



Servis

Service Industries Limited

EXPLORING NEW HORIZONS..



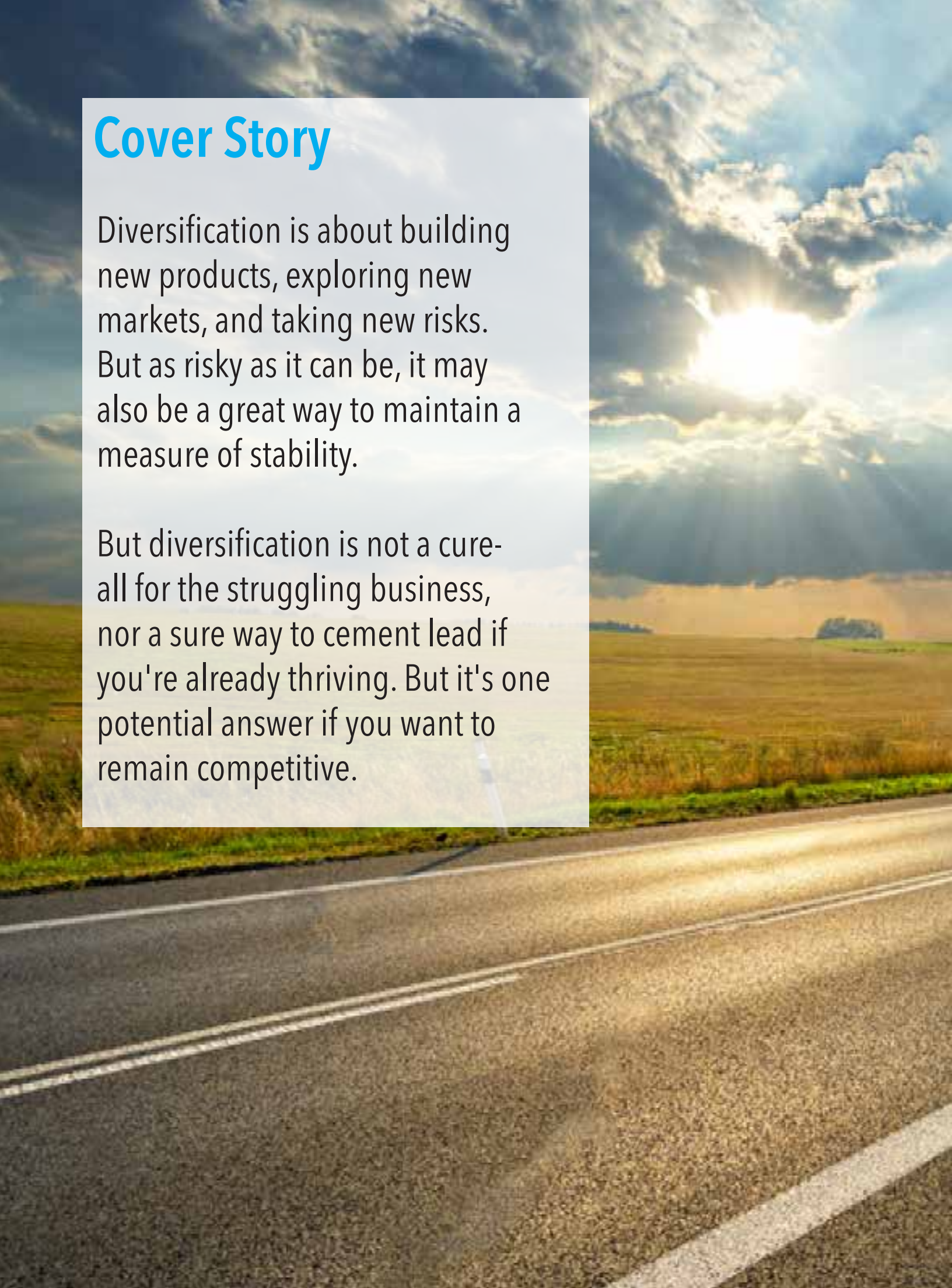
**ANNUAL
REPORT**

2021

Cover Story

Diversification is about building new products, exploring new markets, and taking new risks. But as risky as it can be, it may also be a great way to maintain a measure of stability.

But diversification is not a cure-all for the struggling business, nor a sure way to cement lead if you're already thriving. But it's one potential answer if you want to remain competitive.



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Our History

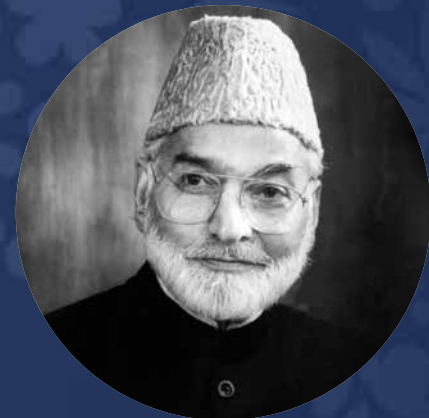
The story of 'Servis' begins in late 1930s when a group of three young graduates from college, started exploring the possibility of doing business together instead of aspiring for secured jobs. These determined young men, Chaudhry Nazar Muhammad, Chaudhry Mohammad Husain, both hailing from villages in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

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

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



Ch. Muhammad Hussain



Ch. Nazar Muhammad



Ch. Muhammad Saeed



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 as a whole. They remained extremely particular about payment of taxes to the national exchequer,

and in looking after the interests of shareholder and workforce alike. The importance to society of creating employment opportunities, improve employees' qualifications, develop backward areas and establish an export market stemmed from their vision and directed their growth.

