah transactions

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

2.14 Investments and other financial assets

a) Classification

The Group 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 Group's business model for managing the financial assets and the contractual terms of the cash flows.

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss (FVTPL)

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.15 Financial liabilities - classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified

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

2.16 Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVTOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.17 De-recognition of financial assets and liabilities

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 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.

2.18 Offsetting of financial instruments

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

2.19 Impairment of non-financial assets

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

2.20 Inventories

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

Stores, spares and loose tools

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

Stock-in-trade

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

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

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

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

2.21 Trade and other payables

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

2.22 Trade debts and other receivables

Trade debts are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

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

2.23 Revenue recognition

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.

Processing services

The Group provides processing services to local customers. These services are sold separately and the Group's contract with the customer for services constitute a single performance obligation.

Revenue from services is recognized at the point in time, generally at the time of dispatch. There are no terms giving rise to variable consideration under the Group's contracts with its customers.

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.

Dividend

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

2.24 Contract assets

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

2.25 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.

2.26 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.

2.27 Derivative financial instruments

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the consolidated statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the consolidated statement of profit or loss.

2.28 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.

2.29 Contract liabilities

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

2.30 Refund liabilities

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

2.31 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.

2.32 Warranty obligations

The Group recognises the estimated liability, on an accrual basis, to replace products under warranty at the reporting date, and recognises the estimated product warranty costs in the consolidated statement of profit or loss when the sale is recognised.

2.33 Provisions

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

2.34 Earnings per share

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

2.35 Contingent assets

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

2.36 Contingent liabilities

Contingent liability is disclosed when the Group has a possible obligation as a result of past events whose existence will only be

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

2.37 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.

2.38 Government grants

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

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

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

2.39 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 Group's chief operating decision makers 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 operating decision makers 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 Others (Manufacturing of different qualities of rubber products on specifications and trading and manufacturing of spare parts of automobiles).

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

2.40 Employees' share options scheme

Service Global Footwear Limited – Subsidiary Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board of Directors of Service Global Footwear Limited – Subsidiary Company evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specific period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Service Global Footwear Limited – Subsidiary Company's shares at a price determined on the date of grant of options.

At the grant date of share options to the employees, respective Group company initially recognizes employee compensation expense with corresponding credit to equity as employee share options reserve at the fair value of option at the grant date. The fair value of option determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

2.41 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.

2.42 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3. Issued, Subscribed and Paid-Up Share Capital

	2022	2021	2022	2021
	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	43,804,264	43,804,264	438,042	438,042
	46,987,454	46,987,454	469,874	469,874

3.1 Movement during the year

	2022	2021	2022	2021
	Number of shares		Rupees in thousand	
At 01 January	46,987,454	23,493,727	469,874	234,937
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	-	23,493,727	-	234,937
At 31 December	46,987,454	46,987,454	469,874	469,874

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

	2022	2021
	Number of shares	
3.3 Ordinary shares of the Holding Company held by associated company / associated undertaking:		
Shahid Arif Investments (Private) Limited - associated company	39,624	39,624
Service Charitable Trust	45,254	45,254
Service Provident Fund Trust	2,181,274	2,181,274

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2022 2021
Rupees in thousand

4. RESERVES

Composition of reserves is as follows:

Capital reserves

Capital gains		102,730	102,730
Fair value reserve FVTOCI investment	(Note 4.1)	55,892	64,998
Share premium	(Note 4.2)	1,368,228	1,356,636
Share of share premium reserve held by equity accounted investee		44,395	44,395
Exchange translation reserve		54,568	(2,886)
Reserve pursuant to the Scheme of Compromises, Arrangement and Reconstruction between the Holding Company and Service Global Footwear Limited		927,163	927,163
Share options reserve	(Note 4.3)	19,962	14,978
Share of employees' share compensation reserve held by equity accounted investee		307	256
		2,573,245	2,508,270

Revenue reserves

General reserve		1,558,208	1,558,208
Unappropriated profit		4,117,077	5,153,924
		5,675,285	6,712,132
		8,248,530	9,220,402

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

Balance at 01 January	74,284	69,360
Fair value adjustment during the year	(7,347)	40,463
Transfer of gain on disposal of FVTOCI investment to retained earnings	-	(35,539)
	66,937	74,284
Deferred income tax liability	(11,045)	(9,286)
Balance at 31 December	55,892	64,998

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

4.3 Share options reserve

4.3.1 Description of scheme:

Employees Stock Option Scheme, 2020 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 25 November 2020 which comprises of an entitlement pool of 4.350 million shares. Under the scheme, share options of the Service Global Footwear Limited - Subsidiary Company are granted to business head, vice president operations, vice president innovation and product strategy and employees of level MG 3 and above. The exercise period for options granted under the scheme shall be six months of the completion of respective vesting period. Details of the scheme are as follows:

Option grant year	Number of options	Vesting period	Exercise price
2020	1,500,000	01 January 2021 to 31 December 2021	10
2021	712,500	01 January 2022 to 31 December 2025	25
2022	712,500	01 January 2023 to 31 December 2026	30
2023	712,500	01 January 2024 to 31 December 2027	36
2024	712,500	01 January 2025 to 31 December 2028	44

According to the Employees Stock Option Scheme, if in anyone year, the full number of options are not granted, then the un-granted options maybe carried forward to the subsequent years. During the year, compensation committee granted 848,000 (2021: 650,000) options out of total 1,500,000 options from grant year 2020 and remaining 2,000 options will be granted in subsequent years. No option has been granted out of 712,500 options from grant year 2021 and will be granted in subsequent years.

	2022	2021
	Rupees in thousand	
4.3.2 Movement in employee's share option reserve:		
Balance at 01 January	18,723	-
Recognized during the year at the fair value	25,031	18,723
Less: Transferred to share premium	(18,723)	-
Balance at 31 December	25,031	18,723
4.3.2.1 Share of employees' share option reserve attributable to:		
Equity holders of Holding Company	19,962	14,978
Non-Controlling Interest	5,069	3,745
	25,031	18,723

4.3.3 Movement in share options outstanding at end of the year is as follows:

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2022		2021	
	Number of options	WAEP (Rupees)	Number of options	WAEP (Rupees)
Outstanding at the beginning of the year	650,000	10	-	-
Add: Options granted during the year	848,000	10	650,000	10
Less: Options exercised during the year	(650,000)	10	-	-
Outstanding at 31 December	848,000	10	650,000	10
Exercisable at the end of the year	848,000	-	650,000	-

4.3.4 Exercise price for options outstanding at the end of the year is Rupees 10.

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4.3.5 Measurement of fair value

The fair value of the employee share options has been measured using the Black-Scholes pricing model.

The inputs used in the measurement of the fair value at grant date of the equity-settled share-based payment plans were as follows:

		2022	2021
Fair value at grant date	Rupees	29.5180	28.8042
Share price at grant date	Rupees	47.00	38.00
Exercise price	Rupees	10.00	10.00
Expected volatility	%	15.96%	21.00%
Expected life	Years	1.00	1.00
Expected dividend	%	20%	-
Risk-free interest rate	%	10.75%	8.41%

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

2022 2021
Rupees in thousand

5. LONG TERM FINANCING

From banking companies - secured

Long term loans	(Note 5.1)	13,409,837	11,001,720
Long term musharaka	(Note 5.2)	2,251,440	1,902,011
		15,661,277	12,903,731
Current portion shown under current liabilities	(Note 13)		
Long term loans		(2,190,121)	(1,439,816)
Long term musharaka		(84,009)	(67,921)
		(2,274,130)	(1,507,737)
		13,387,147	11,395,994

5.1 Long term loans

Service Industries Limited - Holding Company

LENDER	2022		2021		RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand		Rupees in thousand						
Allied Bank Limited (Note 5.3)	90,000	180,000	180,000	180,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 20 June 2018 and ending on 20 December 2023.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	250,000	250,000	250,000	250,000	6-month KIBOR + 0.15%	Seven unequal instalments commenced on 29 January 2020 and ending on 29 June 2025.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	109,166 16,303 125,469	123,219 19,001 142,220	123,219 19,001 142,220	123,219 19,001 142,220	SBP rate for LTF + 0.25% 6-month KIBOR + 0.25%	Three hundred and twenty nine unequal instalments commenced on 21 May 2019 and ending on 29 August 2030.	Quarterly Quarterly	Quarterly Quarterly	First joint pari passu charge of Rupees 1,282 million over plant and machinery of the Holding Company and ranking charge of Rupees 667 million over plant and machinery of the Holding Company.
Allied Bank Limited (Note 5.4)	-	537,516	537,516	537,516	SBP rate for refinancing scheme for payment of salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 27 February 2021 and ended on 27 November 2022.	-	Quarterly	
Allied Bank Limited	401,125	401,125	401,125	401,125	3-month KIBOR + 0.25%	Twenty equal quarterly instalments commencing on 1 March 2023 and ending on 1 December 2027.	Quarterly	Quarterly	
Allied Bank Limited	97,329	-	-	-	3-month KIBOR + 0.25%	Ten equal quarterly instalments commencing on 21 December 2023 and ending on 21 March 2026.	Quarterly	Quarterly	
MCB Bank Limited (Note 5.3)	50,000	100,000	100,000	100,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2023.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	320,000	400,000	400,000	400,000	6-month KIBOR + 0.14%	Ten equal half yearly instalments commenced on 30 December 2018 and ending on 30 June 2024.	Half yearly	Half yearly	
MCB Bank Limited (Note 5.3)	250,000	300,000	300,000	300,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commenced on 27 June 2019 and ending on 27 December 2024.	Half yearly Half yearly	Half yearly Half yearly	First joint pari passu charge of Rupees 3,241 million over plant and machinery of the Holding Company with 25% margin and ranking charge of Rupees 767 million over land and building of the Holding Company with 25% margin.
MCB Bank Limited	600,000	800,000	800,000	800,000	6-month KIBOR + 0.25%	Ten equal half yearly instalments commenced on 11 June 2021 and ending on 11 December 2025.	Half yearly	Half yearly	
MCB Bank Limited	575,000	575,000	575,000	575,000	6-month KIBOR + 0.10%	Ten equal half yearly instalments commencing on 29 May 2023 and ending on 29 November 2027.	Half yearly	Half yearly	
Habib Bank Limited (Note 5.3)	8,163	9,684	9,684	9,684	SBP rate for LTF + 0.50%	One hundred and sixty unequal instalments commenced on 12 December 2019 and ending on 30 April 2028.	-	Quarterly	
Habib Bank Limited (Note 5.3)	88,171	146,953	146,953	146,953	SBP rate for LTF + 0.50%	Sixteen equal quarterly instalments commenced on 22 December 2019 and ending on 22 June 2024.	-	Quarterly	
Habib Bank Limited (Note 5.5)	987,535	433,176	433,176	433,176	SBP rate for TERF + 1%	Thirty-three unequal instalments commencing on 20 April 2023 and ending on 20 April 2031.	-	Half yearly	
Habib Bank Limited	1,350,000	517,500	517,500	517,500	6-month KIBOR + 0.20%	Eleven unequal instalments commenced on 26 August 2022 and ending on 26 February 2027.	Half yearly	Half yearly	
Pakistan Kuwait Investment Company (Private) Limited	1,000,000	-	-	-	6-month KIBOR + 1%	Ten equal half yearly instalments commencing on 15 March 2023 and ending on 15 September 2027.	Half yearly	Half yearly	First joint pari passu charge of Rupees 2,000 million on plant and machinery of the Holding Company with 25% margin.
Pakistan Kuwait Investment Company (Private) Limited	84,853	-	-	-	3-month KIBOR + 1%	Sixty four unequal instalments commencing on 28 February 2023 and ending on 23 December 2027.	Quarterly	Quarterly	

Service Global Footwear Limited - Subsidiary Company

LENDER	2022		2021		RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand		Rupees in thousand						
Habib Bank Limited	80,460 149,306 229,766	95,334 -	95,334	-	SBP rate for LTF + 0.50% 6-months KIBOR + 0.50%	Three hundred and nine unequal instalments commenced on 22 June 2019 and ending on 08 August 2028. Thirty three unequal instalments commencing on 16 April 2024 and ending on 16 April 2032.	Semi annually	Quarterly	First joint pari passu hypothecation charge of Rupees 788 million and ranking charge of Rupees 600 million on plant and machinery of Service Global Footwear Limited - Subsidiary Company with 25% margin.
Habib Bank Limited	40,776	49,359	49,359	49,359	SBP rate for LTF + 0.50%	Thirty nine equal quarterly instalments commenced on 6 January 2018 and ending on 6 July 2027.	-	Quarterly	
Allied Bank Limited	43,834 12,357 56,191	49,684 14,080 63,764	49,684	14,080	SBP rate for LTF + 0.25% 3-months KIBOR + 0.25%	Three hundred and thirty-four unequal instalments commenced on 23 July 2020 and ending on 16 July 2031.	Quarterly	Quarterly	First joint pari passu hypothecation charge of Rupees 196.500 million on plant and machinery of Service Global Footwear Limited - Subsidiary Company and exclusive charge of Rupees 466.667 million on land and building of Service Global Footwear Limited - Subsidiary Company with 25% margin.
Allied Bank Limited (Note 5.3)	75,081	85,013	85,013	85,013	SBP rate for LTF + 0.25%	One hundred and seventy-nine unequal instalments commenced on 21 April 2021 and ending on 29 October 2030.	-	Quarterly	
Allied Bank Limited (Note 5.4)	-	104,021	104,021	104,021	SBP rate for refinance scheme for payment of salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 6 February 2021 and ended on 6 November 2022.	-	Quarterly	

Service Long March Tyres (Private) Limited - Subsidiary Company

LENDER	2022		2021		RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand		Rupees in thousand						
Allied Bank Limited (Note 5.5)	1,434,799	1,354,731	1,354,731	1,354,731	SBP rate for TEF + 0.50%	Thirty two unequal quarterly instalments commencing on 25 February 2023 and ending on 25 February 2031.	-	Quarterly	First joint pari passu charge of Rupees 2,667 million on all present and future fixed assets of the Service Long March Tyres (Private) Limited - Subsidiary Company inclusive of 25% margin and corporate guarantee of Rupees 2,000 million of Service Industries Limited - Holding Company.
Bank Alfalah limited (Note 5.5)	732,492	566,090	566,090	566,090	SBP rate for TEF + 0.75%	Thirty two unequal quarterly instalments commencing on 15 May 2023 and ending on 15 February 2031.	-	Quarterly	First joint pari passu charge of Rupees 1,334 million on all present and future fixed assets of the Service Long March Tyres (Private) Limited - Subsidiary Company inclusive of 25% margin and corporate guarantee of Rupees 1,000 million of Service Industries Limited - Holding Company.
MCB Bank Limited (Note 5.5)	709,419	667,607	667,607	667,607	SBP rate for TEF + 0.50%	Sixty four unequal half yearly instalments commencing on 02 July 2023 and ending on 27 April 2031.	-	Quarterly	First joint pari passu charge of Rupees 1,334 million on all present and future fixed assets of the Service Long March Tyres (Private) Limited - Subsidiary Company inclusive of 25% margin and corporate guarantee of Rupees 1,000 million of Service Industries Limited - Holding Company.
Habib Bank Limited (Note 5.5)	2,353,668	2,222,627	2,222,627	2,222,627	SBP rate for TEF + 0.50%	Thirty two unequal quarterly instalments commencing on 15 May 2023 and ending on 15 February 2031.	-	Quarterly	First joint pari passu charge of Rupees 4,000 million on all building, plant and machinery of the Service Long March Tyres (Private) Limited - Subsidiary Company inclusive of 25% margin and corporate guarantee of Rupees 3,000 million of Service Industries Limited - Holding Company.
MCB Bank Limited	1,500,000	1,000,000	1,000,000	1,000,000	3-months KIBOR - 0.50%	Six equal instalments of principal amount on semi annual basis commencing on 29 September 2023 and ending on 29 September 2026	Quarterly	Quarterly	First joint pari passu charge of Rupees 3,333 million on all present and future fixed assets of the Service Long March Tyres (Private) Limited - Subsidiary Company inclusive of 25% margin.
	13,409,837	11,001,720							

5.2 Long term musharaka Service Industries Limited - Holding Company

LENDER	2022	2021	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Meezan Bank Limited (Note 5.3)	150,000	210,000	6-month KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 December 2019 and ending on 18 May 2025.	Half yearly	Half yearly	Exclusive charge of Rupees 365.578 million over plant and machinery of the Holding Company with 15% margin and first joint pari passu charge of Rupees 134 million over plant and machinery of the Holding Company with 25% margin.
Meezan Bank Limited	52,831	51,332	SBP rate for Islamic financing facility for renewable energy + 1.00%	Seventy eight unequal instalments commenced on 03 August 2021 and ending on 21 May 2028.	-	Quarterly	
Faysal Bank Limited (Note 5.6)	326,699	263,802	SBP rate for ITERF + 0.75%	Thirty-three unequal instalments commenced on 10 June 2023 and ending on 10 June 2031.	-	Quarterly	First joint pari passu charge of Rupees 667 million over plant and machinery of the Holding Company with 25% margin.
Bank of Punjab (Note 5.6)	259,236	-	SBP rate for ITERF + 0.60%	Ninety six unequal instalments commenced on 04 July 2023 and ending on 20 September 2032.	-	Half yearly	Exclusive charge of Rupees 667 million over plant and machinery of the Holding Company with 25% margin.
	2,251,440	1,902,011					

Service Long March Tyres (Private) Limited -Subsidiary Company

LENDER	2022	2021	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Faysal Bank Limited (Note 5.6)	1,462,674	1,376,877	SBP rate for ITERF + 0.50%	Thirty three unequal quarterly instalments commenced on 08 February 2023 and ending on 08 February 2031.	-	Quarterly	First joint pari passu charge of Rupees 2,667 million on all present and future fixed assets of the Service Long March Tyres (Private) Limited - Subsidiary Company inclusive of 25% margin and corporate guarantee of Rupees 2,000 million of Service Industries Limited - Holding Company.
	2,251,440	1,902,011					

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

5.4 These loans were obtained by the Holding Company and Service Global Footwear Limited - Subsidiary Company under SBP Refinance Scheme for payment of wages and salaries to workers. These were recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment was recognized at discount rates ranging from 7.71% to 7.87% per annum.

5.5 These loans are obtained by the Holding Company and Service Long March Tyres (Private) Limited - Subsidiary Company under SBP Temporary Economic Refinance Facility (TERF). These are recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rates ranging from 7.98% to 14.34% per annum.

5.6 These loans are obtained by the Holding Company and Service Long March Tyres (Private) Limited - Subsidiary Company under SBP Islamic Temporary Economic Refinance Facility (ITERF). These are recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rates ranging from 8.01% to 17.11% per annum.

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6. 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.

		2022 Amount	2021 Amount
Rupees in thousand			
7. LEASE LIABILITIES			
Total lease liabilities	(Note 7.1)	3,967,990	2,984,950
Current portion shown under current liabilities	(Note 13)	(246,210)	(167,916)
		3,721,780	2,817,034

7.1 Reconciliation of lease liabilities:

Balance at 01 January		2,984,950	1,854,699
Additions during the year		1,226,155	1,609,496
Interest on lease liabilities	(Note 37)	360,941	227,142
Impact of lease modifications / termination		(76,167)	(317,563)
Payments made during the year		(527,889)	(388,824)
Balance at 31 December		3,967,990	2,984,950

7.2 Maturity analysis of lease liabilities is as follows:

Upto 6 months		308,918	207,141
6-12 months		333,295	227,767
1-2 year		711,605	485,349
More than 2 years		4,983,373	3,476,135
		6,337,191	4,396,392
Less: Future finance cost		(2,369,201)	(1,411,442)
Present value of lease liabilities		3,967,990	2,984,950

7.3 Implicit rates against lease liabilities range from 8.05% to 18.08% (2021: 8.05% to 12.83%) per annum.

8. EMPLOYEES' RETIREMENT BENEFIT

Service Shoes Lanka (Private) Limited - Subsidiary Company	(Note 8.1)	-	7,027
Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company	(Note 8.2)	371,850	290,585
		371,850	297,612

8.1 Defined benefit obligation of Service Shoes Lanka (Private) Limited - Subsidiary Company resulting from employees services is not calculated on the basis of actuarial valuation as required by IAS 19 'Employee Benefits (Note 39.3).