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

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

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

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

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

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.

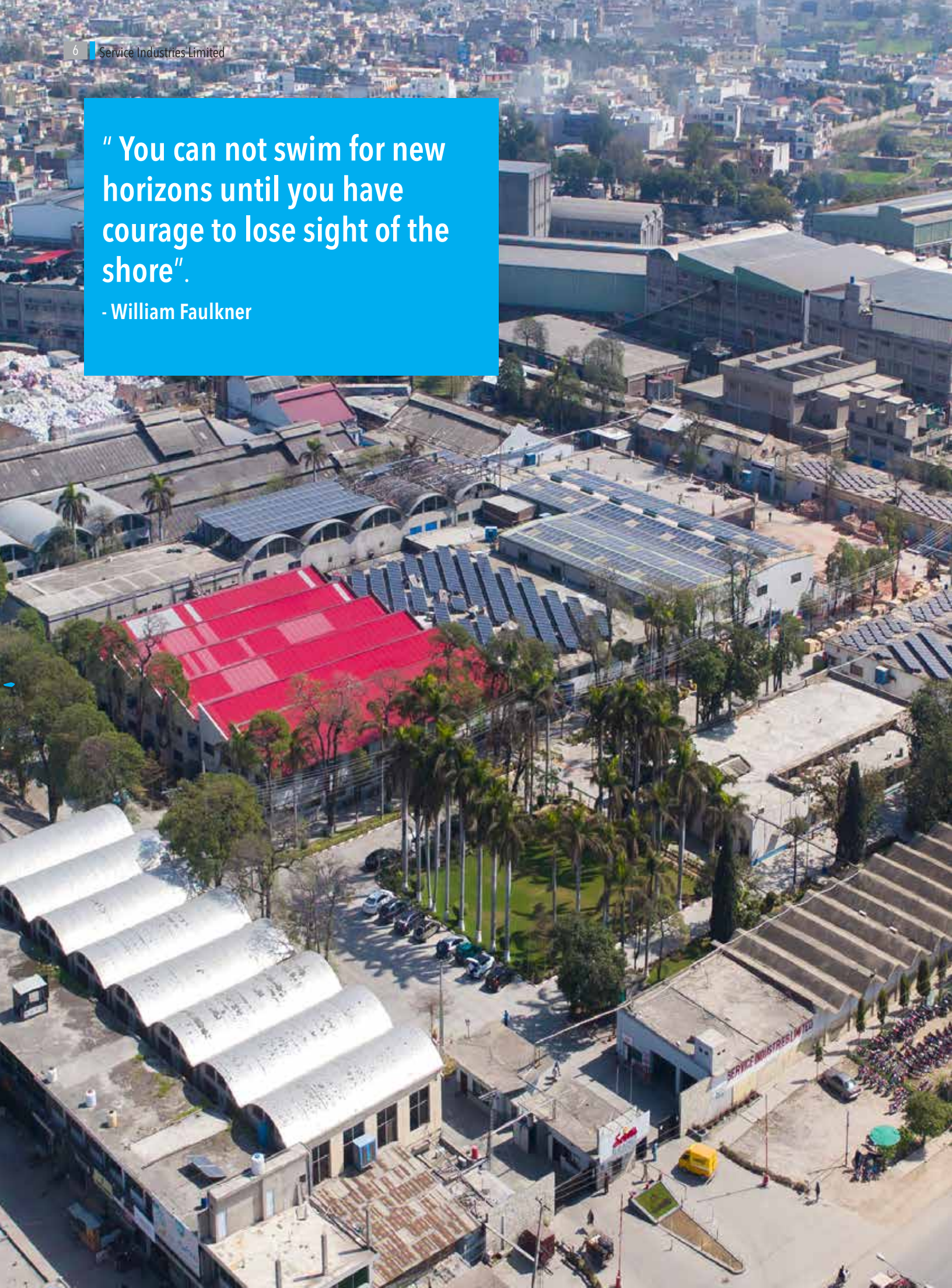


To set up highly ethical business standards and be a good cooperate citizen, contributing towards the development of the national economy and assisting charitable causes.

To adopt appropriate safety rules and environment friendly policies.

" You can not swim for new horizons until you have courage to lose sight of the shore".

- William Faulkner



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

JS Bank Limited

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

United Bank Limited

Auditors

M/s. Riaz Ahmad & Company,
Chartered Accountants

Legal Advisor

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

Registered Office

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

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

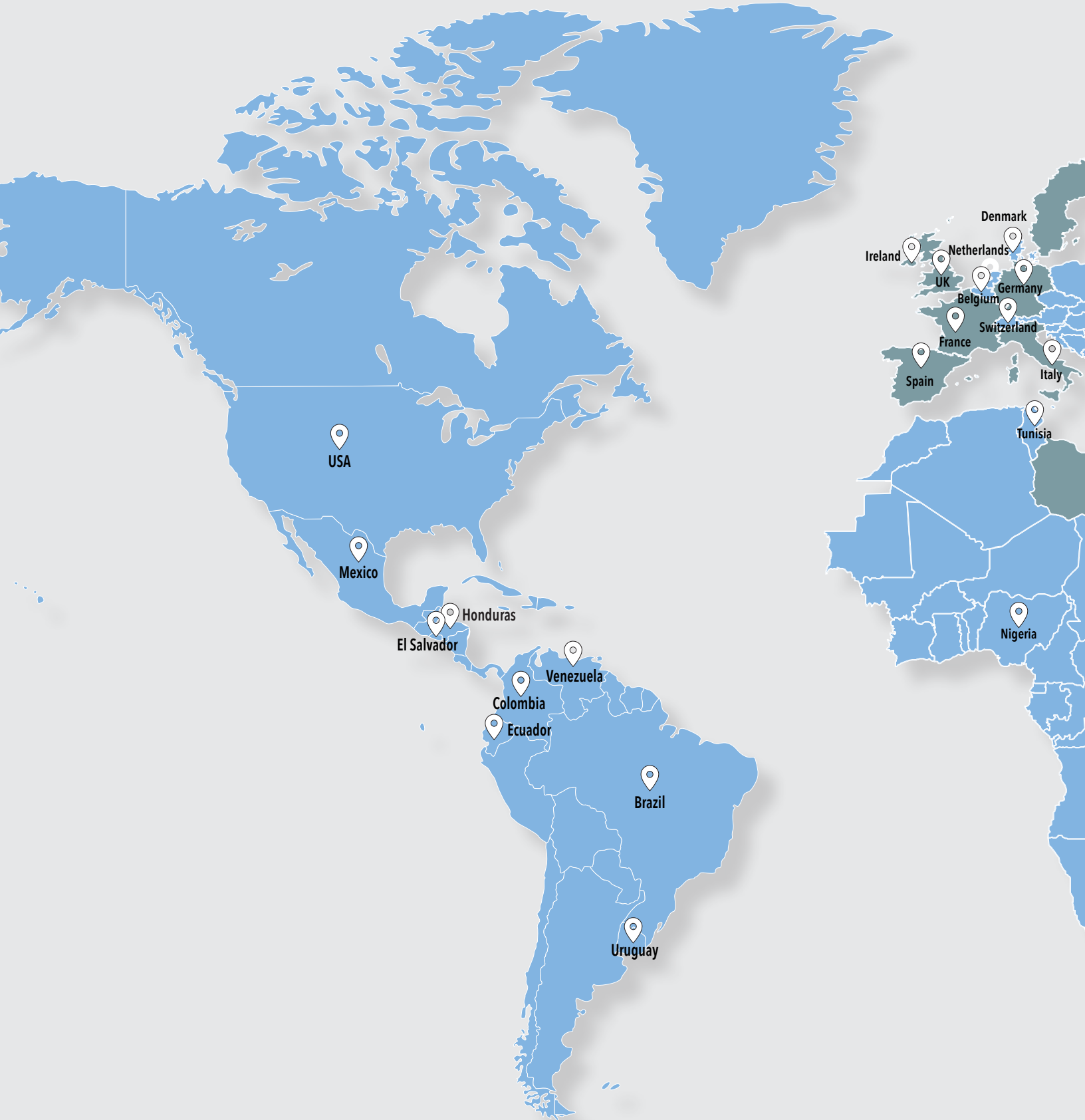
G.T. Road, Gujrat.