8.2 Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company

The latest actuarial valuation of the Fund as at 31 December 2022 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

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

		2022 Amount	2021 Amount
Rupees in thousand			
Present value of defined benefit obligations		469,540	396,912
Fair value of plan assets		(97,690)	(106,327)
Net defined benefit obligation		371,850	290,585

	2022 Amount	2021 Amount
	Rupees in thousand	
8.4 Movement in the present value of net defined benefit obligation		
Net liability at 01 January	290,585	252,719
Current service cost	33,399	30,212
Past service cost	7,735	-
Net interest on defined benefit obligation	31,894	23,324
Net remeasurements for the year	46,535	11,500
Contributions made during the year	(38,298)	(27,170)
Net liability at 31 December	371,850	290,585
8.5 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at 01 January	396,912	351,912
Current service cost	33,399	30,212
Past service cost	7,735	-
Interest cost	44,387	32,995
Benefits paid during the year	(38,298)	(27,170)
Benefits due but not paid	-	185
Remeasurements on obligation:		
Actuarial losses from changes in financial assumptions	2,214	1,466
Experience adjustments	23,191	7,312
Present value of defined benefit obligation at 31 December	469,540	396,912
8.6 Movement in the fair value of the plan assets		
Fair value of plan assets at 01 January	106,327	99,193
Interest income on plan assets	12,493	9,671
Contributions made during the year	38,298	27,170
Benefits paid during the year	(38,298)	(27,170)
Benefits due but not paid reversed	-	185
Remeasurements on fair value of plan assets	(21,130)	(2,722)
Fair value of plan assets at 31 December	97,690	106,327
8.6.1 The major categories of total plan assets of the Fund are as follows:		
Mutual funds	96,810	102,711
Bank balances	880	3,616
Total plan assets	97,690	106,327

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	2022 Amount	2021 Amount
	Rupees in thousand	
8.7 Amounts recognized in the consolidated statement of profit or loss		
Current service cost	33,399	30,212
Past service cost	7,735	-
Interest cost	44,387	32,995
Interest income on plan assets	(12,493)	(9,671)
Net expense charged in the consolidated statement of profit or loss	73,028	53,536

8.8 Charge for the year has been allocated as follows:

Cost of sales	(Note 32)	38,353	25,764
Distribution cost	(Note 33)	15,325	15,468
Administrative expenses	(Note 34)	19,350	12,304
		73,028	53,536

8.9 Remeasurements charged to consolidated statement of comprehensive income

Experience adjustments	23,191	7,312
Return on plan assets excluding interest income	21,130	2,722
Actuarial losses from changes in financial assumptions	2,214	1,466
Total remeasurements charged to consolidated statement of comprehensive income	46,535	11,500

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

	2022	2021	2020	2019	2018
	-----Rupees in thousand-----				
Present value of defined benefit obligation	469,540	396,912	351,912	301,421	262,604
Fair value of the plan assets	(97,690)	(106,327)	(99,193)	(89,196)	(82,158)
Deficit in the plan	371,850	290,585	252,719	212,225	180,446
Remeasurement loss / (gain) on obligation	25,405	8,778	4,160	(16,713)	17,171
Remeasurement (loss) / gain on plan assets	(21,130)	(2,722)	148	(5,059)	(10,099)
	2022	2021			

8.11 Principal actuarial assumptions used:

Discount rate used for interest cost	% per annum	11.75	9.75
Discount rate used for year end obligation	% per annum	14.50	11.75
Expected rate of salary increase	% per annum	13.50	10.75

8.12 Sensitivity analysis for actuarial assumptions:

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

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees in thousand	
Discount rate	100	431,574	506,174
Future salary increase	100	506,667	430,549

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

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

8.14 The average duration of the benefit obligation is 6 to 9 years.

8.15 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
-----Rupees in thousand -----					
25,787	58,647	208,259	429,940	5,419,009	6,141,642

8.16 Estimated charge to consolidated statement of profit or loss for the year ending on 31 December 2023 will be Rupees 88.513 million.

		2022 Amount	2021 Amount
Rupees in thousand			
9. Deferred Liabilities			
Deferred income - Government grant	(Note 9.1)	2,124,037	2,105,330
Provision for Gas Infrastructure Development Cess (GIDC)	(Note 9.2)	-	-
Deferred income tax liability - net	(Note 9.3)	245,462	147,441
		2,369,499	2,252,771

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Amount	Amount
	Rupees in thousand	
9.1 Deferred income - Government grant		
Balance at 01 January	2,535,625	90,705
Recognized during the year	603,396	2,842,188
Amortized during the year	(Note 36) (496,230)	(397,268)
	2,642,791	2,535,625
Current portion shown under current liabilities	(Note 13) (518,754)	(430,295)
	2,124,037	2,105,330

The State Bank of Pakistan (SBP), through its Circular No. 01 and 02 of 2020 dated 17 March 2020 and Circular No. 09 of 2020 dated 08 May 2020 introduced a Temporary Economic Refinance Facility (TERF) and Islamic Temporary Economic Refinance Facility (ITERF) for setting of new industrial units and for undertaking Balancing, Modernization and Replacement and / or expansion of projects / businesses and through Circular No. 06 of 2020 dated 10 April 2020 introduced a Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns. These refinances were available through Banks / DFIs. One of the key feature of these refinance facilities was that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance', the benefit of a Government loan at a below-market rate of interest is treated as a Government grant. The Group obtained these loans as disclosed in note 5 to the consolidated financial statements. In accordance with IFRS 9 'Financial Instruments', loans obtained under the refinance facilities were initially recognized at fair value which is the present value of loans proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the consolidated statement of profit or loss, in line with the recognition of interest expense the grant is compensating. There are no unfulfilled conditions or contingencies attached to this grant.

	2022	2021
	Amount	Amount
	Rupees in thousand	
9.2 Gas Infrastructure Development Cess (GIDC) Payable		
Provision for GIDC at 31 December	21,649	20,649
Adjustment due to impact of IFRS 9	(Note 37) 195	1,000
Current portion shown under current liabilities	(Note 13) (21,844)	(21,649)
	-	-

9.2.1 This represents Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. During the year ended 31 December 2020, Honourable Supreme Court of Pakistan upheld the GIDC Act, 2015 to be constitutional and intra vires. The Holding Company has filed a review petition in Honourable Lahore High Court, Lahore which is pending adjudication. GIDC payable has been recognized at amortized cost in accordance with IFRS 9.

	2022 Amount	2021 Amount
	Rupees in thousand	
9.3 Deferred income tax liability - net		
The deferred income tax liability originated due to timing differences relating to:		
Taxable temporary differences:		
Accelerated tax depreciation	1,095,665	595,387
Investment in associate	58,587	43,361
Fair value reserve FVTOCI investment	11,045	9,286
Right-of-use assets	983,503	613,074
Others - Service Shoes Lanka (Private) Limited - Subsidiary Company (Note 39.3)	-	2,979
	2,148,800	1,264,087
Deductible temporary differences		
Allowance for expected credit losses	(91,870)	(61,794)
Provision for doubtful advances to suppliers	(1,626)	-
Provision for slow moving and obsolete stores	(9,187)	(6,735)
Provision for slow moving and obsolete stock-in-trade	(15,406)	(10,968)
Lease liabilities	(1,152,304)	(692,508)
Available unused tax loss - unabsorbed tax depreciation	(11,108)	-
Minimum tax carry forward	(621,837)	(344,641)
	(1,903,338)	(1,116,646)
Deferred income tax liability - net	245,462	147,441

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

9.3.1 Movement in deferred income tax balances during the year is as follows:

	2022				Closing balance
	Opening balance	Recognised in consolidated statement of profit or loss	Recognised in consolidated statement of comprehensive income	Liability directly associated with the assets held for sale	
-----Rupees in thousand-----					
Accelerated tax depreciation	595,387	500,278	-	-	1,095,665
Investment in associate	43,361	15,226	-	-	58,587
Fair value reserve FVTOCI investment	9,286	-	1,759	-	11,045
Right-of-use assets	613,074	370,429	-	-	983,503
Allowance for expected credit losses	(61,794)	(30,076)	-	-	(91,870)
Provision for doubtful advances to suppliers	-	(1,626)	-	-	(1,626)
Provision for slow moving and obsolete stores	(6,735)	(2,452)	-	-	(9,187)
Provision for slow moving and obsolete stock-in-trade	(10,968)	(4,438)	-	-	(15,406)
Lease liabilities	(692,508)	(459,796)	-	-	(1,152,304)
Others - Service Shoes Lanka (Private) Limited - Subsidiary Company (Note 39.3)	2,979	-	-	(2,979)	-
Available unused tax loss - Unabsorbed tax depreciation	-	(11,108)	-	-	(11,108)
Minimum tax carry forward:					
Available	(664,786)	(383,758)	-	-	(1,048,544)
Movement in deferred income tax not recognized	320,145	106,562	-	-	426,707
Deferred income tax recognized	(344,641)	(277,196)	-	-	(621,837)
	147,441	99,241	1,759	(2,979)	245,462

	2021			Closing balance
	Opening balance	Recognised in consolidated statement of profit or loss	Recognised in consolidated statement of comprehensive income	
-----Rupees in thousand -----				
Accelerated tax depreciation	591,423	3,964	-	595,387
Investment in associate	34,806	8,555	-	43,361
Fair value reserve FVTOCI investment	-	-	9,286	9,286
Right-of-use assets	-	613,074	-	613,074
Allowance for expected credit losses	(63,793)	1,999	-	(61,794)
Provision for slow moving and obsolete stores	(6,281)	(454)	-	(6,735)
Provision for slow moving and obsolete stock-in-trade	(15,394)	4,426	-	(10,968)
Lease liabilities	-	(692,508)	-	(692,508)
Others - Service Shoes Lanka (Private) Limited - Subsidiary Company	111	2,868	-	2,979
Minimum tax carry forward:				
Available	(208,050)	(456,736)	-	(664,786)
Movement in deferred income tax not recognized	-	320,145	-	320,145
Deferred income tax recognized	(208,050)	(136,591)	-	(344,641)
	332,822	(194,667)	9,286	147,441

9.3.2 Deferred income tax asset has been recognised to the extent that the realization of related tax benefits is probable from future taxable profits. It is probable that sufficient taxable profits will be available for utilization of recognized deferred income tax asset. Detail of available unused tax loss and minimum tax carried forward is given as follows:

	Accounting year to which tax loss relates	Amount	Accounting year in which tax loss will expire
Rupees in thousand			
Available unused tax loss - Unabsorbed tax depreciation	2022	38,303	Unlimited
	Accounting year to which the minimum tax carry forward relates	Amount of minimum tax carry forward	Accounting year in which minimum tax carry forward will expire
Rupees in thousand			
Minimum tax carry forward	2022	456,707	2025
	2021	288,414	2026
	2019	188,262	2024
	2018	115,161	2023
		1,048,544	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Amount	Amount
	Rupees in thousand	
10. TRADE AND OTHER PAYABLES		
Trade creditors	6,020,183	4,482,422
Accrued liabilities	2,040,928	1,547,951
Letters of credit	375,195	424,853
Contract liabilities - unsecured	1,057,171	710,045
Provident fund payable	89,054	55,160
Provision for service warranties	37,434	37,198
Workers' profit participation fund (Note 10.1)	978	4,724
Workers' welfare fund (Note 10.2)	46,647	50,167
Fair value of forward exchange contracts	9,425	-
Sales tax payable	183,045	-
Income tax deducted at source	64,543	13,599
Payable against purchase of freehold land and building thereon	-	215,704
Others	15,178	12,935
	9,939,781	7,554,758
10.1 Workers' profit participation fund		
Balance at 01 January	4,724	26,252
Interest for the year (Note 37)	1,500	1,250
Provision for the year (Note 35)	63,054	42,326
	69,278	69,828
Payments made during the year	(68,300)	(65,104)
Balance at 31 December	978	4,724
10.2 Workers' welfare fund		
Balance at 01 January	50,167	71,293
Provision for the year (Note 35)	12,745	19,259
	62,912	90,552
Payments during the year	(16,265)	(40,385)
Balance at 31 December	46,647	50,167
11. ACCRUED MARK-UP		
Long term financing	332,621	116,569
Short term borrowings	806,568	179,715
	1,139,189	296,284

		2022	2021
		Amount	Amount
Rupees in thousand			
12. SHORT TERM BORROWINGS			
From banking companies - secured			
Local banks			
Short term running finances	(Notes 12.1 and 12.2)	10,719,700	4,793,715
Export refinance	(Notes 12.1 and 12.3)	5,529,442	5,414,010
Other short term finance - money market loan	(Notes 12.1 and 12.4)	5,250,000	2,100,000
Export finance scheme	(Notes 12.1 and 12.5)	575,415	-
Islamic financing	(Notes 12.1 and 12.6)	1,361,551	-
		23,436,108	12,307,725
Foreign bank			
Short term running finance	(Note 12.7)	-	150,538
		23,436,108	12,458,263

12.1 These short term borrowings are obtained from banking companies under mark-up arrangements and are secured by hypothecation of present and future current assets and joint pari passu charge over plant and machinery of the Group Companies. These form part of total credit facilities of Rupees 29380 million (2021: Rupees 25,925.663 million).

12.2 The rates of mark-up range from 10.47% to 17.58% (2021: 7.45% to 10.52%) per annum.

12.3 The rates of mark-up range from 2.25% to 12.25%(2021: 2.20% to 8.26%) per annum.

12.4 The rates of mark-up range from 7.80% to 16.78% (2021: 7.59% to 10.88%) per annum.

12.5 The rates of mark-up range from 1% to 3% (2021: Nil) per annum.

12.6 The rates of mark-up range from 16.39% to 16.92% (2021: Nil) per annum.

12.7 This facility is obtained from MCB Bank Limited, Sri Lanka. This facility carries mark-up at the rate of LIBOR + 4.5% (2021: LIBOR + 4.5%) per annum and is secured by way of lien over export purchase orders (Note 39.3).

		2022	2021
		Amount	Amount
Rupees in thousand			
13. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	(Notes 5)	2,274,130	1,507,737
Lease liabilities	(Note 7)	246,210	167,916
Deferred income - Government grant	(Note 9.1)	518,754	430,295
Provision for GIDC	(Note 9.2)	21,844	21,649
		3,060,938	2,127,597

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- 14.1.1** The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Holding Company for failure to pay leviable sales tax and income tax of Rupees 18.630 million and Rupees 4.108 million respectively at import of tyre cord fabrics during the period from August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of SRO 509 (1)/2007 dated 09 June 2007. The case has been remanded back by the Appellate Tribunal Inland Revenue (ATIR), Lahore to the Commissioner Inland Revenue Appeals [CIR (Appeals)], Lahore, which is still pending. According to legal counsel, the Holding Company has a good arguable case and there is likelihood that the same will be decided in its favour.
- 14.1.2** Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Holding Company. In the first case the alleged amount recoverable by the PESSI is Rupees 4.804 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 1.982 million is recoverable by the Holding Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Holding Company by the Director General Recovery PESSI, Lahore. In the third case, Rupees 31.807 million is recoverable by PESSI. This case was decided in the favour of the Holding Company in the year 2013, however, the case is re-opened in the year 2014. The Holding Company has filed an appeal before Social Security Court, Lahore against the aforesaid cases. During the pendency of the matter PESSI sent a recovery notice for the same amount. The Holding Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel, the Holding Company has strong legal grounds for its success.
- 14.1.3** Deputy Commissioner Inland Revenue (DCIR) initiated a case against the Holding Company after post sales tax refund audit in which demand of Rupees 27.922 million was raised. The Holding Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.650 million. The Holding Company had further filed an appeal before ATIR against said points. The management of the Holding Company is confident that decision will be in favour of the Holding Company. Hence, no provision has been made in these consolidated financial statements.
- 14.1.4** DCIR initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.707 million was created. The Holding Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10.626 million and remanded back certain charges to the tune of 172.081 million. The Holding Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. Furthermore the Holding Company filed an application for stay of recovery and Honourable Lahore High Court, Lahore, has granted stay in said case. The management of the Holding Company is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.5** DCIR initiated income tax audit for the year 2014 in which a demand of Rupees 123.412 million was created. The Holding Company filed an appeal before CIR (Appeals) who remitted back the proceedings to the department for de-novo consideration in its order dated 29 October 2020. The Holding Company has filed an appeal before ATIR against said points. The management of the Holding Company is confident that decision will be in favour of the Holding Company. Hence, no provision has been made in these consolidated financial statements.
- 14.1.6** The Holding Company received show cause notice dated 14 December 2018 for which detailed reply was furnished to Assistant Commissioner, Unit-07, Sindh Revenue Board (SRB). Taxation officer subsequently passed assessment order under section 47 read with section 44 of the Sindh Sales Tax on Services Act, 2011 demanding sales tax amounting to Rupees 30.572 million. Aggrieved with impugned order, the Holding Company has preferred an appeal to the Commissioner Appeals SRB, which upon lapse of 180 days for deciding the appeal, was transferred to ATIR, which is pending adjudication. Based on merits of the case and advice of the tax advisor, no provision against this demand has been recognized in these consolidated financial statements.
- 14.1.7** Honourable Lahore High Court, Lahore, has allowed a petition filed by the Holding Company against show-cause notice issued by DCIR amounting to Rupees 13.076 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision of Honourable Lahore High Court, Lahore in Honourable Supreme Court of Pakistan which is pending for hearing. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.8** DCIR conducted income tax audit for the year 2011 in which a demand of Rupees 19.605 million was created. The Holding Company filed an appeal before CIR (Appeals) who confirmed the demand of Rupees 12.989 million and remanded back certain charges amounting to Rupees 6.616 million

in its order dated 07 August 2020. The Holding Company has filed an appeal before ATIR against said points. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.

- 14.1.9** The Holding Company and Service Global Footwear Limited Company - Subsidiary Company have 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(1)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The learned single judge of Honourable Lahore High Court, Lahore has dismissed the writ petition of Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company, therefore intra-court appeal has been filed. Consequently, Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company have claimed input sales tax on packing material of Rupees 59.211 million (2021: Rupees 59.211 million) in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal.
- 14.1.10** Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court, Lahore has passed order whereby tax department shall consider whether Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company are entitled to claim input sales tax on aforesaid goods that are used for the purpose of taxable supplies. Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company have claimed input sales tax of Rupees 29.776 million on such goods in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favourable outcome of its appeal.
- 14.1.11** DCIR initiated income tax cases of tax year 2008. Demand of Rupees 68.406 million was created by amending returns. Appeal was preferred with CIR (Appeals) which was dismissed against the Holding Company without discussing the merits of the case. The Holding Company filed appeal with ATIR which has been heard. ATIR has remanded back to CIR (Appeals). The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.12** CIR passed an order regarding CREST discrepancies of sales tax for an amount of Rupees 10.324 million. The Holding Company filed an appeal with ATIR which is pending for hearing. Furthermore, the Holding Company filed an application for stay of recovery and Honourable Lahore High Court, Lahore, has granted stay in said cases. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.13** Additional Commissioner Inland Revenue (ACIR) completed assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2015 and raised a demand of Rupees 13.055 million based on disallowance of certain expenditure under section 21(l) of the Income Tax Ordinance, 2001. The Holding Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who remanded back the issue to taxation officer for fresh consideration, effectively deleting the impugned tax demand. Further, ACIR completed assessment proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for tax year 2018 and raised a demand of Rupees 48.324 million consequent to addition of salaries and advertisement expenses under section 21(c) and section 24 of the Income Tax Ordinance, 2001. The Holding Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who remanded back the issue to taxation officer for fresh consideration, effectively deleting the impugned tax demand. On 08 February 2022, the Holding Company filed appeals before the ATIR contesting the directions of CIR(Appeals) for both of the aforementioned cases which are in the process of being heard. Based on tax advisor's opinion the management is confident that the matter will be decided in favour of the Holding Company and accordingly no provision has been made in these consolidated financial statements.
- 14.1.14** DCIR completed assessment proceedings and passed an order under section 11(2) of the Sales Tax Act, 1990 demanding sales tax amounting to Rupees 30.785 million along with penalty amounting Rupees 1.5 million considering that the Holding Company has failed to discharge its sales tax liability by not depositing due sales tax during the period of June 2019 under the provision of sub-section (1) of section 8B of the Sales Tax Act, 1990. The Holding Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who has annulled the demand of DCIR. The management is confident of favourable outcome of matter, hence, no provision has been made in these consolidated financial statements.
- 14.1.15** DCIR completed assessment proceedings and passed an order under section 11(2) of the Sales Tax Act, 1990 demanding sales tax amounting to Rupees 167.535 million along with penalty amounting to Rupees 8.377 million against claimed input tax for the tax periods from July 2020 to November 2021. The Holding Company filed appeal against foregoing assessment proceedings before CIR (Appeals), who has confirmed the order of DCIR. The Holding Company has filed appeal before ATIR, which is pending adjudication. The management is confident that decision will be in favour of the Holding Company, hence, no provision has been made in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

- 14.1.16** Director (PESSI), Gujrat has demanded social security contribution amounting to Rupees 96.002 million covering the period from August 2017 to November 2021 on account of short payment of contribution. The Holding Company filed an appeal before Social Security Court, Gujrat against the aforesaid notice, which was dismissed and the Holding Company was advised to make the payment of aforesaid amount. The Holding Company has filed writ petition against the matter in Honourable Lahore High Court, Lahore. Honourable Lahore High Court, Lahore has granted stay in the said case. As per legal counsel of the Holding Company, the Holding Company has strong legal grounds for its success.
- 14.1.17** Without considering the facts of the Scheme of Compromises, Arrangement and Reconstruction between Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company, the tax authorities through order dated 29 October 2021 alleged that Service Global Footwear Limited - Subsidiary Company suppressed its sale by Rupees 3,718.912 million during tax periods from July 2019 to December 2019 and raised demand of Rupees 632.097 million and further tax of Rupees 111.547 million, along with penalty and default surcharge. Being aggrieved Service Global Footwear Limited - Subsidiary Company filed appeal before CIR (Appeals) who upheld the order. Service Global Footwear Limited - Subsidiary Company filed an appeal before the ATIR dated 01 March 2022. ATIR on 20 June 2022 accepted the Service Global Footwear Limited - Subsidiary Company's contentions and remanded the issue on account of verification of Service Global Footwear Limited - Subsidiary Company's claim that the sales tax liability (if any) on revenue reported by Service Global Footwear Limited - Subsidiary Company in its audited financial statements, had been discharged by Service Industries Limited - Holding Company. On 14 November 2022, ACIR raised the original demand through appeal effect order, ignoring the findings and directions of ATIR. Service Global Footwear Limited - Subsidiary Company filed an appeal before CIR (Appeals) on 27 December 2022 and CIR (Appeals) by way of his order dated 30 January 2023 has set-aside the order dated 14 November 2022 of ACIR with the direction to ACIR to verify / confirm different treatment of sales in income tax return vs sales tax returns and to check adequate disclosure of the demerger transaction in audited financial statements of Service Global Footwear Limited - Subsidiary Company and Service Industries Limited - Holding Company in light of directions of ATIR order dated 20 June 2022. Based on grounds and facts, the matter is likely to be decided in favour of Service Global Footwear Limited - Subsidiary Company.
- 14.1.18** ACIR completed assessment proceedings and passed an order under section 11(2) of the Sales Tax Act, 1990 demanding sales tax amounting to Rupees 9.316 million and penalty amounting to Rupees 0.400 million against claimed input tax for the periods from July 2020 to June 2021. Service Global Footwear Limited - Subsidiary Company filed an appeal before ATIR which was heard on 13 December 2022 and the appellate order is awaited. The management is confident that decision will be in favour of the Service Global Footwear Limited - Subsidiary Company, hence, no provision has been made in these consolidated financial statements.
- 14.1.19** Post dated cheques have been issued by Service Global Footwear Limited - Subsidiary Company to custom authorities in respect of duties amounting to Rupees 2,471.501 million (2021: Rupees 1,657.194 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 encash able.
- 14.1.20** Guarantees issued in ordinary course of business of the Holding Company through banks are of Rupees 2,453.647 million (2021: Rupees 2,721.638 million).
- 14.1.21** Service Long March Tyres (Private) Limited - Subsidiary Company imported prefabricated buildings and claimed exemption from the customs duties and sales tax on the ground that these were being imported for the purpose of establishing an industry in the subject industrial economic zone which was denied on the ground that prefabricated buildings do not fall under capital goods or plant and machinery and thereafter these were allowed to be released provisionally against bank guarantee and the matter was referred to Federal Board of Revenue (FBR). Guarantees are given by the banks of Service Long March Tyres (Private) Limited - Subsidiary Company to the Collector of Customs, Karachi against shipment amounting to Rupees 368.699 million (2021: Rupees 333.581 million) and Director Excise and Taxation, Karachi amounting to Rupees 105 million (2021: Rupees 55 million) against infrastructure cess. FBR upheld the opinion of customs against which Service Long March Tyres (Private) Limited - Subsidiary Company filed constitutional appeal in the High Court of Sindh. The matter is currently pending in the High Court of Sindh. Service Long March Tyres (Private) Limited - Subsidiary Company based of the merits of case and favourable judgements passed by the Honourable Courts on the similar matter in the past believes that the case will be decided in favour of Service Long March Tyres (Private) Limited - Subsidiary Company. Accordingly, no provision has been accounted for in these consolidated financial statements.
- 14.1.22** Guarantees of Rupees 106.27 million (2021: Rupees 539.44 million) are given by the banks of Service Long March Tyres (Private) Limited - Subsidiary Company to the Sui Southern Gas Company Limited against gas connection.
- 14.1.23** Group's share in contingencies of associate accounted for under equity method is Rupees 61.575 million (2021: Rupees 41.170 million).
- 14.1.24** Service Industries Limited - Holding Company has issued cross corporate guarantees of Rupees 9,000 million (2021: Rupees 9,000 million) on

behalf of Service Long March Tyres (Private) Limited - Subsidiary Company to secure the obligations of Service Long March Tyres (Private) Limited - Subsidiary Company towards its lenders.

14.2 Commitments

14.2.1 Contracts for capital expenditure are approximately of Rupees 696.522 million (2021: Rupees 6,258.043 million).

14.2.2 Letters of credit other than capital expenditure are of Rupees 3,095.448 million (2021: Rupees 2,808.673 million).

14.2.3 Outstanding foreign currency forward contracts are of Rupees 2,133.050 million (2021: Rupees 1,631.608 million).

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

	2022	2021
	Amount	Amount
	Rupees in thousand	
Not later than one year	71,971	82,379
Later than one year and not later than five years	59,819	110,396
	131,790	192,775

14.2.5 Following represent commitments arising from short-term and low value leases recognized on a straight-line basis as expense under the practical expedients applied by the Group. The amount of future payments under these leases and the period in which these payments will become due are as follows:

15. FIXED ASSETS

Operating fixed assets	(Note 15.1)	30,509,561	10,361,648
Capital work-in-progress	(Note 15.2)	2,342,637	16,173,082
		32,852,198	26,534,730

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

15.1 Reconciliation of carrying amount of operating fixed assets at the beginning and at the end of the year is as follows:

Description	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
Rupees in thousand										
At 31 December 2020										
Cost	797,008	63,797	388,052	2,353,628	7,551,538	77,666	98,414	1,642,893	355,436	13,328,432
Currency retranslation	(120)	224	-	-	207	8	124	47	-	490
Accumulated depreciation	796,888	64,021	388,052	2,353,628	7,551,745	77,674	98,538	1,642,940	355,436	13,328,922
Currency retranslation	(4,647)	(16,381)	-	(764,124)	(2,835,129)	(38,822)	(39,726)	(797,856)	(124,352)	(4,621,037)
	150	1	-	-	46	5	(39)	51	-	214
	(4,497)	(16,380)	-	(764,124)	(2,835,083)	(38,817)	(39,765)	(797,805)	(124,352)	(4,620,823)
Net book value	792,391	47,641	388,052	1,589,504	4,716,662	38,857	58,773	845,135	231,084	8,708,099
Year ended 31 December 2021										
Opening net book value	792,391	47,641	388,052	1,589,504	4,716,662	38,857	58,773	845,135	231,084	8,708,099
Additions	950	-	294,865	535,265	1,124,653	33,676	51,496	297,102	199,243	2,537,250
Disposals / written off:										
Cost	-	-	-	(1,700)	(14,862)	-	(5,561)	(11,171)	(9,882)	(43,176)
Accumulated depreciation	-	-	-	1,630	13,638	-	3,858	8,585	7,850	35,561
	-	-	-	(70)	(1,224)	-	(1,703)	(2,586)	(2,032)	(7,615)
Depreciation	(9,750)	(3,071)	-	(158,681)	(508,143)	(5,891)	(15,154)	(128,263)	(50,300)	(879,253)
Currency retranslation	252	1,507	-	-	738	2	8	660	-	3,167
Closing net book value	783,843	46,077	682,917	1,966,018	5,332,686	66,644	93,420	1,012,048	377,995	10,361,648
At 31 December 2021										
Cost	797,838	64,021	682,917	2,887,193	8,661,536	111,350	144,474	1,923,780	544,797	15,817,906
Currency retranslation	618	2,323	-	-	2,212	102	233	1,404	-	6,892
Accumulated depreciation	798,456	66,344	682,917	2,887,193	8,663,748	111,452	144,707	1,925,184	544,797	15,824,798
Currency retranslation	(14,247)	(19,451)	-	(921,175)	(3,329,588)	(44,708)	(51,062)	(912,392)	(166,802)	(5,459,425)
	(366)	(816)	-	-	(1,474)	(100)	(225)	(744)	-	(3,725)
	(14,613)	(20,267)	-	(921,175)	(3,331,062)	(44,808)	(51,287)	(913,136)	(166,802)	(5,463,150)
Net book value	783,843	46,077	682,917	1,966,018	5,332,686	66,644	93,420	1,012,048	377,995	10,361,648

Description	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	Total
	Rupees in thousand									
Year ended 31 December 2022										
Opening net book value	783,843	46,077	682,917	1,966,018	5,332,686	66,644	93,420	1,012,048	377,995	10,361,648
Additions	-	6,850,150	95,896	291,593	13,726,812	159,727	210,266	553,188	288,483	22,176,115
Disposals / written off:										
Cost	-	-	-	-	(6,040)	(489)	(5,224)	(5,615)	-	(17,368)
Accumulated depreciation	-	-	-	-	419	174	4,439	4,317	-	9,349
	-	-	-	-	(5,621)	(315)	(785)	(1,298)	-	(8,019)
Written off due to fire: (Note 15.1.2)										
Cost	-	-	-	(8,732)	(15,276)	(3,219)	-	(2,077)	(807)	(30,111)
Accumulated depreciation	-	-	-	1,723	12,659	1,103	-	1,154	208	16,847
	-	-	-	(7,009)	(2,617)	(2,116)	-	(923)	(599)	(13,264)
Adjustment:										
Cost	-	-	(5,520)	(5,980)	-	-	-	-	-	(11,500)
Accumulated depreciation	-	-	(5,520)	(5,930)	-	-	-	-	-	50
	-	-	-	-	-	-	-	-	-	(11,450)
Depreciation	(9,795)	(265,608)	-	(185,624)	(1,087,747)	(25,388)	(37,870)	(180,131)	(75,867)	(1,868,030)
Currency retranslation	(2,165)	(4,617)	-	-	(9,147)	(123)	(84)	(5,898)	-	(22,034)
Assets held for sale (Note 39.3)	(5,023)	(41,009)	-	-	(47,692)	(298)	-	(11,383)	-	(105,405)
Closing net book value	766,860	6,584,993	773,293	2,059,048	17,906,674	198,131	264,947	1,365,603	590,012	30,509,561
At 31 December 2022										
Cost	798,456	6,916,494	773,293	3,164,074	22,369,244	267,471	349,749	2,470,680	832,473	37,941,934
Currency retranslation	(2,483)	(10,735)	-	-	(20,391)	(876)	(1,799)	(10,690)	-	(46,974)
	795,973	6,905,759	773,293	3,164,074	22,348,853	266,595	347,950	2,459,990	832,473	37,894,960
Accumulated depreciation	(24,408)	(285,875)	-	(1,105,026)	(4,405,731)	(68,919)	(84,718)	(1,087,796)	(242,461)	(7,304,934)
Currency retranslation	318	6,118	-	-	11,244	753	1,715	4,792	-	24,940
	(24,090)	(279,757)	-	(1,105,026)	(4,394,487)	(68,166)	(83,003)	(1,083,004)	(242,461)	(7,279,994)
Assets held for sale (Note 39.3)	(5,023)	(41,009)	-	-	(47,692)	(298)	-	(11,383)	-	(105,405)
Net book value	766,860	6,584,993	773,293	2,059,048	17,906,674	198,131	264,947	1,365,603	590,012	30,509,561
Annual rate of depreciation (%)	1.22-2	05	-	5-10	5-10	5-20	5-20	5-30	10	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
-----Rupees in thousand-----							
Buildings on freehold land							
Warehouse	8,732	1,723	7,009	7,009	-	Insurance claim	Jubilee General Insurance Company Limited, Karachi.
Plant and machinery							
NC Machine Motor	641	21	620	620	-	Insurance claim	Jubilee General Insurance Company Limited, Karachi.
Leasehold improvements							
Level 2 Racks	807	208	599	599	-	Insurance Claim	Jubilee General Insurance Company Limited, Karachi.
Furniture, fixture and fittings							
Heavy Duty Racks	1,197	360	837	837	-	Insurance Claim	Jubilee General Insurance Company Limited, Karachi.
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	36,101	23,884	12,217	12,707	490		
	47,478	26,196	21,282	21,772	490		

15.1.2 During the year, fire outbreak at warehouse of footwear division of the Holding Company at Maraka and factory premises of the Service Global Footwear Limited - Subsidiary Company at Muridke damaged certain items of operating fixed assets with an aggregate book value of Rupees 13.264 million. The Group filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim. The Group had claimed such loss from its insurance providers in accordance with the relevant insurance policies.

		2022	2021
		Amount	Amount
		Rupees in thousand	
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	(Note 32)	1,565,596	742,855
Distribution cost	(Note 33)	128,816	75,592
Administrative expenses	(Note 34)	160,533	32,985
Capital work-in-progress - unallocated expenses	(Note 15.2.3)	-	18,954
Depreciation relating to fixed assets held for sale		13,085	8,867
		1,868,030	879,253

15.1.4 Particulars of immovable properties are as follows:

Head office and manufacturing units	Area of land
	Sq. Feet
Head office	35,017
Manufacturing units	
Gujrat factory and residential colony	2,038,608
Muridke factory	689,491
Muridke factory and residential colony	1,345,693
Freehold land	211,500
Leasehold land and buildings on leasehold land including manufacturing unit	2,178,000
Manufacturing unit	44,475
	6,542,784

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

15.2 Movement in capital work in progress

	Buildings on freehold land	Plant and machinery	Civil works	Borrowing cost capitalised	Furniture, fixture and fittings	Advances against purchase of vehicles	Service equipment	Leasehold improvements	Advances against capital expenditures	Un-allocated expenses	Total
	-----Rupees in thousand -----										
Balance at 31 December 2020	120,264	101,465	487,923	-	1,246	3,728	46,225	41,427	-	56,549	858,827
Additions during the year	231,300	10,513,811	4,560,263	108,152	59,118	62,392	1,034,554	161,080	163,672	298,037	17,192,379
Transferred to operating fixed assets during the year	(212,750)	(1,123,091)	-	-	(32,912)	(39,317)	(270,811)	(199,243)	-	-	(1,878,124)
Balance at 31 December 2021	138,814	9,492,185	5,048,186	108,152	27,452	26,803	809,968	3,264	163,672	354,586	16,173,082
Additions during the year	733,613	5,198,074	5,192,710	47,249	95,167	84,845	-	289,342	131,387	332,757	12,105,144
Written off due to fire (Note 15.2.1)	(7,702)	-	-	-	-	-	-	-	-	-	(7,702)
Transferred to operating fixed assets during the year	(290,593)	(13,667,308)	-	-	(118,955)	(82,205)	(366,295)	(288,483)	-	-	(14,813,839)
Adjusted during the year	-	-	(10,106,632)	(155,401)	-	-	-	-	(163,672)	(687,343)	(11,113,048)
Charged to profit or loss during the year	(1,000)	-	-	-	-	-	-	-	-	-	(1,000)
Balance at 31 December 2022	573,132	1,022,951	134,264	-	3,664	29,443	443,673	4,123	131,387	-	2,342,637

15.2.1 During the year, fire outbreak at factory premises of the Service Global Footwear Limited - Subsidiary Company at Muridke damaged certain items of capital work-in-progress with an aggregate book value of Rupees 7.702 million. Service Global Footwear Limited - Subsidiary Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim. Service Global Footwear Limited - Subsidiary Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies.

15.2.2 Particulars of royalty paid during the year in connection with business of manufacturing motorcycle chains are as follows:

Name of the company	Registered address	Relationship with the Group or directors	2022	2021
Hangzhou SFR Technology Co. Ltd.	No. 106 Houmuqiao Road, Cangqian Street, Yuhang District, Hangzhou, China 311121	Related / Other	9,298	6,860
			Rupees in thousand	

		2022	2021
		Amount	Amount
Rupees in thousand			
15.2.3 Unallocated expenses			
Salaries, wages and other benefits	(Note 15.2.4)	-	199,196
Rent, rates and taxes		-	48,727
Fuel and power		-	20,477
Travelling and conveyance		-	35,354
Consultancy charges		-	17,142
Communication expenses		-	2,635
Vehicles running expenses		-	4,270
Printing and stationery		-	1,408
Safety and security expenses		-	28,613
Depreciation	(Note 15.1.3)	-	18,954
Scrap sale		-	(26,855)
Miscellaneous		-	4,665
		-	354,586

15.2.4 Salaries, wages and other benefits include Rupees Nil (2021: Rupees 3.487 million) in respect of provident fund contribution by the Service Long March Tyres (Private) Limited - Subsidiary Company.

		2022	2021
		Amount	Amount
Rupees in thousand			
16. Right-of-use assets			
Reconciliation of carrying amount of right-of-use assets			
Balance at 01 January		2,642,560	1,618,879
Additions during the year		1,226,155	1,609,496
Impact of lease modification / termination		(55,757)	(282,131)
Deperation for the year	(Note 16.2)	(426,240)	(303,684)
Balance at 31 December		3,386,718	2,642,560

16.1 Lease of buildings

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

There are certain leases of buildings with lease term of twelve months or less. As per IFRS 16, recognition exemption of 'short-term lease' and 'lease of low value assets' has been applied for these leases.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
16.2	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	(Note 32) -	15,437
	Distribution cost	(Note 33) 426,240	288,247
		426,240	303,684

17. Intangible Assets

	Computer softwares	(Notes 17.1 and 17.1.3) 3,728	3,979
	Intangible asset under development	5,648	-
	Goodwill	(Note 17.2) -	39,623
		9,376	43,602

17.1 Computer software

Cost			
	Balance at 01 January	48,843	44,916
	Additions during the year	1,672	3,927
	Balance at 31 December	50,515	48,843
Amortization			
	Balance at 01 January	(44,864)	(43,645)
	Charge for the year	(1,923)	(1,219)
		(46,787)	(44,864)
	Net book value at 31 December	3,728	3,979

17.1.1 Intangible assets - computer software has been amortized at the rate of 33.33% per annum.

17.1.2 Amortization on intangible assets - computer software has been allocated as follows:

	Distribution cost	(Note 33) 454	569
	Administrative expenses	(Note 34) 1,469	650
		1,923	1,219

17.1.3 These include intangible assets having cost of Rupees 39.134 million (2021: Rupees 37.696 million) which are fully amortized.

17.2 Goodwill

	Balance at 01 January	39,623	38,236
	Effect of movements in exchange rates	-	1,387
	Impairment loss charged during the year	(Note 35) (39,623)	-
	Balance at 31 December	-	39,623

17.2.1 This represents goodwill arised on acquisition of Service Shoes Lanka (Private) Limited - Subsidiary Company.

		2022	2021
		Amount	Amount
		Rupees in thousand	
18. LONG TERM INVESTMENTS			
Investment in associates (with significant influence) - under equity method	(Note 18.1)	542,586	505,895
Investment in joint ventures - at cost	(Note 18.2)	-	-
Other investment - at FVTOCI	(Note 18.3)	84,026	91,373
		626,612	597,268

	Speed (Private) Limited		Jomo Technologies (Private) Limited		Total	
	2022	2021	2022	2021	2022	2021
	----- Rupees in thousand -----					

18.1 Cost of investment **342,526** 342,526 **80,000** 80,000 **422,526** 422,526
Share of post acquisition reserve

Balance at 01 January	153,111	96,080	(69,742)	(12,499)	83,369	83,581
Adjustment due to deemed disposal of equity accounted investee	-	-	29,107	15,431	29,107	15,431
Share of employees' share compensation reserve	-	-	78	256	78	256
Share of post acquisition profit / (loss) - net of tax	46,949	57,031	(39,369)	(72,929)	7,580	(15,898)
Share of other comprehensive loss - net of tax	-	-	(74)	(1)	(74)	(1)
	200,060	153,111	(80,000)	(69,742)	120,060	83,369
	542,586	495,637	-	10,258	542,586	505,895

18.1.1 Share of post acquisition loss of Jomo Technologies (Private) Limited for the year ended 31 December 2022 is Rupees 64.364 million. This loss amount is restricted upto the interest of the Group in Jomo Technologies (Private) Limited i.e. Rupees 39.369 million. Hence, loss of Rupees 24.993 million has not been recognised.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

Speed (Private) Limited		Jomo Technologies (Private) Limited	
2022	2021	2022	2021

----- Rupees in thousand -----

18.1.2 Summary of financial information of associates as per un-audited financial statements for the year:

Current assets	1,556,148	1,419,824	202,043	253,234
Non-current assets	879,556	792,879	83,062	78,327
Total assets	2,435,704	2,212,703	285,105	331,561
Current liabilities	425,378	356,238	456,048	266,273
Non-current liabilities	712,935	689,612	12,456	37,928
Total liabilities	1,138,313	1,045,850	468,504	304,201
Net assets	1,297,391	1,166,853	(183,399)	27,360
Reconciliation to carrying amounts:				
Balance at 01 January	1,166,853	1,008,280	27,360	113,771
Transaction with owners in their capacity as owners	-	-	171,400	300,000
Employees' share compensation reserve	-	-	465	1,394
Profit / (loss) after income tax	130,538	158,573	(382,183)	(387,801)
Other comprehensive loss - net of tax	-	-	(441)	(4)
Balance at 31 December	1,297,391	1,166,853	(183,399)	27,360
Percentage of holding	35.97%	35.97%	16.49%	18.33%
Group's Share	466,663	419,714	(30,235)	5,016
Goodwill	75,923	75,923	5,242	5,242
Restriction of share in loss upto the carrying amount of investment	-	-	24,993	-
Carrying amount	542,586	495,637	-	10,258
Summarized statement of comprehensive income:				
Revenue	2,549,052	2,485,923	317,838	285,567
Profit / (loss) for the year	130,538	158,573	(382,183)	(387,801)
Other comprehensive loss for the year	-	-	(441)	(4)
Total comprehensive income / (loss) for the year	130,538	158,573	(382,624)	(387,805)

18.1.3 The registered office of Speed (Private) Limited is situated at Office No. 1, First Floor, Service Club Extension Building, Mereweather Road, Karachi. Speed (Private) Limited is primarily engaged in business of distribution of international brands of footwear, apparel, watches, bags, sunglasses etc. Number of shares held by the Holding Company and Service Industries Capital (Private) Limited - Subsidiary Company are 263,909 (2021: 263,909) fully paid ordinary shares of Rupees 100 each.

18.1.4 The registered office of Jomo Technologies (Private) Limited is situated at Servis House, 2-Main Gulberg, Lahore. Jomo Technologies (Private) Limited is primarily engaged in business of online marketing and sales of consumer and other goods. Number of shares held by the Service Industries Capital (Private) Limited - Subsidiary Company are 46,666,667 (2021: 46,666,667) fully paid ordinary shares of Rupee 1 each.

	2022	2021
	Amount	Amount
	Rupees in thousand	
18.2 Investment in joint ventures - at cost		
S2 Power Limited 24,000 (2021: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited 24,000 (2021: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
Impairment loss recognized against investment in joint ventures (Note 18.2.1)	(480)	(480)
	-	-

18.2.1 Impairment loss against investment

Balance at 01 January	480	240
Impairment loss recognized during the year (Note 35)	-	240
Balance at 31 December	480	480

18.3 Other investment - at FVTOCI

TRG Pakistan Limited 775,000 (2021: 775,000) fully paid ordinary shares of Rupees 10 each	17,089	17,089
Fair value adjustment	66,937	74,284
	84,026	91,373

Notes to the Consolidated Financial Statements

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		2022 Amount	2021 Amount
Rupees in thousand			
19. LONG TERM LOANS TO EMPLOYEES			
Considered good:			
Executives	(Note 19.1, 19.2 and 19.3)	48,373	56,311
Other employees	(Note 19.3)	2,575	4,272
		50,948	60,583
Current portion shown under current assets	(Note 24)		
Executives		(14,307)	(12,574)
Other employees		(1,041)	(2,305)
		(15,348)	(14,879)
		35,600	45,704

19.1 Reconciliation of carrying amount of loans to executives:

Balance at 01 January	56,311	28,230
Disbursements during the year	17,725	43,695
Reclassification of other employees to executives	2,000	1,273
Repayments during the year	(27,663)	(16,887)
Balance at 31 December	48,373	56,311

19.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 63.045 million (2021: Rupees 57.382 million).