Web Presence

www.servisgroup.com

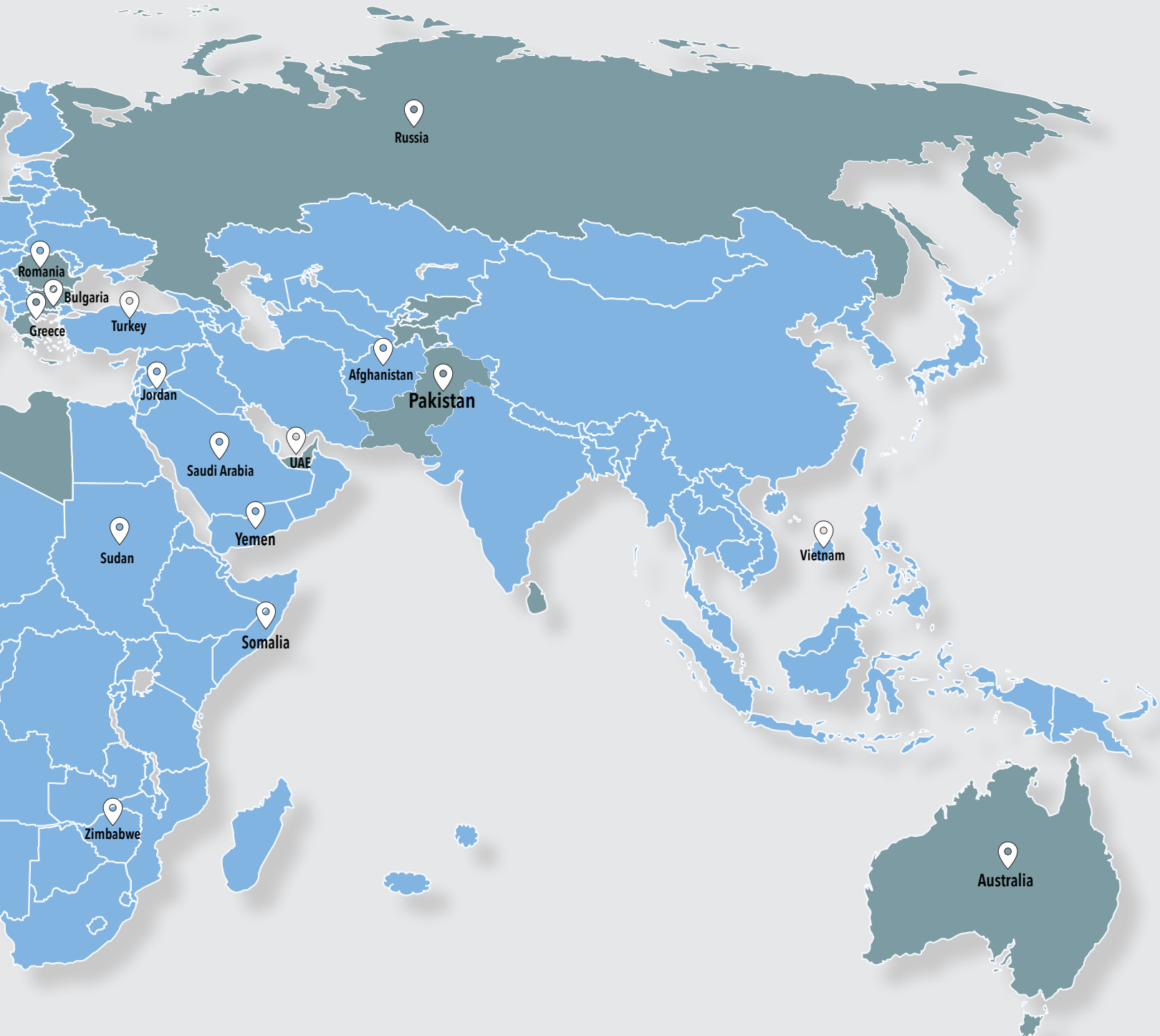
Geographical Presence

Our products are available in more than thirty countries.



"A dream is the bearer of a new possibility, the enlarged horizon, the great hope "

-Howard Thurman



Corporate Social Responsibility

About Service Industries Limited (SIL)

SIL is a socially conscious business entity. Its tradition of charitable 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 and 2021, 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.

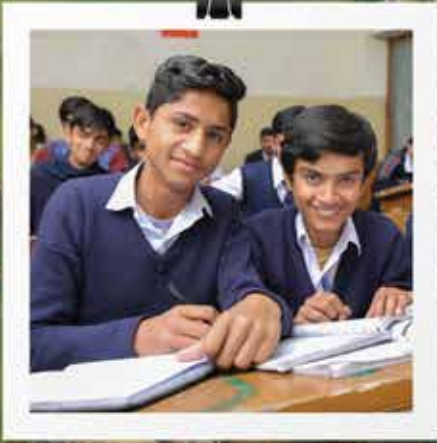


SF inherits and upholds SIL's values of giving back, community, trust, excellence, collaboration, partnership, and sustained progress. It seeks to foster SIL's legacy through work of larger scale and impact. SF's vision is to become a meaningful contributor to a Pakistan in which all people have access 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. In 2021 as we recovered from the urgent situation created in the wake of COVID-19's initial waves, we returned our focus to our original programmes and projects in health and education.

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 2021 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.





"Business has a responsibility to give back to community"
- Ben Cohen

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.

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."

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. 6.3 million on this programme in 2021

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 2021, SIL contributed PKR 1,737 million.

h) Covid - 19 Support & Steps

During the year, the impact of Covid 19 has lessened. 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 2021.

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 2021, SIL sponsored the treatment of low-income patients to the tune of PKR 10.8 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 33 million to Servis Foundation during 2021 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 2021, SF contributed PKR 8.8 million for medical students' scholarships.

b) Kidney Center Gujrat (KCG)

SF is the foremost donor at this facility providing free haemodialysis 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 2021, SF contributed PKR 12 million to Kidney Center Gujrat.

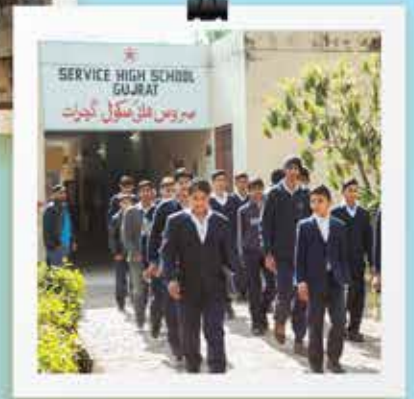
c) The Citizens Foundation (TCF)

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 65th Annual General Meeting ("AGM") of Service Industries Limited (the Company) will be held on **Thursday, the April 28, 2022 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, 2021, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To approve the final cash dividend of Rs. 7.5 per share i.e. 75% as recommended by the Board of Directors for the year ended December 31, 2021.
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.

Lahore
April 07, 2022

By Order of the Board

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 22, 2022 to April 28, 2022 (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 21, 2022 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 22, 2022.

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. 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.
8. The Company has placed the Annual Report containing Audited Annual Financial Statements for the year ended 31 December 2021, Auditors' and Directors' Reports thereon and Chairman's Review Report on its website: www.servisgroup.com.
9. 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.
10. 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.

- 11 The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980 to the Company.
- 12 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.
- 13 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.
- 14 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.
- 15 For any query / problem / information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 5916719, e-mail address: corplink786@gmail.com and / or the Company: Mr. Tahir Maqsood, Phone No. 042-35751990, email address: shareholders@servis.com.

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

Name of Investee Company	Service Long March Tyres (Private) Limited
Total Investment Approved	Long term equity investment up to US\$ 30,600,000 equivalents to Rs. 4,738,410,000 for purchase of 473,841,000 shares.
Amount of Investment made to date	Rs. 3,032,505,000.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time	No deviation. The validity of resolution for investment of up to Rs. 4,738,410,000 is three (3) years from February 03, 2020. The balance investment will be made as and when funds are required by the associated Company.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company	Investment was approved on February 03, 2020. The sponsors have injected equity of Rs. 9,450,000,000 and the associated company has commenced commercial operations with effect from March 10, 2022. As per latest audited financial statements for the year ended June 30, 2021 the balance sheet size is Rs. 15.102 Billion, Profit after tax is Rs. 55,014,000 and Earnings per share is Rs. 0.16.

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. He has been the CEO of Dar Es Salaam Textile Mills Limited. He was the founding Chairman of Quaid e Azam Solar Power Company, as well as the Quaid e Azam Thermal Power Company 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 boards of the Pakistan Cricket Board (PCB), Aitchison College and the Pakistan Kidney and Liver Institute and Research Center (PKLI&RC) 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. Omar is serving as a Director on the Boards of Service Global Footwear Limited and Service Shoes Lanka (Private) Limited. He is also serving as the Chief Executive Officer of Service Long March Tyres (Private) Limited and Servis Foundation. Omar has recently been appointed as an Independent Director of Systems Limited. 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 and more than PKR 12bn in annual revenues. He founded Ovex Technologies (Private) Limited in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011.



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, Service Shoes Lanka (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 for a year.

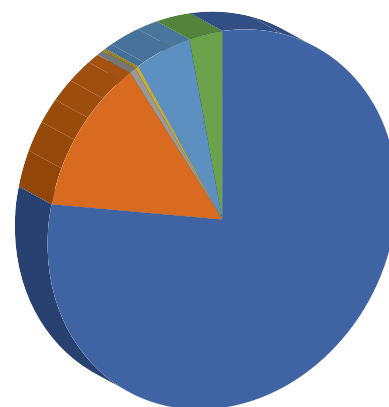
Value Added and its Distribution

	2021		2020	
	(Rs in 000)	%	(Rs in 000)	%
Wealth Generated				
Sales	32,724,924		24,442,492	
Other Income	317,184		86,268	
Bought-in-material & Services	(25,958,147)		(17,961,621)	
	7,083,962	100	6,567,139	100
Wealth Distributed				
To Employee				
Remuneration , Benefits,and Facilities	4,157,890	59	3,386,460	52
To Government				
Taxation	214,016	3	471,160	7
Workers welfare fund	6,517	0	24,680	0
To Society				
Donation	50,735	1	59,518	1
To Lenders				
Dividend	352,406	5	140,963	2
Mark up & finance Cost	1,314,456	19	1,084,627	17
Retained for Reinvestment & Future Growth				
Depreciation	982,302	14	849,253	13
Amortization	1,219	0	1,417	0
Retained Profit	4,420	0	549,061	8
Unappropriated profit,deperication & amortization	987,941	14	1,399,731	21
	7,083,962	100	6,567,139	100