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

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

20. LONG TERM SECURITY DEPOSITS

Security deposits against Ijarah		31,433	33,718
Security deposits against right-of-use assets		109,178	86,767
Security deposits - others		76,942	32,651
		217,553	153,136
Current portion shown under current assets	(Note 25)	(18,171)	(3,664)
		199,382	149,472

		2022 Amount	2021 Amount
Rupees in thousand			
21. STORES, SPARES AND LOOSE TOOLS			
Machinery spares		159,692	69,557
Stores		548,708	321,986
Loose tools		12,525	8,672
		720,925	400,215
Provision for slow moving and obsolete items	(Note 21.2)	(38,879)	(32,949)
		682,046	367,266

21.1 These include stores in transit of Rupees 40.292 million (2021: Rupees 4.214 million).

21.2 Provision for slow moving and obsolete items

Balance at 01 January		32,949	27,674
Provision made during the year		5,930	5,275
Balance at 31 December		38,879	32,949

22. STOCK-IN-TRADE

Raw materials	(Notes 22.1 and 22.6)	9,317,005	5,544,894
Packing materials		183,989	144,214
Work-in-process	(Notes 22.2 and 22.6)	1,819,427	1,076,910
Finished goods	(Notes 22.3, 22.4 and 22.6)		
- Own production		5,958,170	3,857,855
- Purchased		2,304,483	1,090,642
		8,262,653	4,948,497
		19,583,074	11,714,515
Provision for slow moving and obsolete items	(Notes 22.7)	(102,320)	(92,464)
		19,480,754	11,622,051

22.1 These include stock in transit of Rupees 459.751 million (2021: Rupees 1,065.646 million).

22.2 This includes stock of Rupees 160.843 million (2021: Rupees 48.732 million) sent to outside parties for processing.

22.3 These include stock in transit of Rupees 392.742 million (2021: Rupees 488.572 million).

22.4 Finished goods of Rupees 114.223 million (2021: Rupees 153.301 million) are being carried at net realizable value.

22.5 The aggregate amount of Rupees 19.919 million (2021: Rupees 26.993 million) has been charged to cost of sales, being the cost of inventory written down during the year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

22.6 During the year, fire outbreak at warehouse of footwear division of the Holding Company at Maraka, Lahore and factory premises of the Service Global Footwear Limited - Subsidiary Company at Muridke damaged certain items of raw material, work-in-process and finished goods. The carrying values of the assets damaged were Rupees 420.611 million, Rupees 15.795 million and Rupees 742.631 million respectively. The Group filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim. The Group had claimed such loss from its insurance provider in accordance with the relevant insurance policies.

	2022 Amount	2021 Amount
	Rupees in thousand	
22.7 Provision for slow moving and obsolete items		
Balance at 01 January	92,464	93,252
Provision made / (reversal of provision) during the year	9,856	(788)
Balance at 31 December	102,320	92,464

23. TRADE DEBTS

Considered good:

Secured:

- Against irrevocable letters of credit

1,103,767 107,888

Unsecured:

- Related party

(Notes 23.3, 23.4 and 23.5) 5,958 105,111

- Others

(Note 23.6) 7,797,435 4,525,847

7,803,393 4,630,958

8,907,160 4,738,846

Allowance for expected credit losses

(Note 23.7) (324,966) (270,597)

8,582,194 4,468,249

23.1 Foreign jurisdictions of trade debts:

Europe 1,304,613 396,347

South America 643,791 249,091

North America 185,333 36,264

Asia 333,269 248,271

Australia 6,897 5,062

Africa 12,005 8,812

2,485,908 943,847

23.2 Types of counterparties:

Export

Corporate 2,484,544 902,642

Other 1,364 41,205

2,485,908 943,847

Local

Corporate 3,065,781 1,676,299

Other 3,440,594 2,118,700

6,506,375 3,794,999

8,992,283 4,738,846

23.3 This represents amounts due from following related party:

Jomo Technologies (Private) Limited - associated company 5,958 105,111

23.4 The maximum aggregate amount receivable from related party at the end of any month during the year was as follows:

	2022 Amount	2021 Amount
	Rupees in thousand	
Jomo Technologies (Private) Limited	118,298	135,182

23.5 As at the 31 December 2022, trade debt due from related party amounting to Rupees 61.303 million (2021: Rupees 61.347 million) was past due but not impaired. The ageing analysis of this trade debts is as follows:

Upto 1 month	26,175	19,270
1 to 6 months	30,793	19,369
More than 6 months	4,335	22,708
	61,303	61,347

23.6 As at 31 December 2022, trade debts due from other than related parties of Rupees 3,442.316 million (2021: Rupees 1,183.512 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:

	2022 Amount	2021 Amount
	Rupees in thousand	
Upto 1 month	2,360,612	436,244
1 to 6 months	805,404	459,577
More than 6 months	276,300	287,691
	3,442,316	1,183,512

23.7 Allowance for expected credit losses

Balance at 01 January		270,597	252,902
Recognition of expected credit losses during the year	(Note 35)	54,369	17,695
Balance at 31 December		324,966	270,597

24. LOANS AND ADVANCES

Considered good:

Advances to staff		19,598	10,863
Current portion of long term loans to employees	(Note 19)	15,348	14,879
Advances to suppliers	(Note 24.1)	658,408	291,434
Letters of credit		896,929	564,053
Loan to Jomo Technologies (Private) Limited	(Note 24.2)	130,000	30,000
Others	(Note 24.3)	9,736	4,320
		1,730,019	915,549

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
24.1 ADVANCES TO SUPPLIERS		
Advances to suppliers	669,889	294,241
Provision against doubtful advances to suppliers (Note 24.1.1)	(11,481)	(2,807)
	658,408	291,434
24.1.1 PROVISION AGAINST DOUBTFUL ADVANCES TO SUPPLIERS		
Balance at 01 January	-	-
Provision recognized during the year (Note 35)	11,481	2,807
Advances to suppliers written off against provision	-	(2,807)
Balance at 31 December	11,481	-
24.2 This represents loan given to Jomo Technologies (Private) Limited which is repayable till 26 June 2023. It is neither past due nor impaired. It carries interest at the rate of 3 months KIBOR + 0.50% per annum. Effective interest rates during the year ranged from 11.04% to 17.5% per annum. The maximum aggregate amount due from the associate at the end of any month during the year was Rupees 130 million (2021: Rupees 70 million).		
24.3 These include amount due from following related parties:		
S2 Power Limited - joint venture	2,691	2,691
S2 Hydro Limited - joint venture	11,476	11,476
	14,167	14,167
Impairment loss against joint ventures (Note 24.3.1)	(14,167)	(14,167)
	-	-
24.3.1 Impairment loss against advances		
Balance at 01 January	14,167	2,691
Impairment loss recognized during the year (Note 35)	-	11,476
Balance at 31 December	14,167	14,167
24.3.2 The maximum aggregate of amount due from related parties at the end of any month during the year was as follows:		
S2 Power Limited - joint venture	2,691	2,691
S2 Hydro Limited - joint venture	11,476	11,476
25. TRADE DEPOSITS AND PREPAYMENTS		
Security deposits	126,032	225,635
Prepayments	129,955	101,232
Current portion of long term security deposits (Note 20)	18,171	3,664
	274,158	330,531

	2022 Amount	2021 Amount
	Rupees in thousand	
26. OTHER RECEIVABLES		
Considered good:		
Duty draw back	37,293	84,581
Custom duty rebate	404,654	120,201
Sales tax	1,554,162	898,903
Fair value of forward exchange contracts	-	1,613
Lab testing charges (Note 26.1)	3,159	26,573
Claims receivable	53,529	-
Others	95,258	25,865
	2,148,055	1,157,736
26.1 Lab testing charges:		
Lab testing charges	4,214	27,628
Less: Allowance for expected credit losses (Note 26.1.1)	(1,055)	(1,055)
	3,159	26,573
26.1.1 Allowance for expected credit losses		
Balance at the beginning of the year	1,055	-
Add: Allowance recognized during the year (Note 35)	-	1,055
Balance at the end of the year	1,055	1,055
27 ADVANCE INCOME TAX - NET OF PROVISION FOR TAXATION		
Advance income tax	2,428,686	1,986,538
Provision for taxation	(1,607,286)	(1,042,562)
	821,400	943,976
28 ACCRUED INTEREST		
On term deposit receipts	12,269	26,913
On loans to Jomo Technologies (Private) Limited (Note 28.1)	5,340	18
	17,609	26,931

28.1 This represents interest accrued on loan given to Jomo Technologies (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 5.340 million (2021: Rupees 0.988 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
29. SHORT TERM INVESTMENT			
At amortized cost			
Term deposit receipt	(Note 29.1)	179,914	155,000
Interest accrued thereon		1,701	943
		181,615	155,943

29.1 These represent term deposits with banking company having maturity period of one year and carry profit at the rates ranging from 5.56% to 9.70% per annum (2021: 6.16% to 7.16% per annum).

		2022	2021
		Amount	Amount
		Rupees in thousand	

30. CASH AND BANK BALANCES

With banks:

On current accounts :

Local currency	(Note 30.1)	1,450,892	696,018
Foreign currency	(Note 30.2)	88,306	12,770
		1,539,198	708,788

On saving accounts:

Local currency	(Note 30.3)	67,632	499,001
Foreign currency	(Note 30.4)	316	245
		67,948	499,246

1,607,146 1,208,034

Term deposit receipts	(Note 30.5)	389,500	3,370,014
		1,996,646	4,578,048

Cash in transit 9,914 4,486

Cash in hand 37,038 10,900

2,043,598 4,593,434

30.1 These include AED 95,324 (2021: AED Nil).

30.2 These include USD 192,077 (2021: USD 10,494), EURO 185,628 (2021: EURO 51,596.29) and LKR Nil (2021: LKR 499,022).

30.3 Rates of profit on saving accounts range from 4.25% to 15% (2021: 3.00% to 12.25%) per annum.

30.4 This represents USD 1,397 (2021: USD 1,389) and rate of profit on foreign currency account ranges from 0.48% to 0.57% (2021: 0.54% to 0.68%) per annum.

30.5 Effective interest rates on term deposit receipts range from 13% to 14.5% (2021: 7.00% to 12.00%) per annum. Maturity period of these term deposit receipts is less than 3 months (2021: less than 3 months).

	2022 Amount	2021 Amount
Rupees in thousand		
31. REVENUE - NET		
Revenue from contracts with customers:		
Export:		
- Sales	19,610,969	10,604,067
- Discounts, commissions etc.	(293,161)	(180,350)
	19,317,808	10,423,717
Local:		
- Sales	53,348,902	36,417,702
- Sales tax	(8,046,570)	(5,823,206)
- Discounts, commissions etc.	(2,959,048)	(1,686,480)
	42,343,284	28,908,016
Revenue from services	7,577	-
Duty draw back	-	53,299
	61,668,669	39,385,032
31.1 Sales of footwear - net		
Export sales	13,119,985	7,654,129
Local sales	9,083,480	6,196,967
Duty draw back	-	53,299
	22,203,465	13,904,395
Sales of tyres - net		
Export sales	6,196,556	2,768,511
Local sales	29,855,061	19,424,884
Revenue from services	7,577	-
	36,059,194	22,193,395
Sales of spare parts for automobiles - net		
Export sales	1,267	1,077
Local sales	3,050,069	2,551,741
	3,051,336	2,552,818
Sales of technical rubber products - net		
Local sales	354,674	734,424
	61,668,669	39,385,032

31.2 The amount of Rupees 499.544 million included in contract liabilities (Note 10) at 31 December 2021 has been recognised as revenue in 2022 (2021: Rupees 260.30 million).

31.3 Revenue is recognised at point in time as per the terms and conditions of underlying contracts with customers.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
32. COST OF SALES			
Raw materials consumed	(Note 32.1)	35,842,819	22,618,718
Processing charges		64,540	19,641
Salaries, wages and other benefits	(Note 32.2 and Note 32.3)	5,699,989	4,301,064
Stores and spares consumed		647,218	597,660
Packing materials consumed		1,396,210	1,057,450
Fuel and power		3,375,040	1,638,380
Insurance		107,098	38,543
Travelling		106,792	18,509
Repair and maintenance		372,256	254,769
Entertainment		12,835	10,582
Rent, rates and taxes		23,386	-
Depreciation on operating fixed assets	(Note 15.1.3)	1,565,596	742,518
Depreciation on right-of-use assets	(Note 16.2)	-	15,437
Provision for slow moving and obsolete inventory		15,786	4,487
Other manufacturing charges		290,518	116,302
		49,520,083	31,434,060
Work-in-process			
Opening stock		1,049,074	677,223
Closing stock		(1,819,427)	(1,049,074)
		(770,353)	(371,851)
Cost of goods manufactured		48,749,730	31,062,209
Finished goods:			
Opening stock		4,923,121	2,907,996
Purchases during the year		5,996,427	3,864,100
Closing stock		(8,262,653)	(4,923,121)
		2,656,895	1,848,975
		51,406,625	32,911,184
32.1 Raw materials consumed			
Opening stock		5,491,408	2,678,544
Purchases during the year		40,089,027	25,431,582
Stock burnt due to fire		(420,611)	-
Closing stock		(9,317,005)	(5,491,408)
Raw materials consumed during the year	(Note 32.4)	35,842,819	22,618,718

- 32.2** Salaries, wages and other benefits include Rupees 171.738 million (2021: Rupees 139.712 million), Rupees 38.353 million (2021: Rupees 25.764 million) and Rupees 62.391 million (2021: Rupees 56.332) in respect of provident fund contribution, gratuity fund and compensated absences respectively.
- 32.3** Salaries, wages and other benefits include share options expense of Rupees 16.619 million (2021: Rupees 11.522 million).
- 32.4** Custom duty rebate for the year amounting to Rupees 482.273 million (2021: Rupees 305.592 million) has been adjusted against raw materials consumed.

		2022	2021
		Amount	Amount
		Rupees in thousand	
33. DISTRIBUTION COST			
Salaries and other benefits	(Notes 33.1 and 33.2)	929,228	661,103
Freight and insurance		1,101,863	888,845
Advertisement and publicity		625,695	358,057
Communication		10,061	3,716
Entertainment		25,331	10,805
Samples claims and product development		367,543	246,407
Depreciation on operating fixed assets	(Note 15.1.3)	128,816	75,592
Depreciation on right-of-use assets	(Note 16.2)	426,240	288,247
Amortization on intangible assets	(Note 17.1.2)	454	569
Rent, rates and taxes	(Notes 33.3 and 33.4)	143,783	43,401
Postage and courier		116,193	75,398
Fuel and power		192,840	84,890
Travelling and conveyance		158,989	60,576
Legal and professional		15,972	2,925
Repairs and maintenance		20,423	896
Others		58,327	70,693
		4,321,758	2,872,120

- 33.1** Salaries and other benefits include Rupees 21.684 million (2021: Rupees 15.493 million), Rupees 15.325 million (2021: Rupees 15.468 million) and Rupees 0.139 million (2021: Rupees 0.689 million) in respect of provident fund contribution, gratuity fund and compensated absences respectively.
- 33.2** Salaries and other benefits include share options expense of Rupees 1.948 million (2021: Rupees Nil).
- 33.3** These include rent expense of Rupees 70.738 million (2021: Rupees 39.617 million) relating to shops not classified as lease due to sales based rent.
- 33.4** These include rent expense of Rupees 2.499 million (2021: Rupees 1.849 million) and Rupees 2.108 million (2021: Rupees 0.580 million) relating to short term and low value leases respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
34. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	(Notes 34.1 and 34.2)	1,454,952	1,166,546
Communication		44,999	25,732
Printing and stationery		24,114	14,089
Travelling and conveyance		57,266	28,390
Entertainment		72,925	44,880
Vehicles' running		93,772	37,659
Insurance		11,199	5,818
Rent, rates and taxes	(Note 34.3)	42,457	31,516
Fuel and power		51,385	29,553
Repairs and maintenance		32,480	15,024
Auditor's remuneration	(Note 34.4)	11,025	8,104
Legal and professional		103,143	77,332
Fee and subscription		8,976	13,269
Depreciation on operating fixed assets	(Note 15.1.3)	160,533	31,878
Amortization on intangible assets	(Note 17.1.2)	1,469	650
Ijarah rentals		71,726	70,180
Trade licence expenses		1,013	-
Computer running expenses		32,774	24,968
Advertisement		37	234
General expenses		111,041	91,720
		2,387,286	1,717,542

34.1 Salaries and other benefits include Rupees 46.279 million (2021: Rupees 32.479 million), Rupees 19.350 million (2021: Rupees 12.304 million) and Rupees 4.426 million (2021: Rupees 3.020 million) in respect of provident fund contribution, gratuity fund and compensated absences respectively.

34.2 Salaries and other benefits include share options expense of Rupees 6.464 million (2021: Rupees 7.201 million).

34.3 This includes rent expense of Rupees 15.878 million (2021: Rupees 17.889 million) and Rupees 2.146 million (2021: Rupees 3.586 million) relating to short term leases and leases of low value assets respectively.

34.4 Auditor's remuneration:

Audit fee		6,501	5,214
Special audit fee		1,100	350
Half yearly review		1,442	1,311
Other certification services		1,000	575
Reimbursable expenses		982	654
		11,025	8,104

		2022	2021
		Amount	Amount
		Rupees in thousand	
35. OTHER EXPENSES			
Donations	(Note 35.1)	70,495	52,665
Workers' profit participation fund	(Note 10.1)	63,054	42,326
Workers' welfare fund	(Note 10.2)	12,745	19,259
Penalty	(Note 35.2)	3,305	-
Provision against doubtful advances to suppliers	(Note 24.1.1)	11,481	2,807
Advances to employees written off		6,555	-
Allowance for expected credit losses - trade debts	(Note 23.7)	54,369	17,695
Other receivables written off		71	-
Allowance for expected credit losses - lab testing charges	(Note 26.1.1)	-	1,055
Impairment loss recognized on investment in joint venture	(Note 18.2.1)	-	240
Impairment loss against advances to joint venture	(Note 24.3.1)	-	11,476
Assets written off - net		125,687	71
Impairment loss on goodwill	(Note 17.2)	39,623	-
		387,385	147,594

35.1 The names of donees to whom donation amount exceeds Rupees 7.050 million (2021: Rupees 5,266 million) are as follows:

Servis Foundation	(Note 35.1.1)	49,472	34,933
Shalamar Hospital	(Note 35.1.2)	8,581	10,845
Service Charitable Trust	(Note 35.1.3)	7,922	5,463
		65,975	51,241

35.1.1 Mr. Chaudhry Ahmed Javed, Chairman, Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed and Mr. Hassan Javed, Directors of the Holding Company are directors of Servis Foundation.

35.1.2 Mr. Omar Saeed, Director of the Holding Company is Trustee.

35.1.3 Mr. Chaudhry Ahmed Javed, Chairman, Mr. Arif Saeed, Chief Executive, Mr. Omar Saeed and Mr. Hassan Javed, Directors of the Holding Company are members of Board of Trustees.

35.2 This represents penalty levied on late payment of short-term loan facility from Soneri Bank Limited.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	Amount	Amount
	Rupees in thousand	
36. OTHER INCOME		
Income from financial assets		
Return on bank deposits	137,869	229,594
Interest on loans to the associates	12,268	2,336
Exchange gain - net	25,233	147,751
Dividend income	-	3,366
Income from non-financial assets		
Amortization of deferred income - Government grant (Note 9.1)	496,230	397,268
Gain on lease modifications / termination	20,410	35,432
Gain on sale of operating fixed assets	940	5,116
Insurance claim against business interruption loss	4,908	-
Adjustment due to deemed disposal of equity accounted investee	29,107	15,431
Scrap sales and others	102,473	91,217
Miscellaneous	1,667	15,544
	831,105	943,055
37. FINANCE COST		
Mark-up / interest on:	-	
- long term financing	1,806,886	687,221
- short term borrowings	1,724,730	499,351
- lease liabilities (Note 7.1)	360,941	227,142
- provident fund payable	163	663
Adjustment due to impact of IFRS 9 on GIDC (Note 9.2)	195	1,000
Interest on workers' profit participation fund (Note 10.1)	1,500	1,250
Bank charges and commission	119,264	108,339
	4,013,679	1,524,966
38. TAXATION		
Current (Note 38.1)	1,047,135	624,470
Prior year	10,767	6,260
Deferred tax	99,241	(197,536)
	1,157,143	433,194

38.1 Except for Service Shoes Lanka (Private) Limited – Subsidiary Company and SIL GULF (FZE) - Subsidiary Company, provision for current income tax is made in accordance with the relevant provisions of the Income Tax Ordinance, 2001. Provision for current tax relating to Service Shoes Lanka (Private) Limited - Subsidiary Company (Note 39.3) and SIL GULF (FZE) - Subsidiary Company is computed in accordance with the tax legislation in force in the countries where the income is taxable.