Wealth Generated and Distributed

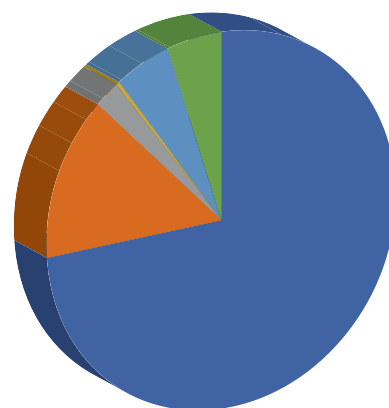
2021

	Amount	%
● 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%



2020

	Amount	%
● Bought-in-material & services	17,961,621	73.23
● To Employees	3,386,460	13.81
● To Government	495,840	2.02
● To Society	59,518	0.24
● To Lenders	1,225,590	5.00
● Retained for Reinvestment & Future Growth	1,399,731	5.71
Total	24,528,760	100

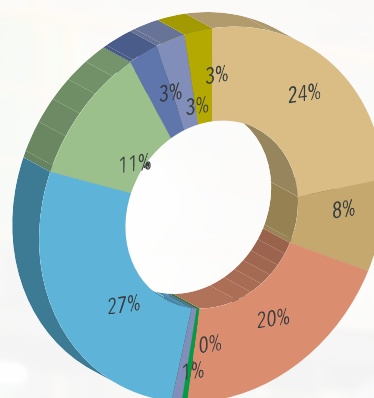


Balance Sheet Composition

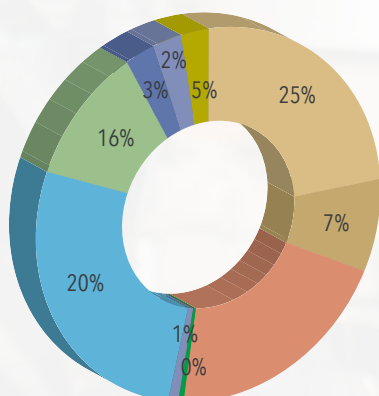
Fixed and Current Assets

2021

Property, Plant and equipment	24%
Right-of-use assets	8%
Long term investments	20%
Long term loans and deposits	0%
Stores and spares	1%
Stock in trade	27%
Trade debts - net	11%
Advances and prepayments	3%
Other receivables	3%
Cash and bank balances	3%



2020

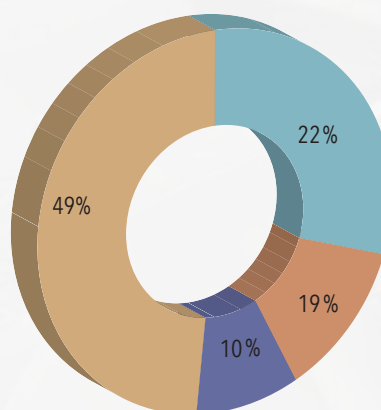


Property, Plant and equipment	25%
Right-of-use assets	7%
Long term investments	21%
Long term loans and deposits	0%
Stores and spares	1%
Stock in trade	20%
Trade debts - net	16%
Advances and prepayments	3%
Other receivables	2%
Cash and bank balances	5%

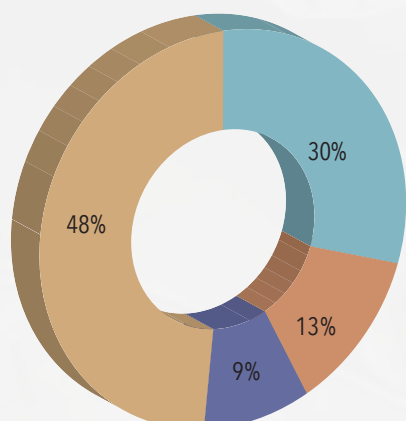
Equities and Liabilities

2021

Equity & Reserves	22%
Long term Financing	19%
Non Current Liabilities	10%
Current Liabilities	49%



2020



Equity & Reserves	30%
Long term Financing	13%
Non Current Liabilities	9%
Current Liabilities	48%



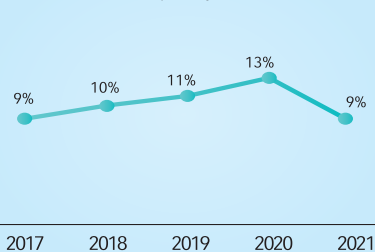
"Expand your horizon. Don't stay stuck in a comfort zone"