39. DISCONTINUED OPERATIONS

39.1 On 30 December 2022, the Group publicly announced the decision of its Board of Directors to close down the business operations of Service Shoes Lanka (Private) Limited - Subsidiary Company with effect from 15 January 2023 owing to prevailing global and economic downturn and unfavorable business conditions in Sri Lanka. The sale of Service Shoes Lanka (Private) Limited - Subsidiary Company is expected to be completed within a year from the reporting date. At 31 December 2022, Service Shoes Lanka (Private) Limited - Subsidiary Company has been classified as a disposal group held for sale and as a discontinued operation.

39.2 The results of Service Shoes Lanka (Private) Limited - Subsidiary Company for the year are presented below:

	2022	2021
	Amount	Amount
	Rupees in thousand	
Revenue		
Gross profit / (loss) from manufacturing activities	110,141	(51,396)
Other income - scrap sales and others	5,288	162
	115,429	(51,234)
Expenses		
Distribution cost	(1,295)	(8,378)
Operating and administrative expenses	(42,730)	(43,470)
Other expenses	(58,191)	(5,764)
	(102,216)	(57,612)
Loss from operations	13,213	(108,846)
Impairment loss recognised	(58,936)	-
Finance cost	(10,111)	(9,140)
Loss before tax	(55,834)	(117,986)
Taxation	(2,462)	(2,869)
Loss after taxation	(58,296)	(120,855)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

		2022
		Amount
		Rupees in thousand
39.3 Assets and liabilities of Service Shoes Lanka (Private) Limited are as follows:		
Assets:		
Fixed assets	(Note 15)	105,405
Stores, spares and loose tools		954
Stock-in-trade		22,915
Trade debts		146,150
Loans and advances		3,001
Trade deposits and prepayments		1,653
Other receivables		3,115
Cash and bank balances		2,297
Assets held for sale		285,490
Liabilities:		
Employees' retirement benefit	(Note 8)	3,403
Deferred income tax liability - net	(Note 9)	5,441
Trade and other payables		458,396
Short term borrowing	(Note 12)	115,354
Liabilities directly associated with the assets held for sale		582,594
Net assets directly associated with disposal group		(297,104)

	2022	2021
	Amount	Amount
	Rupees in thousand	
The net cash flows incurred by Service Shoes Lanka (Private) Limited are as follows:		
Operating	(40,065)	821
Investing	(18,021)	(47,597)
Financing	58,229	52,840
Net cash flows	143	6,064
Loss per share from discontinued operations - basic and diluted (Rupees)	(0.74)	(1.54)

40. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

40.1 There is no dilutive effect on basic (loss) / earnings per share for the year ended 31 December 2022 and 31 December 2021 as the Group has no potential ordinary shares as on 31 December 2022 and 31 December 2021.

		2022	2021
(Loss) / profit after taxation attributable to ordinary shareholders of the Holding Company	(Rupees in thousand)	(637,131)	534,617
Weighted average number of ordinary shares of the Holding Company	(Numbers)	46,987,454	46,987,454
(Loss) / earnings per share - basic and diluted	(Rupees)	(13.56)	11.38
(Loss) / profit attributable to ordinary shareholders of the Holding Company from continuing operations	(Rupees in thousand)	(602,153)	607,130
Weighted average number of ordinary shares of the Holding Company	(Numbers)	46,987,454	46,987,454
(Loss) / earnings per share from continuing operations - basic and diluted	(Rupees)	(12.82)	12.92

		2022	2021
		Amount	Amount
		Rupees in thousand	

41. CASH (USED IN) / GENERATED FROM OPERATIONS

(Loss) / profit before taxation from continued operations		(9,379)	1,138,783
Loss before taxation from discontinued operations		(55,834)	(117,986)
Adjustments for non-cash charges and other items:			
Depreciation		1,881,115	864,517
Depreciation on right-of-use-assets		426,240	303,684
Amortization on intangible assets		1,923	1,219
Exchange gain - net		(25,233)	(141,987)
Provision for gratuity		73,028	53,536
Finance cost		4,023,790	1,534,106
Provision for workers' profit participation fund		63,054	42,326
Provision for workers' welfare fund		12,745	19,259
Provision for slow moving and obsolete inventory		15,786	4,487
Allowance for expected credit losses - trade debts		54,369	17,695
Return on bank deposits, term deposit receipts and loans to associates		(150,137)	(231,930)
Impact of lease modification / termination		(20,410)	(35,432)
Amortization of deferred income - Government grant		(496,230)	(397,268)
Share of profit / (loss) in equity accounted investees		(7,580)	15,898
Gain on deemed disposal of equity accounted investee		(29,107)	(15,431)
Impairment loss on investment in joint venture		-	240
Impairment loss against advance to joint venture		-	11,476
Gain on disposal of operating fixed assets - net		(940)	(5,116)
Insurance claim against business interruption loss		(4,908)	-
Provision against doubtful advances to suppliers		11,481	2,807
Other receivable written off		71	-
Advances to employees written off		6,555	-
Assets written off - net		125,687	71
Allowance for expected credit losses - lab testing charges		-	1,055
Employees' share option reserve		25,031	18,723
Impairment loss on goodwill		39,623	-
Working capital changes	(Note 41.1)	(12,552,396)	(2,877,904)
		(6,591,656)	206,828

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
41.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(315,734)	(94,965)
Stock-in-trade	(9,076,441)	(5,286,791)
Trade debts	(4,289,231)	289,166
Loans and advances	(723,557)	(59,072)
Trade deposits and prepayments	(30,376)	(72,474)
Other receivables	(956,098)	(32,128)
	(15,391,437)	(5,256,264)
Increase in trade and other payables	2,839,041	2,378,360
	(12,552,396)	(2,877,904)

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

	2022				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	-----Rupees in thousand -----				
Balance at 31 December 2021	12,903,731	2,984,950	12,458,263	1,440	39,343
Financing / borrowings obtained	4,588,504	-	92,625,679	-	-
Repayment of financing / lease liabilities / short term borrowings	(1,723,793)	(166,948)	(81,532,480)	-	-
Long term deposits - net	-	-	-	475	-
Dividend declared	-	-	-	-	538,024
Dividend paid	-	-	-	-	(530,487)
Other changes - non-cash movement:					
Lease liabilities recognised during the year	-	1,226,155	-	-	-
Impact of lease modification / termination	-	(76,167)	-	-	-
Deferred income - Government grant - net	(107,165)	-	-	-	-
Balance at 31 December 2022	15,661,277	3,967,990	23,551,462	1,915	46,880

2021					
Liabilities from financing activities					
Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend	
-----Rupees in thousand -----					
Balance at 31 December 2020	4,837,370	1,854,699	7,868,831	1,740	37,897
Financing / borrowings obtained	11,942,580	-	57,181,359	-	-
Repayment of financing / lease liabilities / short term borrowings	(1,431,297)	(161,682)	(52,591,927)	-	-
Long term deposits - net	-	-	-	(300)	-
Dividend declared	-	-	-	-	352,406
Dividend paid	-	-	-	-	(350,960)
Other changes - non-cash movement:					
Lease liabilities recognised during the year	-	1,609,496	-	-	-
Impact of lease modification / termination	-	(317,563)	-	-	-
Deferred income - Government grant - net	(2,444,922)	-	-	-	-
Balance at 31 December 2021	12,903,731	2,984,950	12,458,263	1,440	39,343

		2022
		Amount
		Rupees in thousand
41.3	Cash and cash equivalents at the end of the year	
	Cash and cash equivalents at the end of the year from continuing operations	2,043,598
	Cash and cash equivalents at the end of the year from discontinued operations	2,297
		2,045,895

42. 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:

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For the year ended December 31, 2022

Chief Executive Officer		Directors		Executives	
2022	2021	2022	2021	2022	2021

-----Rupees in thousand -----

Managerial remuneration	41,438	36,083	40,375	35,083	296,549	215,272
Bonus	24,000	20,000	24,000	20,000	86,709	82,158
Allowances:			-			
House rent	4,144	3,608	4,038	3,508	95,832	73,861
Conveyance	-	-	-	-	35,623	39,278
Medical	-	-	-	-	41,265	30,897
Utilities	4,144	3,608	4,037	3,508	44,922	25,368
Special allowance	-	-	-	-	-	4,899
Retirement and other benefits	11,398	9,923	11,104	9,648	39,594	32,224
Total	85,124	73,222	83,554	71,747	640,494	503,957
Number of persons	1	1	1	1	106	82

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

42.2 Aggregate amount charged in these consolidated financial statements for meeting fee to directors of the Holding Company was Rupees 3.040 million (2021: Rupees 2.742 million).

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

43. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, joint ventures, 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:

Nature of relationship	Nature of transactions	2022	2021
Associated companies / undertakings			
Jomo Technologies (Private) Limited	Sale of goods	13,688	111,673
	Purchases made	668	-
	Investment made	-	40,000
	Loan given	100,000	70,000
	Loan repaid by associate	-	40,000
	Interest charged	12,267	1,006
Speed (Private) Limited	Loan repaid by associate	-	50,000
	Interest charged	-	1,330
Chaoyang Long March Tyre Co. Ltd	Share deposit money received	1,469,117	2,857,103
	Share capital of Service Long March tyres (Private) Limited -subsidiary company issued	1,480,600	2,838,000
	Service received	531,000	-
Mr. Shabir Ahmad of Myco Corporation	Purchase of goods	3,588,085	292,624
	Share deposit money received	168,250	322,500
	Share capital of Service Long March tyres (Private) Limited -subsidiary company issued	168,250	322,500
Shahid Arif Investment (Private) Limited	Bonus shares issued (Number of shares)	-	19,812
	Cash dividend paid (Rupees in thousand)	297	297
Service Charitable Trust	Bonus shares issued (Number of shares)	-	22,627
	Cash dividend paid (Rupees in thousand)	339	339
	Donation made (Rupees in thousand)	7,922	5,463
Servis Foundation	Donation made (Rupees in thousand)	45,246	34,933
Shalamar Hospital	Donation made (Rupees in thousand)	8,581	10,845
Post employment benefit plans			
Service Industries Limited Employees Gratuity Fund Trust Service Provident Fund Trust	Contribution made (Rupees in thousand)	73,028	53,536
	Contribution made (Rupees in thousand)	226,075	187,684
	Bonus shares issued (Number of shares)	-	1,090,637
	Cash dividend paid (Rupees in thousand)	16,360	16,360
Directors of the Holding Company			
Cash dividend paid	(Rupees in thousand)	159,268	157,791
Sale of vehicle	(Rupees in thousand)	-	766
Bonus shares issued	(Number of shares)	-	10,519,335

43.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives of the Holding Company is disclosed in Note 42.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year ended		Percentage of shareholding
		2022	2021	
S2 Power Limited	Common directorship and shareholding of Holding Company	No	No	48.00%
Chaoyang Long March Tyre Co. Ltd	Common directorship	Yes	Yes	Nil
Mr. Shabir Ahmad of Myco Corporation	Joint venturer	Yes	Yes	Nil
S2 Hydro Limited	Common directorship and shareholding of Holding Company	No	No	48.00%
Speed (Private) Limited	Shareholding	Yes	Yes	35.97%
SBL Trading (Private) Limited	Common directorship	No	No	Nil
Nishat Power Limited	Common directorship	No	No	Nil
Cherat Packaging Limited	Common directorship	No	No	Nil
Habib Insurance Company Limited	Common directorship	No	No	Nil
Jomo Technologies (Private) Limited	Common directorship and shareholding of Service Industries Capital (Private) Limited - Wholly Owned Subsidiary Company	Yes	Yes	16.49%
Shahid Arif Investment (Private) Limited	Common directorship	Yes	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Thardeep Microfinance Foundation	Common directorship	No	No	Nil
Systems Limited	Common directorship	No	No	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Servis Foundation	Common directorship	Yes	Yes	Nil
Service Charitable Trust	Common directorship	Yes	Yes	Nil
Shalamar Hospital	Common directorship	Yes	Yes	Nil
Standard Spinning Mills (Private) Limited	Common directorship	No	No	Nil
Nestle Pakistan Limited	Common directorship	No	No	Nil
Kidney Centre Gujrat	Directors of the Holding Company are member of Board of Governors	No	No	Nil

43.2.1 As on 31 December 2022 and 31 December 2021, disclosures relating to subsidiary of Service Industries Capital (Private) Limited - Subsidiary Company, subsidiary of Service Global Footwear Limited - Subsidiary Company and subsidiary of the Holding Company incorporated outside Pakistan are as follows:

Particulars	Details		
Name of the company	Dongguan Service Global Limited	SIL GULF (FZE)	Service Shoes Lanka (Private) Limited
Jurisdiction	China	United Arab Emirates	Sri Lanka
Beneficial owner	Service Global Footwear Limited -Subsidiary Company	Service Industries Limited - Holding Company	Service Industries Capital (Private) Limited - Subsidiary Company
Investment made during the year ended 31 December	To be made	2022	2017
Investment in:			
Local currency	To be made	PKR 7,215,000	PKR 62,770,000
Foreign currency	To be made	AED 150,1000	USD 600,000
Terms and conditions of investment	To be made	Investment in shares	Investment in shares of subsidiary company
Amount of returns received	None	None	None
Litigation against investee company	None	None	None
Default / breach related to foreign company	None	None	None
Gain / (loss) on disposal of investment	Not applicable	Not applicable	Not applicable

44. PLANT CAPACITY

Footwear division

	Installed capacity		Actual production	
	2022	2021	2022	2021
Strobel construction	5,800,000	5,950,000	5,549,437	5,158,577
Lasted construction	2,250,000	1,575,000	2,145,000	1,515,000

Tyre division

	Installed capacity		Actual production	
	2022	2021	2022	2021
Number of tyres	24,122,560	20,428,253	11,631,322	15,217,693
Number of tubes	62,614,162	60,092,733	42,885,951	49,603,093

Others

Service genuine parts

	Installed capacity		Actual production	
	2022	2021	2022	2021
Number of chains	756,164	-	202,830	-
Number of sprockets	203,836	-	35,772	-

Technical rubber products

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

Notes to the Consolidated Financial Statements

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Reason for low production

The capacity of the plant was utilized to the extent of orders received. In case of footwear, the deviation in actual production from installed capacity is due to rapidly growing trends as the Company has to change major shoe lines in accordance with the market trends. This involves change in manufacturing operations and product mix which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

45. NON-CONTROLLING INTEREST (NCI)

Set out below is summarized un-audited financial information for Service Shoes Lanka (Private) Limited - Subsidiary Company, audited financial information for Service Long March Tyres (Private) Limited - Subsidiary Company and audited financial information for Service Global Footwear Limited - Subsidiary Company that have non-controlling interest that are material to the Group. The amount disclosed for the Subsidiary Companies are before inter-company elimination:

Service Shoes Lanka (Private) Limited		Service Long March Tyres (Private) Limited		Service Global Footwear Limited		Total	
2022	2021	2022	2021	2022	2021	2022	2021

-----Rupees in thousand -----

Summarized statement of financial position

Non-current assets	105,405	100,867	19,572,718	16,355,425	6,586,434	6,207,210	26,264,557	22,663,502
Current assets	180,084	176,845	10,659,078	3,818,378	7,778,852	6,354,713	18,618,014	10,349,936
Non-current liabilities	(8,841)	(10,005)	(9,407,310)	(9,025,525)	(518,243)	(369,214)	(9,934,394)	(9,404,744)
Current liabilities	(657,703)	(552,489)	(9,078,397)	(1,570,759)	(7,682,519)	(5,463,321)	(17,418,619)	(7,586,569)
Net assets	(381,055)	(284,782)	11,746,089	9,577,519	6,164,524	6,729,388	17,529,558	16,022,125
Accumulated non-controlling interest	(146,536)	(113,143)	5,737,785	4,712,160	989,490	1,064,613	6,580,739	5,663,630

Service Shoes Lanka (Private) Limited		Service Long March Tyres (Private) Limited		Service Global Footwear Limited		Total	
2022	2021	2022	2021	2022	2021	2022	2021

-----Rupees in thousand -----

Summarized statement of comprehensive income

Revenue	383,627	212,421	8,307,127	187,746	11,753,088	7,040,157	20,443,842	7,440,324
(Loss) / profit for the year	(189,686)	(151,355)	(1,184,946)	62,796	342,059	403,221	(1,032,573)	314,662
Other comprehensive income	-	-	-	-	(16,860)	(1,492)	(16,860)	(1,492)
Total comprehensive (loss) / profit	(189,686)	(151,355)	(1,184,946)	62,796	325,199	401,729	(1,049,433)	313,170
(Loss) / profit allocated to non-controlling interest	(75,874)	(60,542)	(625,700)	33,144	113,887	77,515	(587,687)	50,117
Other comprehensive income / (loss) to non-controlling interest	37,365	(6,096)	-	-	(3,392)	(298)	33,973	(6,394)
Total comprehensive (loss) / income to non-controlling interest	(38,509)	(66,638)	(625,700)	33,144	110,495	77,217	(553,714)	43,723
Dividend paid to non-controlling interest	-	-	-	-	185,618	-	185,618	-

Summarized statement of cash flows

Cash generated from / (used in) operating activities	(40,065)	821	(8,698,477)	(32,044)	(1,779,663)	343,836	(10,518,205)	312,613
Cash flows (used in) / from investing activities	(18,021)	(47,597)	(3,927,305)	(14,831,524)	351,025	(2,276,834)	(3,594,301)	(17,155,955)
Cash flows from / (used in) financing activities	58,229	52,840	10,072,862	16,111,372	654,841	1,612,002	10,785,932	17,776,214
Net increase / (decrease) in cash and cash equivalents	143	6,064	(2,552,920)	1,247,804	(773,797)	(320,996)	(3,326,574)	932,872

46. FINANCIAL RISK MANAGEMENT

46.1 Financial risk factors

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

Risk management is carried out by the finance departments of the Holding Company and Subsidiary Companies under the policies approved by their respective Board of Directors. The Holding Company and Subsidiary Companies' finance departments evaluates and hedge financial risks. The Board of each Group Company provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Euro, Sri Lankan Rupees (LKR), Chinese Yuan (CNY), United Arab Emirates Dirham (AED) and Pound Sterling (GBP). Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2022	2021
Cash at banks - USD	193,474	11,883
Cash at banks - EURO	185,628	51,596
Cash at banks - LKR	-	499,022
Cash at banks - AED	95,324	-
Trade debts - USD	5,286,253	5,011,168
Trade debts - EURO	4,558,730	992,629
Trade debts - GBP	117,876	5,348
Trade debts - LKR	-	5,569,398
Other receivables - USD	207,918	(4,586,889)
Other receivables - EURO	60,256	-
Trade and other payables - USD	(3,735,531)	-
Trade and other payables - EURO	(720,298)	(408,671)
Trade and other payables - CNY	(79,392)	(432,823)
Trade and other payables - LKR	-	(15,116,950)
Net exposure - USD	1,952,114	436,162
Net exposure - EURO	4,084,316	635,554
Net exposure - GBP	117,876	5,348
Net exposure - CNY	(79,392)	(432,823)
Net exposure - LKR	-	(9,048,530)
Net exposure - AED	95,324	-

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	2022	2021
The following significant exchange rates were applied during the period:		
Rupees per US Dollar		
Average rate	204.92	163.26
Reporting date rate	226.40	176.60
Rupees per EURO		
Average rate	213.99	192.73
Reporting date rate	241.45	201.00
Rupees per GBP		
Average rate	250.83	224.26
Reporting date rate	273.02	239.55
Rupees per CNY		
Average rate	30.22	25.31
Reporting date rate	32.53	27.86
Rupees per LKR		
Average rate	0.66	0.83
Reporting date rate	0.63	0.89
Rupees per AED		
Average rate	55.55	42.72
Reporting date rate	61.61	48.68

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP, CNY, LKR and AED with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 101.557 million lower / higher (2021: profit after taxation for the year would have been Rupees 46.623 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)	
	2022 Amount	2021 Amount
	Rupees in thousand	
PSX (5% increase)	3,508	3,998
PSX (5% decrease)	(3,508)	(3,098)

(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, loans to associate, term deposit receipts and bank balances. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk.

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

	2022 Amount	2021 Amount
	Rupees in thousand	
Fixed rate instruments		
Financial asset		
Term deposit receipts	389,500	3,370,014
Financial liabilities		
Long term financing	8,765,004	8,137,026
Lease liabilities	3,967,990	2,984,950
Short term borrowings	8,716,408	5,164,010
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	67,948	499,246
Short term investment	179,914	155,000
Loans to associates	130,000	30,000
Financial liabilities		
Long term financing	6,896,273	4,766,706
Short term borrowings	14,719,699	7,294,253

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.

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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, loss after taxation for the year would have been Rupees 212.844 million higher / lower (2021: profit after taxation for the year would have been Rupees 145.984 million lower / higher), mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of assets and liabilities outstanding at reporting the dates were outstanding for the whole year.

(b) Credit risk

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

	2022 Amount	2021 Amount
	Rupees in thousand	
Long term investment	84,026	91,373
Long term loans to employees	50,948	60,583
Security deposits	343,585	378,771
Trade debts	8,582,194	4,468,249
Loans and advances	139,736	34,320
Other receivables	151,946	54,051
Accrued interest	17,609	26,931
Short term investments	181,615	155,943
Bank balances	1,996,646	4,578,048
	11,548,305	9,848,269

Rating			2022	2021
Short term	Long term	Agency	Amount	Amount
Rupees in thousand				

Banks

Allied Bank Limited	A1+	AAA	PACRA	67,314	1,276,675
Askari Bank Limited	A1+	AA+	PACRA	13,206	1,994
Bank Alfalah Limited	A1+	AA+	PACRA	59,418	40,196
Bank ALHabib Limited	A1+	AAA	PACRA	3,225	3,886
Faysal Bank Limited	A1+	AA	PACRA	149,811	544,796
Habib Bank Limited	A1+	AAA	PACRA	782,164	346,898
MCB Bank Limited	A1+	AAA	PACRA	484,499	757,734
MCB Islamic Bank Limited	A1	A	PACRA	152,759	224
Meezan Bank Limited	A1+	AAA	VIS	20,431	10,228
National Bank of Pakistan	A1+	AAA	PACRA	673	37,387
Samba Bank Limited	A1	AA	VIS	114	68,207
Soneri Bank Limited	A1+	AA-	PACRA	110,682	1,414,905
Standard Chartered Bank (Pakistan) Limited	A1+	AA-	PACRA	2,185	1,498

Silk Bank Limited	A2	A-	VIS	17	288
United Bank Limited	A1+	AAA	VIS	30,262	70,763
Dubai Islamic Bank	A1+	AA	VIS	19	24
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	362	37
SME Bank Limited	CCC	B	PACRA	5	13
MCB Bank Limited - Sri Lanka	[SL]A+		ICRA Lanka	316	2,295
JS Bank Limited	A1+	AA-	PACRA	2	-
Industrial and Commercial Bank of China	P1	A1	Moody's	140	-
The Bank of Khyber	A1	A+	PACRA	9	-
The Bank of Punjab	A1+	AA+	PACRA	89,961	-
Bank Islami Pakistan Limited	A1	A+	PACRA	29,072	-
				1,996,646	4,578,048
Investments					
TRG Pakistan Limited		Unknown		84,026	91,373
MCB Islamic Bank Limited	A1	A	PACRA	181,615	155,943
				2,262,287	4,825,364

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

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

Trade debts

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained, if any, from these customers to calculate the net exposure towards these customers. The Group has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has accordingly adjusted the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	Local sales			Export sales				
	Range of expected loss rate	Trade debts	Loss allowance	Range of expected loss rate	Trade debts	Loss allowance		
	%	Rupees in thousand		%	Rupees in thousand			
At 31 December 2022								
Not past due	0.00%	0.00%	5,416,532	-	0.00%	0.00%	1,020,179	-
Up to 30 days	0.34%	28.08%	29,311	6,348	0.36%	2.25%	95,371	958
31 to 60 days	3.94%	63.19%	47,195	32,002	4.49%	10.27%	43,442	3,057
61 to 90 days	11.04%	69.58%	83,146	37,346	9.72%	15.65%	-	-
91 to 180 days	26.96%	91.74%	111,662	82,313	23.97%	27.51%	10,709	2,825
181 to 360 days	43.95%	81.62%	34,850	34,402	36.43%	37.27%	14,214	5,297
Above 360 days	100.00%	100.00%	120,418	120,418	100.00%	100.00%	-	-
			5,843,114	312,829			1,183,915	12,137
Trade debts which are not subject to risk of default			663,261	-			1,301,993	-
Gross trade debts			6,506,375	312,829			2,485,908	12,137

	Local sales			Export sales				
	Range of expected loss rate	Trade debts	Loss allowance	Range of expected loss rate	Trade debts	Loss allowance		
	%	Rupees in thousand		%	Rupees in thousand			
At 31 December 2021								
Not past due	0.00%	0.00%	1,716,516	-	0.00%	0.00%	120,323	-
Up to 30 days	0.63%	3.55%	212,799	6,620	0.00%	0.00%	-	-
31 to 60 days	3.78%	28.87%	79,125	20,895	0.00%	0.00%	-	-
61 to 90 days	8.38%	39.08%	26,604	9,623	0.00%	0.00%	-	-
91 to 180 days	17.96%	56.68%	131,182	70,816	0.00%	0.00%	-	-
181 to 360 days	33.05%	56.55%	71,174	40,213	0.00%	0.00%	-	-
Above 360 days	100.00%	100.00%	122,431	122,430	100.00%	100.00%	-	-
			2,359,831	270,597			120,323	-
Trade debts which are not subject to risk of default			1,435,168	-			823,524	-
Gross trade debts			3,794,999	270,597			943,847	-

(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 2022, the Group had Rupees 5,943.892 million (2021: Rupees 6,430.005 million) available borrowing limits from financial institutions and Rupees 2,043.598 million (2021: Rupees 4,593.434 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 2022:

	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	15,661,277	21,664,085	1,966,522	1,950,919	4,025,848	13,720,796
Long term deposits	1,915	1,915	-	-	-	1,915
Lease liabilities	3,967,990	6,337,191	308,918	333,295	711,605	4,983,373
Trade and other payables	8,488,918	8,488,918	8,488,918	-	-	-
Accrued mark-up	1,139,189	1,139,189	1,139,189	-	-	-
Short term borrowings	23,436,108	24,517,681	23,934,540	583,141	-	-
Unclaimed dividend	46,880	46,880	46,880	-	-	-
Derivative financial liabilities	9,425	9,425	9,425	-	-	-
	52,751,702	62,205,284	35,894,392	2,867,355	4,737,453	18,706,084

Contractual maturities of financial liabilities as at 31 December 2021:

	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	12,903,731	20,360,479	1,151,160	1,542,088	3,095,694	14,571,537
Long term deposits	1,440	1,440	-	-	-	1,440
Lease liabilities	2,984,950	4,396,392	207,141	227,767	485,349	3,476,135
Trade and other payables	6,721,063	6,721,063	6,721,063	-	-	-
Accrued mark-up	296,284	296,284	296,284	-	-	-
Short term borrowings	12,458,263	12,992,164	12,992,164	-	-	-
Unclaimed dividend	39,343	39,343	39,343	-	-	-
	35,405,074	44,807,165	21,407,155	1,769,855	3,581,043	18,049,112

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

46.2 Financial instruments by categories

Assets as per consolidated statement of financial position

	2022		2021		Amortized cost
	FVTOCI	Amortized cost	FVTPL	FVTOCI	
-----Rupees in th-ousand-----					
Long term investment	84,026	-	-	91,373	-
Long term loans to employees	-	50,948	-	-	60,583
Security deposits	-	343,585	-	-	378,771
Trade debts	-	8,582,194	-	-	4,468,249
Loans and advances	-	139,736	-	-	34,320
Other receivables	-	151,946	1,613	-	52,438
Accrued interest	-	17,609	-	-	26,931
Short term investments	-	181,615	-	-	155,943
Cash and bank balances	-	2,043,598	-	-	4,593,434
	84,026	11,511,231	1,613	91,373	9,770,669

2022		2021
FVTPL	Amortized cost	At amortized cost

-----Rupees in thousand-----

Liabilities as per consolidated statement of financial position

Long term financing	-	15,661,277	12,903,731
Long term deposits	-	1,915	1,440
Lease liabilities	-	3,967,990	2,984,950
Trade and other payables	9,425	8,488,918	6,721,063
Accrued mark-up	-	1,139,189	296,284
Short term borrowings	-	23,436,108	12,458,263
Unclaimed dividend	-	46,880	39,343
	9,425	52,742,277	35,405,074

46.3 Reconciliation of financial assets and financial liabilities to the line items presented in the consolidated statement of financial position is as follows:

	2022		
	Financial assets	Non-financial assets	Assets as per consolidated statement of financial position
-----Rupees in thousand-----			
Long term investments	84,026	542,586	626,612
Long term loans to employees	50,948	-	50,948
Security deposits and prepayments	343,585	129,955	473,540
Trade debts	8,582,194	-	8,582,194
Loans and advances	139,736	1,574,935	1,714,671
Other receivables	151,946	1,996,109	2,148,055
Accrued interest	17,609	-	17,609
Short term investments	181,615	-	181,615
Cash and bank balances	2,043,598	-	2,043,598
	11,595,257	4,243,585	15,838,842

	2022		
	Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position
-----Rupees in thousand-----			
Long term financing	15,661,277	-	15,661,277
Long term deposits	1,915	-	1,915
Lease liabilities	3,967,990	-	3,967,990
Trade and other payables	8,498,343	1,441,438	9,939,781
Accrued mark-up	1,139,189	-	1,139,189
Short term borrowings	23,436,108	-	23,436,108
Unclaimed dividend	46,880	-	46,880
	52,751,702	1,441,438	54,193,140

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

	2021		
	Financial assets	Non-financial assets	Assets as per consolidated statement of financial position
	-----Rupees in thousand-----		
Long term investments	91,373	505,895	597,268
Long term loans to employees	60,583	-	60,583
Security deposits and prepayments	378,771	101,232	480,003
Trade debts	4,468,249	-	4,468,249
Loans and advances	34,320	866,350	900,670
Other receivables	54,051	1,103,685	1,157,736
Accrued interest	26,931	-	26,931
Short term investments	155,943	-	155,943
Cash and bank balances	4,593,434	-	4,593,434
	9,863,655	2,577,162	12,440,817

	2021		
	Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position
	-----Rupees in thousand-----		
Long term financing	12,903,731	-	12,903,731
Long term deposits	1,440	-	1,440
Lease liabilities	2,984,950	-	2,984,950
Trade and other payables	6,721,063	833,695	7,554,758
Accrued mark-up	296,284	-	296,284
Short term borrowings	12,458,263	-	12,458,263
Unclaimed dividend	39,343	-	39,343
	35,405,074	833,695	36,238,769

46.4 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.

46.5 Capital risk management

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

	2022 Amount	2021 Amount
	Rupees in thousand	
Borrowings	39,097,385	25,361,994
Total equity of the Group	15,299,143	15,353,906
Total capital employed	54,396,528	40,715,900
Gearing ratio	(Percentage) 71.87%	62.29%

Increase in gearing is due to increase in borrowings of the Group.

47. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2022	2021	2022	2021
	-----Rupees in thousand -----			
Total facilities	21,230,000	17,505,000	29,380,000	25,925,663
Utilized at the end of the year	4,773,665	4,797,731	23,436,108	19,495,658
Unutilized at the end of the year	16,456,335	12,707,269	5,943,892	6,430,005

48. 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 2022	Level 1	Level 2	Level 3	Total
	-----Rupees in thousand -----			
Financial assets				
Financial asset at fair value through other comprehensive income	84,026	-	-	84,026
Total financial assets	84,026	-	-	84,026
Financial liabilities				
Derivative financial liabilities	-	9,425	-	-
Total financial liabilities	-	9,425	-	-

Recurring fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	Total
	-----Rupees in thousand -----			
Financial assets				
Derivative financial assets	-	1,613	-	1,613
Financial asset at fair value through other comprehensive income	91,373	-	-	91,373
Total financial assets	91,373	1,613	-	92,986

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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

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

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

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

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

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

(ii) Valuation techniques used to determine fair values

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

49. 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.

Others: Manufacturing of different qualities of rubber products on specifications and trading and manufacturing of spare parts of automobiles.

Footwear		Tyre		Others		Total	Total
2022	2021	2022	2021	2022	2021	2022	2021

-----Rupees in thousand -----

Revenue	22,203,465	13,904,395	36,059,194	22,193,395	3,406,010	3,287,242	61,668,669	39,385,032
Profit before taxation and unallocated income and expenses	1,327,366	372,097	1,983,697	2,219,959	224,464	366,927	3,535,527	2,958,983
Unallocated income and expenses							(3,603,202)	(1,941,055)
Taxation							(1,157,143)	(433,194)
(Loss) / profit after taxation							(1,224,818)	584,734

Footwear		Tyre		Technical rubber products		Total	Total
2022	2021	2022	2021	2022	2021	2022	2021

-----Rupees in thousand -----

49.1 Reconciliation of reportable segment assets and liabilities

Total assets for reportable segment	21,751,663	15,829,989	46,430,646	35,436,992	2,232,004	772,998	70,414,313	52,039,979
Unallocated assets							2,942,511	2,555,023
Total assets as per consolidated statement of financial position							73,356,824	54,595,002
Unallocated liabilities							58,057,681	39,241,096
Total liabilities as per consolidated statement of financial position							58,057,681	39,241,096

49.2 Geographical information

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

Europe	10,176,054	5,881,762	603,511	781,625	1,267	1,077	10,780,832	6,664,464
South America	1,356,869	990,316	1,518,663	1,076,196	-	-	2,875,532	2,066,512
Central America	-	-	7,926	2,826	-	-	7,926	2,826
North America	217,268	144,624	1,917,615	3,559	-	-	2,134,883	148,183
Asia, Africa, Australia	1,369,794	637,427	2,156,418	904,305	-	-	3,526,212	1,541,732
Pakistan	9,083,480	6,196,967	29,855,061	19,424,884	3,404,743	3,286,165	42,343,284	28,908,016
Duty Drawback	-	53,299	-	-	-	-	-	53,299
	22,203,465	13,904,395	36,059,194	22,193,395	3,406,010	3,287,242	61,668,669	39,385,032

49.3 Revenue from major customers

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

50. PROVIDENT FUND RELATED DISCLOSURES

Employees provident fund of Service Industries Limited - Holding Company in the name of Service Provident Fund Trust is continued for the benefits of the employees of the Service Industries Limited-Holding 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.

	2022	2021
51. NUMBER OF EMPLOYEES		
Number of employees at 31 December	15,379	14,015
Average number of employees during the year	14,762	13,414

52. EVENTS AFTER THE REPORTING PERIOD

52.1 The Board of Directors of the Holding Company has proposed final cash dividend for the year ended 31 December 2022 of Rupees 5 per share (i.e 50%). 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 consolidated financial statements.

53. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 30, 2023 by the Board of Directors.

54. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

54. GENERAL

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



Arif Saeed
(Chief Executive)



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Pattern of Shareholding

As at December 31, 2022

Number of Shareholders	Shareholding		Total Shares held
	From	To	
728	1	100	32,032
638	101	500	190,587
262	501	1,000	208,108
507	1,001	5,000	1,191,691
112	5,001	10,000	790,490
31	10,001	15,000	391,198
20	15,001	20,000	357,732
10	20,001	25,000	219,606
10	25,001	30,000	274,394
5	30,001	35,000	164,970
4	35,001	40,000	155,770
1	40,001	45,000	44,554
2	45,001	50,000	91,454
1	55,001	60,000	58,550
3	60,001	65,000	191,962
1	70,001	75,000	75,000
1	75,001	80,000	78,124
1	90,001	95,000	93,712
1	115,001	120,000	116,400
1	160,001	165,000	162,500
1	180,001	185,000	182,030
1	195,001	200,000	196,732
1	235,001	240,000	236,716
1	240,001	245,000	242,800
1	285,001	290,000	285,500
1	305,001	310,000	306,640
1	320,001	325,000	322,192
1	340,001	345,000	340,636
1	355,001	360,000	356,700
2	370,001	375,000	745,094
1	405,001	410,000	406,436
1	455,001	460,000	456,492
3	530,001	535,000	1,595,760
1	535,001	540,000	536,900
1	600,001	605,000	600,674
1	915,001	920,000	918,800
1	1,330,001	1,335,000	1,333,900
1	2,055,001	2,060,000	2,055,814
1	2,060,001	2,065,000	2,062,264
1	2,180,001	2,185,000	2,181,274
1	2,545,001	2,550,000	2,548,566
2	4,765,001	4,770,000	9,531,646
1	5,590,001	5,595,000	5,590,530
1	9,060,001	9,065,000	9,064,524
2,367			46,987,454

Pattern of Shareholding

As at December 31, 2022

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	9	21,040,670	44.7793
Associated Companies, undertakings and related Parties	3	2,266,152	4.8229
NIT and ICP	5	6,247,272	13.2956
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,337,586	2.8467
Insurance Companies	1	21	0.0000
Modarabas and Mutual Funds	11	916,618	1.9508
General Public			
a. Local	2,274	13,561,486	28.8619
b. Foreign	4	384,600	0.8185
Others (to be specified)			
1- Joint Stock Companies	35	532,742	1.1338
2- Pension Funds	6	622,078	1.3239
3- Others	17	78,229	0.1665
	2,367	46,987,454	100.0000
Shareholders holding 10% or more	4	24,186,700	51.4748

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	39,624	0.0843
TRUSTEE - SERVICE PROVIDENT FUND (CDC)	2,181,274	4.6422
M/S SERVICE CHARITABLE TRUST	45,254	0.0963
Mutual Funds		
CDC - TRUSTEE ABL STOCK FUND (CDC)	100	0.0002
CDC - TRUSTEE AKD INDEX TRACKER FUND (CDC)	4,830	0.0103
CDC - TRUSTEE APF-EQUITY SUB FUND (CDC)	24,936	0.0531
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	340,636	0.7250
CDC - TRUSTEE NBP BALANCED FUND (CDC)	7,900	0.0168
CDC - TRUSTEE NBP SARMAYA IZAFI FUND (CDC)	6,200	0.0132
CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	15,024	0.0320
CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	3,000	0.0064
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	93,712	0.1994
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	356,700	0.7591
Directors and their spouses and minor children		
CHAUDHRY AHMED JAVED (CDC)	2,062,264	4.3890
MR. ARIF SAEED (CDC)	4,765,822	10.1428
MR. OMAR SAEED (CDC)	4,765,824	10.1428
MR. HASSAN JAVED (CDC)	9,064,524	19.2914
MR. OSMAN SAIFULLAH KHAN (CDC)	390	0.0008
MR. RIAZ AHMED (CDC)	10,000	0.0213
MR. MUHAMMAD NAEEM KHAN (CDC)	1,000	0.0021
MRS. AYESHA NAWAED	2	0.0000
MRS. FATIMA SAEED W/O MR. ARIF SAEED (CDC)	370,844	0.7892
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	2,023,265	4.3060

Shareholders holding five percent or more voting rights

MR. HASSAN JAVED (CDC)	9,064,524	19.2914
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	5,590,530	11.8979
MR. OMAR SAEED (CDC)	4,765,824	10.1428
MR. ARIF SAEED (CDC)	4,765,822	10.1428
MRS. SHAHIDA NAEEM (CDC)	2,548,566	5.4239

Form of Proxy

66th 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 66th Annual General Meeting to be held on April 28, 2023 at 11:00 a.m. and / or at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this _____ day of _____ 2023
 in the presence of _____

Signed this _____ day of _____ 2023

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

Signature on Fifty - Rupees
Revenue Stamp

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

Important:

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

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

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



AFFIX
CORRECT
POSTAGE

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

پراکسی فارم

چھیا سٹھواں سالانہ اجلاس عام

میں اہم _____ سروس انڈسٹری لمیٹڈ کے ممبر کی حیثیت سے اور حال _____
عمومی حصص، محترم / محترمہ _____ کو یا ان کی غیر حاضری کی صورت میں محترم / محترمہ _____
کو اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے 66 ویں سالانہ اجلاس عام جو کہ مورخہ 28 اپریل 2023
صبح 11 بجے منعقد ہو رہا ہے، میں شرکت / حق رائے دہی استعمال کر سکیں۔

گواہ نمبر 1
نام _____ دستخط _____ مورخہ _____
گواہ نمبر 2
نام _____ دستخط _____ مورخہ _____

سی ڈی سی اکاؤنٹ نمبر	فولیو نمبر	
	پارٹیسپنٹ آئی ڈی	اکاؤنٹ نمبر

پچاس روپے مالیت کی
ریونیولٹ پر دستخط کریں۔

(دستخط کمپنی میں درج نمونہ دستخط
کے مطابق ہونے چاہئیں)

اہم ہدایات:

1. پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹہ قبل کمپنی کو موصول ہوں۔ پراکسی کمپنی کے ممبرز میں سے ہی ہونا چاہیے۔
2. ایک سے زیادہ پراکسی مقرر کرنا یا جمع کروانا، ناقابل قبول ہوگا۔
3. سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریٹ اداروں کیلئے۔

اوپر دی گئی ہدایت کے علاوہ مندرجہ ذیل شرائط بھی پوری کرنا ہونگی:

- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر ڈومین شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔
- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر ڈومین شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی اپنے ہمراہ لے کر آئیں۔
- کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد یا بورڈ آف انارنی بمعدہ دستخط کا نمونہ پراکسی فارم کے ساتھ جمع کروانا ضروری ہوگا۔



AFFIX
CORRECT
POSTAGE

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

**SERVICE INDUSTRIES LIMITED**

Registered Office: Servis House 2-Mian Gulberg, Lahore.

Phone: +92 42- 35751990-6 Fax No. +92-42-35711827

Email: shareholders@servis.comWebsite: www.servisgroup.com

Ballot Paper For Voting Through Post

(in person and virtual 66th Annual General Meeting to be held at 11:00 a.m. on Friday, April 28, 2023)Designated email address of the Chairman at which the duly filled in ballot paper may be sent: chairman@servis.com

Name of shareholder / joint shareholders	
Registered Address	
Number of Shares held (on close of April 17, 2023) and folio number	
CNIC No./Passport No (in case of foreigner) (Copy to be attached)	
Additional information and enclosures (In case of representative of body corporate, Corporation and Federal Government)	

I/we hereby exercise my/our vote in respect of the following resolution through postal ballot by conveying my/our assent or dissent to the following resolution by picking tick (✓) mark in the appropriate box below:

Sr. No.	Name and Description of Resolutions	I/We assent to the resolution (FOR)	I/We dissent to the resolution (AGAINST)
1.	<p>"Resolved that approval of the shareholders of Service Industries Limited (the "Company") be and is hereby accorded and the Company be and is hereby authorized to circulate the Annual Audited Financial Statements of the Company together with the reports and documents required to be annexed thereto under the Companies Act, 2017 through QR enabled code and weblink instead of circulation through CD/DVD/USB.</p> <p>Further resolved that Mr. Arif Saeed, Chief Executive Officer and / or Mr. Omar Saeed, and / or Mr. Hassan Javed, Directors of the Company be and is hereby singly empowered and authorized to do all acts, deeds and things, take or cause to be taken all necessary action for the purposes of implementing this resolution."</p>		

Signature of Shareholder(s)

Place:

Date:

NOTES / PROCEDURE FOR SUBMISSION OF BALLOT PAPER:

1. Duly filled and signed original postal ballot should be sent to the chairman, Mr. Ahmed Javed , Service Industries Limited at Servis House 2-Main Gulberg, Lahore or a scanned copy of the original postal ballot to be emailed at: chairman@servis.com
2. Copy of CNIC/Passport (in case of foreigner) should be enclosed with the postal ballot form.
3. **Postal Ballot forms should reach chairman of the meeting on or before April 27, 2023 during working hours. Any Postal Ballot received after this date, will not be considered for voting.**
4. Signature on Postal Ballot should match the signature on CNIC/Passport (in case of foreigner).
5. Incomplete, unsigned, in correct, defaced, torn, mutilated, over written ballot papers will be rejected.
6. In case of representative of body corporate and corporation, Postal Ballot must be accompanied with copy of CNIC of authorized person, along with a duly attested copy of Board resolution, Power of Attorney, or Authorization Letter in accordance with Section(s) 138 or 139 of the Companies Act 2017, as applicable, unless these have already been submitted along with Proxy Form. In case of foreign body corporate etc. all documents must be attested from the Pakistani Embassy having jurisdiction over the member.
7. Ballot paper has also been placed on the website of the Company www.servisgroup.com. Members may download the ballot paper form the website or use original/photocopy published in newspapers.