-April Peerless

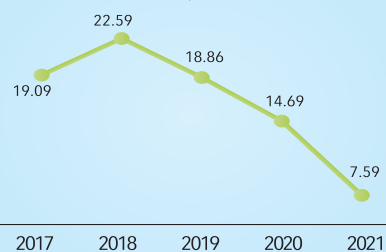
Analytical Review



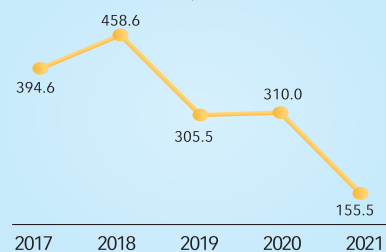
EBITDA Margins to Sales
in percentage



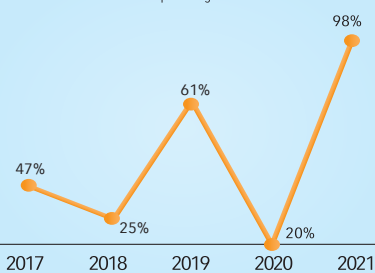
Earning per share
Rupees



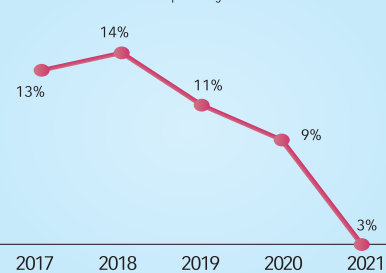
Breakup Value
Rupees



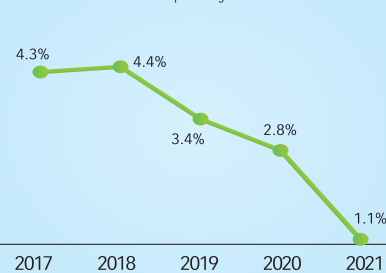
Dividend Payout
in percentage



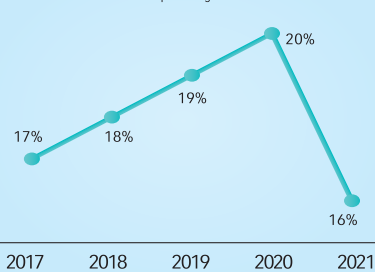
Return on Capital Employed
in percentage



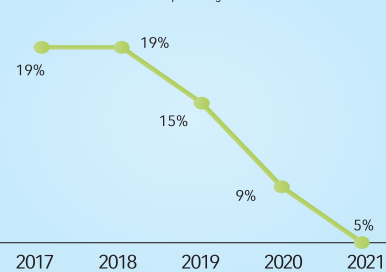
Net Profit Margin
in percentage



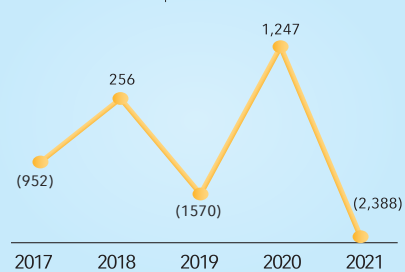
Gross Profit Margin
in percentage



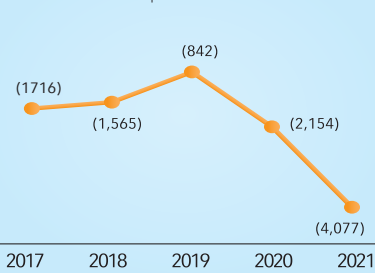
Return on Equity
in percentage



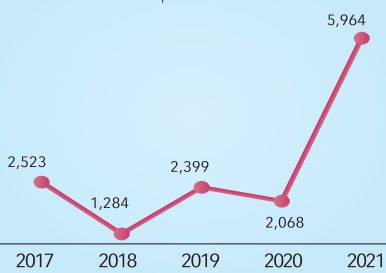
Cash Flows from Operating Activities
Rupees in million



Cash Flows from Investing Activities
Rupees in million



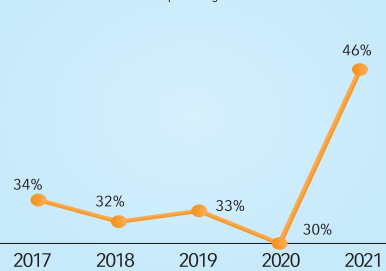
Cash Flows from Financing Activities
Rupees in million



Price Earning Ratio
in times



Debt to Equity Ratio
in percentage



Six Years at a Glance

Description	2021	2020	2019	2018	2017	2016
	Rupees in million					
Sales	32,725	24,442	26,156	24,080	20,898	18,984
Gross profit	5,267	4,921	4,884	4,333	3,563	3,776
Profit before tax	571	1,161	1,073	1,205	1,042	1,469
Profit after tax	357	690	886	1,061	897	1,245
Share capital	470	235	188	120	120	120
Share holder's equity	7,308	7,283	5,741	5,516	4,747	4,384
Property, plant & equipment	7,999	5,996	6,117	6,946	5,957	4,746
Total assets	33,345	24,451	19,150	18,121	15,885	12,697
Net current assets	(687)	(355)	(145)	1,044	1,123	562
Market Value Per Share (Rs.)	469	834	777	725	750	1,497
Dividend (%)						
Cash - Interim	-	-	125	-	85	150
Cash - Final	75	150	75	300	220	265
Bonus Shares	-	100	50	25	-	-
Profitability (%)						
Gross Profit	16.09	20.13	18.67	17.99	17.05	19.89
Profit Before Tax	1.74	4.75	4.10	5.01	4.98	7.74
Profit After Tax	1.09	2.82	3.39	4.41	4.29	6.56
Return to Shareholders						
R.O.E -Before Tax (%)	7.81	15.94	18.69	21.85	21.95	33.52
R.O.E -After Tax (%)	4.88	9.47	15.43	19.24	18.89	28.41
E.P.S-After Tax (Rs.)	7.59	29.37	37.73	45.17	38.17	53.01
Price Earning Ratio	61.70	28.40	20.59	16.05	19.65	28.24
Activity (Times)						
Sales To Total Assets	0.98	1.00	1.34	1.33	1.32	1.50
Sales To Fixed Assets	4.09	4.08	4.28	3.47	3.51	4.00
Inventory Turnover Ratio	3.96	4.28	5.13	4.96	5.22	5.58
Interest Coverage Ratio	2.18	2.84	2.54	3.06	4.05	7.20
Liquidity/Leverage						
Current Ratio	0.96	0.97	0.98	1.11	1.14	1.08
Break-up Value per Share	155.53	309.98	305.46	458.58	394.62	364.45
Total Liabilities To Equity	3.56	2.36	2.40	2.29	2.35	1.90
Debt Equity Ratio	52:48	40:60	38:62	38:62	38:62	21:79