ڈونگ گوان سروس گلوبل لمیٹڈ کی تاریخ تشکیل 18 دسمبر 2022 ہے۔ ڈونگ گوان سروس گلوبل لمیٹڈ کا کاروباری دائرہ کار جو توں اور ٹوپوں کی بڑے پیمانے پر فروخت، چمڑے کی مصنوعات کی فروخت، سلعے ہوئے ملبوسات اور اس سے منسلک خام مال کی فروخت، ہار ڈویز مصنوعات کی بڑے پیمانے پر فروخت، بیگز کی فروخت، روزمرہ کی ضروریات، ملبوسات کا معائنہ اور ان کی فنشنگ کی خدمات، تکنیکی خدمات اور دیگر متعلقہ امور پر محیط ہے۔

ڈونگ گوان سروس گلوبل لمیٹڈ کمرہ 302، نمبر 18، ہوجی ناؤن، ڈونگ گوان سٹی، گوانگ ڈونگ صوبہ، چین میں واقع ہے۔ ذیلی کمپنی ڈونگ گوان سروس گلوبل لمیٹڈ کے 100% حصص کی مالک ہوگی۔ تاہم، سروس گلوبل فوٹ ویز لمیٹڈ - ذیلی کمپنی نے ڈونگ گوان سروس گلوبل لمیٹڈ کے بینک اکاؤنٹ میں ابھی تک متعلقہ حصص کی رقم نہیں بھیجی ہیں اور توقع ہے کہ جلد ہی ڈونگ گوان سروس گلوبل لمیٹڈ کے حصص میں سرمایہ کاری کرے گی۔

آڈٹ رپورٹ میں اہلیت کی وضاحت

ممبران کو اپنی رپورٹ میں، آڈیٹرز نے مطلع کیا ہے کہ سروس انڈسٹریز لمیٹڈ کے مجموعی مالیاتی گوشواروں میں سروس شوز لنگ (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز کمپنیٹل (پرائیویٹ) لمیٹڈ کا ذیلی ادارہ ہے، سے متعلق غیر آڈٹ شدہ اعداد و شمار شامل ہیں سروس شوز لنگ (پرائیویٹ) لمیٹڈ کا آڈٹ جاری ہے چنانچہ، ہم نے سروس شوز لنگ (پرائیویٹ) لمیٹڈ کے غیر آڈٹ شدہ مالیاتی بیانات کو سروس انڈسٹریز لمیٹڈ اور اس کے ذیلی اداروں کے مجموعی مالیاتی گوشواروں کو تیار کرنے کے لیے استعمال کیا ہے۔

مخانب بورڈ



عمر سعید
ڈائریکٹر



عارف سعید
چیف ایگزیکٹو

مورخہ 30 مارچ 2023

لاہور

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے سروس انڈسٹریز لمیٹڈ اور اس کے ذیلی اداروں کے مجموعی مالیاتی معلومات کے ساتھ اپنی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

گروپ، سروس انڈسٹریز لمیٹڈ، سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا مکمل ملکی ذیلی ادارہ ہے، سروس گلوبل فٹ ویئر لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا جزوی ملکی ذیلی ادارہ ہے، سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا جزوی ملکی ذیلی ادارہ ہے اور سروس شوز لنگ (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ کا جزوی ملکی ذیلی ادارہ ہے، SIL Gulf FZE، سروس انڈسٹریز لمیٹڈ کا مکمل ملکی ذیلی ادارہ ہے اور ڈونگ گوان سروس گلوبل لمیٹڈ، سروس گلوبل فٹ ویئر لمیٹڈ کا ذیلی ادارہ ہے پر مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

31 دسمبر 2022 کو ختم ہونے والے سال کے لیے سروس انڈسٹریز لمیٹڈ کی کارکردگی پر ڈائریکٹرز کے تبصرہ کی رپورٹ الگ سے پیش کی گئی ہے۔ سروس انڈسٹریز لمیٹڈ نے انٹرنیشنل فائینینشل رپورٹنگ اسٹینڈرڈز اینڈ کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق اپنے مجموعی گوشواروں کے ساتھ اپنی انفرادی مالیاتی گوشواروں کو اس رپورٹ میں منسلک کر دیا ہے۔

سروس انڈسٹریز کیپٹل پرائیویٹ لمیٹڈ

سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ، سروس انڈسٹریز لمیٹڈ کا مکمل ملکی ذیلی ادارہ ہے۔ سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ کو کمپنیز آرڈیننس 1984 (جو کہ اب کمپنیز ایکٹ 2017 ہے) کے تحت پاکستان میں 10 نومبر 2015 کو حصص کے لحاظ سے لمیٹڈ کمپنی کے طور پر رجسٹر کیا گیا۔ سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ کا رجسٹرڈ آفس سروس ہاؤس 2، مین گلبرگ، لاہور واقع ہے۔ سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ کا بنیادی مقصد پاکستان یا دنیا میں کہیں اور قابل اطلاق قانون کے تقاضوں کے تابع نئے کاروباروں، حصص اور سیکیورٹیز میں سرمایہ کاری کرنا ہے۔

سروس گلوبل فٹ ویئر لمیٹڈ

سروس گلوبل فٹ ویئر لمیٹڈ کو 19 جولائی 2019 کو پاکستان میں ایک پبلک لمیٹڈ کمپنی کے طور پر کمپنیز ایکٹ 2017 کے تحت تشکیل دیا گیا تھا۔ کمپنی کی بنیادی سرگرمیاں جوتے، چپڑے اور متعلقہ مصنوعات کی تیاری، فروخت، مارکیٹنگ، درآمد اور برآمد ہے۔ سروس گلوبل فٹ ویئر لمیٹڈ میں سروس انڈسٹریز لمیٹڈ کے 79.75% (2021:80%) حصص ہیں۔ 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے سروس گلوبل فٹ ویئر لمیٹڈ کی کارکردگی پر ڈائریکٹرز کے تبصرہ کی رپورٹ الگ سے پیش کی گئی ہے۔

سروس لانگ مارچ ٹائرز پرائیویٹ لمیٹڈ

سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ ایک پرائیویٹ لمیٹڈ کمپنی ہے جو پاکستان میں 07 جنوری 2020 کو کمپنیز ایکٹ، 2017 (2017 کا XIX) کے تحت تشکیل دی گئی تھی۔ کمپنی کا رجسٹرڈ آفس سروس ہاؤس 2، مین گلبرگ، لاہور میں واقع ہے۔ کمپنی کا بنیادی کاروبار سٹیل ریڈیل ٹرک اور بس ٹائرز کی تیاری، فروخت، مارکیٹنگ کی درآمد اور برآمد ہے۔ سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سروس انڈسٹریز لمیٹڈ کے 32.09% (2021:32.09%) حصص ہیں اور سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سروس گلوبل فٹ ویئر لمیٹڈ کی حصص 18.91% (2021: 18.91%) ہے۔

سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ - ذیلی کمپنی کے پاس مجموعی طور پر سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ کے حصص 51% حصہ ہے اور سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ کے بورڈ کی تشکیل کو چمچا ہے۔

سروس شوز لنگ پرائیویٹ لمیٹڈ

سروس شوز لنگ (پرائیویٹ) لمیٹڈ، سروس انڈسٹریز کیپٹل (پرائیویٹ) لمیٹڈ کا ایک ذیلی ادارہ ہے، جو کہ سروس انڈسٹریز لمیٹڈ کا مکمل ملکی ذیلی ادارہ ہے۔ سروس شوز لنگ (پرائیویٹ) لمیٹڈ ایک پرائیویٹ لمیٹڈ لائسنسڈ کمپنی ہے جو 16 جولائی 2015 کو کمپنیز ایکٹ 2007 کی دفعات کے تحت سری لنکا میں تشکیل دی گئی۔ کمپنی کا رجسٹرڈ آفس نمبر 143/17 سری وکرما ماوتھا کولمبو 15 واقع ہے اور اس کا کاروباری مرکز کاتونکنکے میں واقع ہے۔

سروس انڈسٹریز لمیٹڈ گلف FZE

سروس انڈسٹریز لمیٹڈ گلف FZE، سروس انڈسٹریز لمیٹڈ کا ایک مکمل ملکی ذیلی ادارہ ہے، جو کہ متحدہ عرب امارات میں متعلقہ قابل اطلاق قانونی تقاضوں کے تحت تشکیل دیا گیا ہے۔ سروس انڈسٹریز لمیٹڈ گلف FZE کا بنیادی مقصد ٹائرز اور اس سے منسلک مصنوعات کی فروخت ہے۔

ڈونگ گوان سروس گلوبل لمیٹڈ

ڈونگ گوان سروس گلوبل لمیٹڈ ایک لمیٹڈ لائسنسڈ کمپنی ہے (مکمل طور پر غیر ملکی قانونی شخص کی ملکیت ہے) جو کہ ڈونگ گوان ایڈمنسٹریشن آف مارکیٹ ریگولیشن، مین، چین کے ساتھ رجسٹرڈ ہے۔

31 دسمبر	31 دسمبر	
2021	2022	
روپے پلین میں	روپے پلین میں	
2,066	1,818	پراویڈنٹ فنڈ
76	70	گریجویٹ فنڈ

حصص یافتگان کی تفصیل

کارپوریٹ گورننس کے ضابطہ اخلاق کے مطابق 31 دسمبر 2022 تک 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، انڈرونی آڈٹ کے سربراہ، ان کی بیویاں یا چھوٹے بچوں نے خرید و فروخت کی ہے تو وہ بھی اس رپورٹ میں درج کر دی گئی ہے۔

سالانہ گوشواروں کی تیاری کے بعد تبدیلیاں

31 دسمبر 2022 سے لے کر 30 مارچ 2023 تک اس سالانہ رپورٹ میں کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو سوائے:

اعلان برائے حتمی ڈیویڈنڈ 5 روپے فی شیئر (یعنی 50 فیصد) جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔ اور جیسا کہ 31 دسمبر 2022 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی بیانات میں درج کیا گیا 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 پر عزم کوششوں اور ہمارے گاہکوں کی ہماری مصنوعات پر اعتماد کے بھی شکر گزار ہیں۔

ہم بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین شکریہ ادا کرتے ہیں۔ کہ انہوں نے ہم پر بھروسہ کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

ہم آئندہ سالوں میں اچھے نتائج حاصل کرنے کیلئے پر عزم ہیں۔

منجانب بورڈ



عمر سعید
ڈائریکٹر



عارف سعید
چیف ایگزیکٹو

مورخہ 30 مارچ 2023

لاہور

نوٹ 40 میں آڈٹ شدہ مالیاتی بیانات میں دی گئی ہیں۔

حاضری	ڈائریکٹرز
0/6	جناب احمد جاوید
6/6	جناب عارف سعید
5/6	جناب عمر سعید
6/6	جناب حسن جاوید
2/6	جناب عثمان سیف اللہ خان
6/6	جناب محمد نعیم خان
5/6	جناب ریاض احمد
6/6	محترمہ عائشہ نوید
6/6	جناب شاہد حسین جتوئی

31 دسمبر 2022 کو ختم ہونے والے سال کے دوران 3,040 ملین روپے (2021: 2,742 ملین روپے) نان ایگزیکٹو ڈائریکٹرز کو اجلاس میں شمولیت کے معاوضے کے طور پر ادا کیے گئے (تفصیلات آڈٹ شدہ مالیاتی بیانات کے نوٹ 40 میں دی گئی ہیں)۔

بورڈ اور کمیٹیوں کی ساخت

لسنڈ کمپنیوں کے چلانے کے قواعد و ضوابط 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 نمبر 2,1 اور 12 میں درج ہے۔ جو کہ اس سالانہ رپورٹ کے ساتھ منسلک کیا گیا ہے۔

آڈٹ کمیٹی

آڈٹ کمیٹی اس وقت تین اراکین پر مشتمل ہے جس میں سے دو انڈیپنڈنٹ ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو ڈائریکٹر ہے۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن کے مطابق ترتیب دی گئی ہیں اور کمیٹی کو اس کی تعمیل کرنے کا حکم دیا گیا ہے۔

بورڈ اور کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کے لئے غیر حاضری کی رخصت منظور کی گئی۔

انتظامیہ کمیٹی

انتظامیہ کمیٹی کمپنی کے سینیئر اراکین پر مشتمل ہے جو کہ مینٹنگ میں اہم کاروباری منصوبے، مسائل اور اپنے اپنے شعبے کی تنازہ ترین صورتحال پر بحث کرتے ہیں۔ کارپوریٹ گورننس کی ضابطہ اخلاق کے مطابق بورڈ کی منظوری کے لیے پیش کئے جانے والے اہم معاملات بھی زیر بحث لائے جاتے ہیں۔

کمیٹی کی اس سال 4 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

حاضری	ممبران
4/4	جناب محمد نعیم خان چیئرمین
2/4	جناب عثمان سیف اللہ خان - ممبر
3/4	جناب ریاض احمد - ممبر

بیرونی آڈیٹرز

موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اپنی اہلیت کی بنیاد پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز 31 دسمبر 2023 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۔

ہیومن ریسورس اور ریسیوریشن کمیٹی

یہ کمیٹی تین اراکین پر مشتمل ہے جن میں سے ایک نان ایگزیکٹو ڈائریکٹر، ایک انڈیپنڈنٹ ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر ہیں۔ کمیٹی کا چیئرمین انڈیپنڈنٹ ڈائریکٹر ہے۔ کمیٹی ایگزیکٹوز کے معاوضے، انکی کارکردگی کے جائزے اور جانفشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

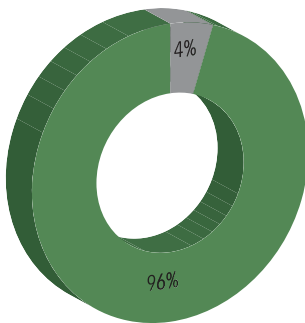
کمیٹی کی اس سال 2 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

حاضری	ممبران
2/2	محترمہ عائشہ نوید - چیئرمین
2/2	جناب عارف سعید - ممبر
2/2	جناب ریاض احمد - ممبر

ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

کمپنی اپنے ملازمین کے لیے ریٹائرمنٹ کی سہولیات کی منصوبہ بندی رکھتی ہے جو کہ متعلقہ بورڈ آف ڈائریکٹرز کے مطابق ہے۔ اس سرمایہ کاری کی تفصیل متعلقہ مالی گوشواروں کے مطابق درج ذیل ہے۔

سرمایہ کاری کی قدر



گرینچوٹی فنڈ

پروویڈنٹ فنڈ

بورڈ آف ڈائریکٹرز کے اجلاس

اس سال 6 بورڈ میٹنگز ہوئیں۔ ممبران کی حاضری مندرجہ ذیل ہے۔

3۔ مالی گوشواروں اور اکاؤنٹنگ کے تخمینوں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ استعمال کیا جا رہا ہے۔

4۔ مالی گوشواروں کی تیاری بین الاقوامی مالی رپورٹنگ 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 جاتا ہے۔ اس نظام کو حسب ضرورت بہتر کیا جاتا ہے۔

6۔ کمپنی کے لگاتار چلنے میں کسی قسم کا کوئی شک نہیں ہے۔

7۔ کارپوریٹ گورننس کے بہترین طریقوں سے ہٹنے کے کوئی شواہد نہیں ہے۔

8۔ پچھلے 6 سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار اس سالانہ رپورٹ میں درج ہے۔

مستند اندرونی مالی کنٹرولز

کمپنی نے اندرونی اور مالی کنٹرول کا انتہائی موثر 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 اور 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 ان ایگزیکٹو ڈائریکٹرز اور ایگزیکٹو 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 2022 کو ختم ہونے والے سال کے دوران، معاوضے کے لیے مالیاتی گوشواروں میں درج ذیل رقم وصول کی گئیں جن میں چیف ایگزیکٹو آفیسر اور ایگزیکٹو ڈائریکٹرز کی دیگر مراعات شامل ہیں:

85,124 ملین روپے (2021: 73,222 ملین روپے) چیف ایگزیکٹو آفیسر کو ادا کیے گئے۔
(تفصیلات نوٹ 40 میں آڈٹ شدہ مالیاتی بیانات میں دی گئی ہیں)۔

ایگزیکٹو ڈائریکٹرز کو 83,554 ملین روپے (2021: 71,747 ملین) ادا کیے گئے۔ (تفصیلات

کمپنی کی انتظامیہ تازہ ترین پیشرفت پر کڑی نظر رکھے ہوئے ہے اور ان خطرات کو کم کرنے کے لیے حکمت عملی تیار کر رہی ہے۔ خالص اسٹاک کرنے کے موثر انتظام، صارفین کے ساتھ کریڈٹ شرائط کی گفت و شنید، بائیو ماس بوائنلر کی شمولیت کے ذریعے توانائی کا متبادل ذریعہ، ایکسپورٹ ڈیولپمنٹ بورڈ کی جانب سے کم ڈیویڈنڈوں کے لیے کوٹہ مختص، غیر ملکی کرنسی کے متبادل لین دین کے لیے بیج کا استعمال اور قیمتوں کے تعین کے طریقہ کار میں نظر ثانی ان چند اقدامات میں شامل ہیں۔

کمپنی، دیے گئے حالات میں، تمام شعبوں میں اپنی آمدن فروخت کو بڑھانے کے لیے کافی پر امید ہے۔ زیادہ آمدن فروخت مقررہ اور اضافی اخراجات کو جذب کر کے منافع کو بہتر بنانے کی فٹ ویئر ڈیٹیل شعبہ میں برانڈ "Servis" کی واپسی نے 2022 کے لیے سبز میں اضافے میں کلیدی کردار ادا کیا ہے۔ 2023 میں 50 سے زیادہ نئے اسٹورز کے قیام سے، ہمیں امید ہے کہ یہ آنے والے سال میں آمدن فروخت میں مزید اضافہ ہو گا۔ ٹائر وں کا شعبہ بھی توسیع کی راہ پر گامزن ہے، اور کمپنی کے منافع میں کلیدی معاون ثابت ہو گا۔

کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام اخلاقی اور قانونی ضوابط پر پورا اترنے بلکہ اس سے بھی آگے بڑھنے کیلئے پرعزم ہے۔ بورڈ نے لگاتار بہتری کیلئے ایک طریقہ کار تشکیل کر دیا ہے جو کہ لگاتار موجودہ طریقوں کو جانچتا 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 اس کیلئے تیار ہو۔ چنانچہ کمپنی مارکیٹ میں دستیاب بہترین ملازمین حاصل کرے اور ان کو وہ مہارت اور مواقع دے جس سے وہ اعلیٰ اہداف کو حاصل کرنے والے بن جائیں۔ کمپنی لگاتار اپنی مصنوعات کی اقسام کا جائزہ لیتی رہتی ہے تاکہ معاشرے کے سب سے اہم مسئلہ کا حل نکال سکے، اور اس طرح اپنے حصص یافتگان کے لیے لگاتار منافع پیدا کرتی رہے۔

کمپنی اندرونی کنٹرولز اور کام کرنے کے طریقوں کا جائزہ لینے کے لئے داخلی آڈٹ کا شعبہ قائم کیا ہے، جس کا عملہ اعلیٰ اہلیت کے حامل پیشہ ور افراد پر مشتمل ہے تاکہ شفاف مالی معلومات فراہم ہو سکے، قواعد و قوانین سے ہم آہنگی اور اندرونی کنٹرول کے نظام کی پابندی کو یقینی بنایا جاسکے۔ اس طرح ہمیں اپنی پروڈکشن میں قدر بڑھانے کا ہدف بھی حاصل ہوتا ہے۔

کمپلائنس پر ایک نظر

کمپنی کارپوریٹ گورننس کی اصولوں پر سختی سے عمل پیرا ہے جو کہ سیکیورٹیز 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 مختصر اور جگہ جگہ کیا گیا ہے جس کا جائزہ یہ وونی آڈیٹرز بھی لے چکے ہیں۔

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کے بیانات

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک پر ڈائریکٹرز کے بیانات درج ذیل ہیں:

1۔ انتظامیہ کے تیار کردہ مالی گوشوارے کمپنی کے معاملات، کام کرنے کے طریقے، کیش فلوا اور ایکویٹی میں تبدیلی کو احسن طریقے سے پیش کرتے ہیں۔

2۔ کمپنی نے اچھی طرح سے اکاؤنٹس کے کھاتے تیار کر رکھے ہیں۔

ہوں سروس انڈسٹریز لمیٹڈ سٹیٹسٹیکٹو ایجنسی کا بھی 2010 سے رکن ہے یہ ادارہ جو توں اور چہڑے کی مصنوعات کو ٹیسٹ کرتا ہے اور تحقیق کرتا ہے کہ وہ آرام دہ، محفوظ اور پائیدار ہیں۔

(۵) کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات

ہم کاروبار کو پوری دیانتداری اور متعلقہ قوانین کی پاسداری کے ساتھ کرنے کے لیے پرعزم ہیں۔ ہمارا اخلاقیات اور کاروبار کرنے کے طریقوں کا بیان یہ کہتا ہے کہ، ”یہ کمپنی کی پالیسی ہے کہ وہ اپنے آپریشنز کو اعلیٰ ترین اخلاقی اقدار کے مطابق چلائے تمام قانونی ضابطوں کی تعمیل کریں اور اداروں کے لیے بنائے گئے بہترین معیارات کے مطابق ہوں۔“

(۶) قومی محصولات میں ہمارا حصہ

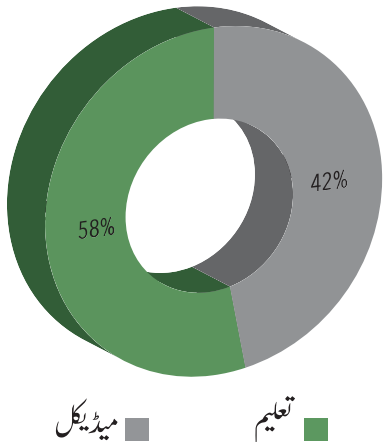
سروس انڈسٹریز لمیٹڈ مختلف محصولات کی مدد میں سالانہ کروڑوں روپے حکومت کو ادا کرتا ہے۔ 2022 میں سروس انڈسٹریز لمیٹڈ نے 2,426 ملین روپے اس میں ادا کئے۔

کمپنی کی سماجی ذمہ داری

SIL سماجی طور پر باشعور کاروباری ادارہ ہے اور اپنے آغاز سے ہی انسان دوستی کی سرگرمیوں میں شامل رہا ہے۔ کمپنی نے معاشرے کے پسماندہ طبقات کی صحت کی دیکھ بھال اور تعلیم کے لیے اپنا حصہ ڈالا ہے اور مختلف فلاحی تنظیموں سے مالی معاونت کرتی رہی ہے۔

سروس گروپ نے 2019 میں ایک اہم قدم اٹھایا اور اپنی فلاحی سرگرمیوں کو، سروس فاؤنڈیشن کے قیام کے ذریعے ایک ادارے کی شکل دے دی۔ سال 2022 کے دوران، کمپنی نے مختلف اداروں سے سماجی ذمہ داری سرگرمیوں کی مدد میں PKR 66.269 ملین کا تعاون کیا۔

کارپوریٹ سوشل ذمہ داری میں کنٹریبیوشن



مستقبل پر ایک نظر:

پاکستان حالیہ عرصے میں بہت کم باخفی اقتصادی نمو کا سامنا کر رہا ہے، سیاسی انتشار، معاشی عدم استحکام اور میکرو اکنامک اشارے پریشان کن ہیں۔ قیمتوں پر رعایت میں 20 فیصد تک اضافہ، عالمی کاروبار میں انتہائی سست روی، افراط زر کے دباؤ کے ساتھ پیداواری لاگت میں اضافہ (سی پی آئی) تقریباً 28 فیصد کے ساتھ، پاکستانی روپے کی قدر میں کمی اور عوام کی قوت خرید میں شدید کمی نے کاروباری برادری کے لیے ایک مشکل ماحول پیدا کر دیا ہے۔

رسک، غیر ممکنات اور ان سے بچاؤ

کمپنی کا رسک مینجمنٹ پروگرام کمپنی کی کارگر دگی پر مکملہ مضر اثرات کو کم کرنے پر موزوں رہتا ہے۔ کمپنی کی سینئر انتظامیہ رسک مینجمنٹ کا کام سرانجام دیتی ہے اور اپنے نتائج کو رڈ 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 بحثنگ اور منصوبہ بندی کرتی ہے جس میں SWOT Analysis شامل ہے۔ اس کی بنیاد پر اہم مسائل کے حل پر توجہ دی جاتی ہے، مواقع ڈھونڈے جاتے ہیں 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 اور گاہکوں اور کمپنی سے متعلقہ حصص یافتگان کے لئے محفوظ، صحت مند اور اخلاقیات پر مبنی ماحول مہیا کرنے کے لیے اقدامات کیے ہیں۔

(۱) صنعتی قواعد کی پاسداری

سروس انڈسٹریز لمیٹڈ بزنس سوشل کمپلائنس انیشیٹیو 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 2015 سے ممبر ہے جو کہ اس بات کی عکاسی کرتا ہے کہ ہم ہماری کاروبار میں، آٹھ ہزار سے زائد ملازمین کو بہترین کام کرنے کا ماحول فراہم کرنے میں اور اخلاقیات پر مبنی کاروباری طریقے پر عمل کرنے کے لئے اور ان میں بہتری لانے کے لیے پرعزم ہے۔

(۲) خواتین اور معذور افراد کو ملازمت فراہم کرنا

سروس انڈسٹریز لمیٹڈ اس بات میں فخر محسوس کرتا ہے کہ وہ معاشرے کے ہر فرد کے لیے بلا امتیاز ملازمت فراہم کرتا ہے۔ ہم خواتین اور معذور افراد کو بھی اپنے ہاں ملازم رکھنے کی حوصلہ افزائی کرتے ہیں سروس انڈسٹریز لمیٹڈ نے خواتین ملازمین کے لیے موافق ماحول فراہم کرنے کے لیے گجرات میں علیحدہ پروڈکشن لائنز قائم کر رکھی ہیں جہاں 160+ سے زیادہ خواتین کام کر رہی ہے۔

(۳) پیشہ ورانہ حفاظت اور صحت

ہمارے کام کرنے کے طریقے اور ہمارے ملازمین کو محفوظ، صاف ستھرے، چوٹ اور بیماری سے مبراہ 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۔

(۴) صارفین کے تحفظ کے اقدامات

سروس انڈسٹریز لمیٹڈ 2008:2008 ISO 9001 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

* مالی سال 2021 میں بونس شیئر جاری کرنے کی وجہ سے EPS پر اثر پڑا ہے۔

تصرف

مالیاتی سال 2022 کا تصرف مختصر اُمند رچہ ذیل ہے۔	ملین روپے میں
کیم جنوری 2022 پر کل جمع شدہ ایکویٹی	7,308
مالیاتی سال 2022 کی آمدنی	315
2021 کے مالیاتی سال کا 7.50 روپے فی شیئر حتمی ڈیویڈنڈ	(352)
31 دسمبر 2022 پر کل جمع شدہ ایکویٹی	7,271

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 مارچ 2023 کو منعقدہ اپنی میٹنگ میں 5 روپے فی شیئر (2021: 7.5 روپے فی شیئر) کے حتمی نقد منافع تجویز کیا ہے۔

گزشتہ 6 سال کے آپریٹنگ اور مالیاتی اعداد و شمار

پچھلے 6 سال کے اہم آپریٹنگ اور مالیاتی اعداد و شمار اس رپورٹ میں درج کیے گئے ہیں۔

کمپنی کی کارکردگی کا جائزہ

بورڈ نے کمپنی کی کارکردگی پر مستقل نظر رکھنے کا ایک نظام ترتیب دیا ہے۔ بورڈ کا ہر رکن بورڈ کی میٹنگ میں مستعدی سے اپنی شمولیت کو یقینی بناتا ہے، اہم معاملات پر تفصیلی گفتگو ہوتی ہے اور انتظامیہ کو واضح ہدایات دی جاتی ہیں اور ان ہدایات کے عمل درآمد کروانے پر بورڈ اور کمیٹیاں مستقل نظر رکھتی ہیں۔

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورت حال، گزشتہ سالوں کی کارکردگی اور کمپنی پر اثر انداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔ بحث بنایا جاتا ہے اور اصل کارکردگی کا بھٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلا تاخیر اصلاح کی جاسکے۔ یہ عمل کمپنی کے ہر شعبے کے لیے کیا جاتا ہے۔

بورڈ اس بات کو یقینی بناتا ہے کہ کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ بورڈ کاروبار کے تمام شعبوں کی کارکردگی کا ہر سہ ماہی کے اختتام پر جائزہ لیتا ہے۔ اس کا مقصد کم کارکردگی والے شعبوں کو بہتر کرنا اور منافع بخش شعبوں میں شرح نمو کے اضافے کے مواقع پر زور دینا ہے۔ مزید یہ کہ کمپنی نے سال کے دوران کسی بھی قرض کی ادائیگی میں تاخیر نہیں کیا ہے۔

کیش فلوز اور کیپیٹل ایکسپنڈیچر

کمپنی کے لئے ورکنگ کیپیٹل کا انتظام اندرونی طور پر کیش کے انتظام، بینکوں اور مالیاتی اداروں سے ورکنگ کیپیٹل قرض اور ماتحت اداروں سے قلیل مدتی قرض حاصل کر کے کیا جاتا ہے۔ کثیر سرمائے کے منصوبوں کو شروع کرنے کے لیے سرمایہ کے کمی کو پورا کرنے کے لیے، کمپنی مختلف اسکیموں کے تحت ٹینٹوں سے مالی اعانت حاصل کرتی ہے جس میں LTFF، TERF اور TERM قرضے شامل ہیں۔ کیش کی آمد اور استعمال کی مناسب نگرانی کی جاتی ہے اور مکمل کی وجہ سے جانچ کر کے لیے خبردار کرنے کا نظام نافذ ہے جو موجودہ سال کے دوران، کمپنی نے بنیادی طور پر ٹائزوں کے شعبے میں کمیسیکس کی مدد میں، چین اور گرامری کی اندرون احاطہ تیاری کے آغاز پر اور 60 سے زیادہ جوتوں کے آؤٹ لیٹس کے اضافے پر 3,606 ملین روپے (2021: 2,474 ملین روپے) کی سرمایہ کاری کی۔

روپے سے کم ہو کر 354.67 ملین روپے رہ گئی ہے۔ انتظامیہ نئے گاہکوں کو شامل کرنے کے لیے سخت محنت کر رہی ہے اور 2023 میں اس شعبہ کو منافع بخش بنانے کے لیے پرامید ہے۔

ذیلی کمپنیاں: سرمایہ کاری اور منافع

سروس لاگت مارچ ٹائز (پرائیویٹ) لمیٹڈ، سروس انڈسٹریز لمیٹڈ کی ذیلی کمپنی، نے مارچ 2022 میں کام کرنا شروع کیا۔ سروس لاگت مارچ ٹائز (پرائیویٹ) لمیٹڈ سروسوں اور ٹراکوں کے لیے مکمل سٹیل اور ریڈیل ٹائز بنانے والا پہلا واحد ادارہ ہے۔ اس اور ٹراک ریڈیل ٹائزوں کے لیے مقامی اور برآمدی منڈی میں کثیر مانگ کو مد نظر رکھتے ہوئے سروس لاگت مارچ ٹائز (پرائیویٹ) لمیٹڈ سے توقع کی جاتی ہے کہ وہ ڈیویڈنڈ کی صورت میں گروپ میں قیمتی منافع کا اضافہ کرے گی۔ سروس لاگت مارچ ٹائز (پرائیویٹ) لمیٹڈ کے کاروبار کو مزید مستحکم کرنے کے لیے، کمپنی نے سروس لاگت مارچ ٹائز (پرائیویٹ) لمیٹڈ میں 1,080 ملین روپے کی مزید سرمایہ کاری کی۔

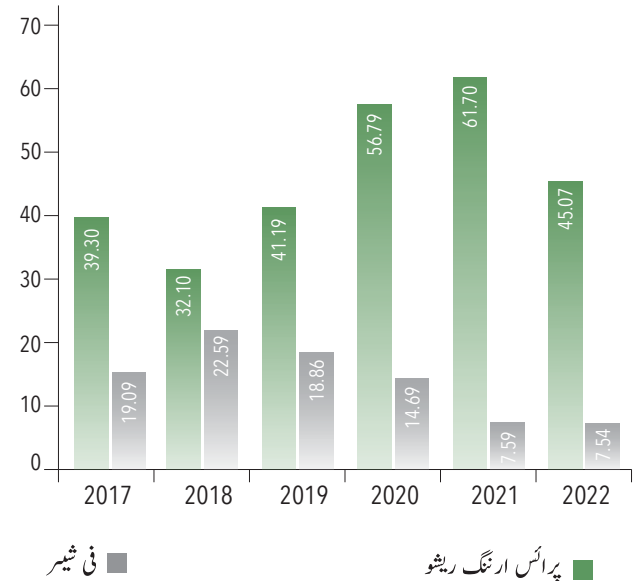
سال کے دوران، کمپنی نے اپنے ذیلی اداروں میں سے ایک ادارے، سروس گلوبل فوٹ ویزر لمیٹڈ سے 735.975 ملین روپے کا ڈیویڈنڈ کمایا۔ یہ پہلا سال ہے جس میں ذیلی ادارے نے 2019 میں اپنے قیام کے بعد سے ڈیویڈنڈ کا اعلان کیا ہے اور اسے ادا کیا ہے۔

مزید براں، کمپنی نے UAE میں شامل اپنی غیر ملکی ذیلی ادارے سروس انڈسٹریز لمیٹڈ گلف FZE میں 7 ملین روپے کی سرمایہ کاری کی۔

فی شیئر آمدنی

اس سال فی شیئر آمدنی 7.54 روپے رہی جو پچھلے سال 7.59 روپے تھی، آمدن فروخت میں 30 فیصد اضافے کے باوجود فی شیئر آمدنی اسی سطح پر برقرار ہے۔ خام مال کی زیادہ لاگت، شرح سود میں بے انتہا اضافہ، امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی اور افراط زر کے دباؤ نے کمپنی کے منافع کو متاثر کیا ہے۔ انتظامیہ ان بیرونی عوامل کے اثرات کو کم کرنے کی ہر ممکن کوشش کر رہی ہے۔ اس کے لئے مناسب منصوبہ بندی اور کنٹرول کے اقدامات کیے گئے ہیں اور منفی اثرات سے بچنے کے لیے مناسب مالیاتی حکمت عملی اپنائی گئی ہے۔

پرائس آرٹنگ ریٹو اور فی شیئر آمدنی



ٹائر ڈویژن

ٹائر اور ٹیوب کی فروخت سے آمدنی میں کثیر اضافہ دیکھنے میں آیا ہے، جس کی بنیادی وجہ خام مال اور دیگر پیداواری لاگت میں اضافے کی وجہ سے وفاقاً قیمتوں میں اضافہ ہے۔ 2021 کی آمدن فروخت 22.194 ارب روپے، بڑھ کر 2022 میں 28.245 ارب ہو گئی ہے، جو کہ 6.050 ارب روپے (27%) کا اضافہ ظاہر کرتا ہے۔

خام مال اور دیگر پیداواری لاگت میں اضافے، امریکی ڈالر کے مقابلے میں روپے کی قدر میں بڑی کمی اور بڑھتی ہوئی شرح سود کی وجہ سے اس شعبے کو شدید مشکلات کا سامنا کرنا پڑا۔ ان مشکلات کا مقابلہ کرنے کے لیے، انتظامیہ نے اپنے صارفین پر توجہ مرکوز رکھتے ہوئے قیمتوں کے تعین کے طریقہ کار کو بہتر بنایا ہے۔ ہماری مارکیٹنگ کے عملے نے ڈیلرشپ نیٹ ورک کو مضبوط بنانے اور مارکیٹ میں ہمارے کلیدی کردار کو برقرار رکھنے کی مہم کو بڑھ کر پیش کیا ہے۔

کمپنی نے موجودہ سال میں اہم پیداواری سنگ میل حاصل کیے ہیں۔ جدید ترین مکسنگ پلانٹ کی تنصیب اور مکمل ہو چکا ہے اور سال کے اختتام کے اعداد اس کی پیداوار شروع ہو گئی ہے۔ مزید برآں ہائیڈرو ماس اوائلر کو نصب کرنے کا منصوبہ کم قیمت پر بھاپ کی پیداوار کو یقینی بنانے میں مدد کرے گا۔ ان تمام کوششوں کی بدولت آمدن فروخت، شرح منافع اور فروخت کا حجم بڑھے گا اور پیداواری لاگت میں کمی کی گئی۔

فٹ ویئر ڈویژن

جو تلوں کے شعبے میں آمدن فروخت میں 50% کا اضافہ ہوا ہے، جس کی مجموعی فروخت 7.243 ارب روپے سے بڑھ کر 10.830 ارب روپے ہو گئی ہے۔ یہ بہت بڑا اضافہ بنیادی طور پر ریٹیل اور تھوک کے شعبوں میں حجمی نمو کی وجہ سے ہوا ہے۔ سال کے دوران جو تلوں کی برآمدات میں بھی 46 فیصد اضافہ ہوا ہے۔

ریٹیل کے شعبے نے ملک کے تمام بڑے شہروں کا احاطہ کرتے ہوئے غیر معمولی طور پر اچھی کارکردگی کا مظاہرہ کیا ہے۔ اسٹورز کی تعداد دسمبر 2021 میں 91 سے بڑھ کر دسمبر 2022 میں 152 ہو گئی۔ قیمتوں کے تعین کی بہتر حکمت عملی، متنوع مصنوعات کی پیشکش اور تمام اہم مقامات پر اسٹورز کی موجودگی کی وجہ سے مجموعی مارجن میں کافی بہتری آئی ہے۔ مضبوط برانڈز کا دوبارہ آغاز اور آن لائن فروخت کو فعال کرنا بہت کامیاب رہا ہے۔

صارفین کی خدمات کے نظام کو منظم خطوط پر استوار کر کے، خصوصی طور پر کریڈٹ کی مدت طے کر کے اور حجم فروخت بڑھانے کے لئے رعایات کے اجراء کے ذریعے تھوک کے کاروبار میں بھی آمدن فروخت بڑھائی گئی۔

موٹر سائیکل کے پیرزہ جات

پیرزہ جات کی آمدن فروخت 498.518 ملین روپے کے اضافے سے 2021 میں 2.553 ارب روپے کے مقابلے میں 2022 میں 3.051 ارب روپے کی سطح پر پہنچ گئی ہے۔ سال 2022 کے دوران چین اور گری ہمارے احاطے میں تیار ہونا شروع ہوئیں۔

ربر کی تکنیکی مصنوعات

ہمارے اداروں کو فروخت کے کاروباری حجم میں کمی واقع ہوئی ہے اور فروخت 734.42 ملین

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ڈائریکٹرز رپورٹ کمپنیز ای کٹ 2017 کے سیکشن 227 کے تحت تیار کی گئی ہے۔ یہ رپورٹ کمپنی کے سالانہ اجلاس جو کہ مورخہ 28 اپریل 2023 کو منعقد ہو گا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

سال 2022 پاکستان کی معیشت کے لیے انتہائی مشکل رہا ہے، جس کی وجہ سے موجودہ سیاسی اور معاشی عدم استحکام جس کے نتیجے میں کاروباری سرگرمیاں سست ہو گئی ہیں۔ اس کا براہ راست اثر بڑے پیمانے پر پیداوار اور نئے والے اداروں پر پڑا ہے جس میں جولائی تا دسمبر 2022 کی مدت میں نمو میں 3.7 فیصد کمی واقع ہوئی ہے، جو پچھلے سال کی اسی مدت میں 7.7 فیصد تھی۔ بہر حال، کمپنی کی انتظامیہ نے اپنی توجہ کاروبار کے تسلسل پر مرکوز رکھی اور سالانہ نمو کے اہداف کو پورا کرنے کے لیے احتیاط سے کاروباری توسیع کا کام بھی جاری رکھا۔ کمپنی کی آمدن فروخت میں زبردست اضافہ ہوا ہے، بد قسمتی سے، خام مال کی لاگت اور شرح سود میں تیزی سے اضافے نے منافع کے مارجن کو متاثر کیا ہے۔ افراط زر کے دباؤ، روپے کی قدر میں لگاتار کمی اور بنیادی شرح سود میں 20 فیصد تک اضافہ معیشت اور کاروباری ماحول میں مزید سست روی کا باعث بن سکتا ہے۔

مالی سال 2021 اور 2022 کی کارکردگی کا موازنہ

31 دسمبر 2022 کو ختم ہونے والے مالی سال کے سروس انڈسٹریز لمیٹڈ کے انفرادی مالی نتائج درج ذیل ہے۔

تفصیلات	مالیاتی سال 2022 روپے، ہزار میں	مالیاتی سال 2021 روپے، ہزار میں	فیصد تبدیلی
خالص فروخت	42,599,481	32,724,924	30%
گراس منافع	7,973,461	5,266,614	51%
آپریٹنگ منافع	4,022,820	1,850,571	117%
منافع قبل از ٹیکس	976,021	570,842	71%
منافع بعد از ٹیکس	354,427	356,826	-1%
فی شیئر آمدنی	7.54	7.59	-1%

سروس انڈسٹریز لمیٹڈ نے سال 2022 میں اپنے مالیاتی گوشواروں کے مطابق 42.59 ارب روپے کی آمدن فروخت حاصل کی ہے جو کہ گزشتہ سال کے مقابلے میں 30% زیادہ ہے۔ فروخت میں نمایاں اضافہ کی بنیادی وجہ کمپنی کے ٹائر ڈویژن کی فروخت میں اضافہ، ریٹیل نیٹ ورک میں توسیع اور جو تلوں کی درآمدی فروخت میں اضافہ ہے۔ آپریٹنگ منافع 1.85 ارب روپے سے بڑھ کر 4.02 ارب روپے ہو گیا جس میں 117% کا اضافہ ہوا۔ تاہم، شرح سود میں بے تحاشہ اضافے اور ٹیکس میں اضافے کی وجہ سے مالیاتی اخراجات میں اضافہ ہوا جس کے نتیجے میں 2022 میں بعد از ٹیکس خالص منافع 354 ملین روپے تک کم ہو گیا جو 2021 میں 357 ملین روپے تھا۔

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