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Spring
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SHOE BOX

SHOE BOX



Horizontal Analysis

	2021		2020		2019		2018		2017	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Balance Sheet										
Equity & Reserve	7,282,592	0.4	7,282,592	26.8	5,741,208	4.1	5,516,165	16.2	4,746,761	8.3
Long term financing facilities	6,205,473	101.2	3,084,863	11.3	2,770,768	5.9	2,617,155	7.6	2,431,930	143.7
Non Current Liability	3,390,438	50.4	2,254,772	37.5	1,639,506	212.4	524,871	(3.1)	541,668	36.8
Current Liabilities	16,440,849	39.0	11,828,991	31.5	8,998,338	(4.9)	9,462,932	15.9	8,164,511	18.0
	33,344,941	36.4	24,451,218	27.7	19,149,820	5.7	18,121,123	14.1	15,884,870	25.1
Non Current Assets										
Property Plant and Equipment	7,999,342	33.4	5,996,063	(2.0)	6,117,464	(11.9)	6,946,303	16.6	5,957,312	25.5
Right-of-use assets	2,642,560	63.2	1,618,879	15.4	1,403,090	-	-	-	-	-
Intangibles	3,979	213.1	1,271	(52.7)	2,688	4.9	2,562	175.8	929	(65.8)
long term investment	6,779,666	29.3	5,242,711	96.5	2,668,005	385.2	549,917	5.4	521,663	39.5
long term loan & deposit	165,372	39.6	118,500	12.8	105,078	(9.0)	115,460	(1.4)	117,155	25.5
Current Asset										
Stores and spares	322,895	39.0	232,316	(7.9)	252,240	58.2	159,415	30.2	122,467	22.2
Stock in-trade	9,001,107	84.5	4,877,842	14.9	4,247,068	5.0	4,044,171	3.2	3,917,187	43.5
Trade Debts	3,808,763	(3.3)	3,938,337	30.4	3,021,121	(8.5)	3,300,338	18.0	2,797,402	12.7
Loans & Advances	572,187	31.9	433,755	11.0	390,886	(15.7)	463,549	56.9	295,456	0.8
Trade Deposits and Prepayments	320,840	36.6	234,864	59.5	147,214	57.5	93,469	(29.1)	131,883	53.8
Other receivables	872,991	57.1	555,622	(26.6)	756,463	(68.4)	2,392,179	23.0	1,944,231	33.2
Short term Investments	155,943	0.0	-	-	-	-	-	-	-	-
Cash and Balance	699,296	(41.8)	1,201,058	3019.3	38,504	(28.4)	53,761	(32.1)	79,184	(64.8)
	33,344,941	36.4	24,451,218	27.7	19,149,820	5.7	18,121,123	14.1	15,884,870	25.1

	2021		2020		2019		2018		2017	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Profit & Loss										
Net Sales	32,724,924	33.9	24,442,492	(6.6)	26,156,201	8.6	24,080,265	15.2	20,898,174	10.1
Cost of Sales	27,458,310	40.7	19,521,551	(8.2)	21,271,958	7.7	19,747,583	13.9	17,335,541	14.0
Gross Profit	5,266,614	7.0	4,920,941	0.8	4,884,243	12.7	4,332,682	21.6	3,562,633	(5.6)
Administration and selling expenses	3,698,500	33.9	2,761,398	(8.6)	3,020,079	7.8	2,800,877	10.4	2,536,846	16.9
Other income	282,457	640.2	134,378	(57.0)	312,202	57.3	198,491	(44.5)	357,867	257.9
Operating profit	1,850,571	(15.8)	2,293,921	5.4	2,176,366	25.8	1,730,296	25.1	1,383,654	(18.9)
Financial charges	1,314,456	21.2	1,084,627	(3.5)	1,123,589	90.8	588,940	72.3	341,885	44.3
Share of profit	34,727	(27.8)	(48,110)	(337.6)	20,248	(68.3)	63,929	0.0	-	0.0
Profit before taxation	570,842	(50.8)	1,161,184	8.2	1,073,025	(11.0)	1,205,285	15.7	1,041,769	(29.1)
Provision for taxation	214,016	(54.6)	471,160	152.4	186,661	29.6	143,978	(0.7)	144,954	(35.2)
Profit after taxation	356,826	(48.3)	690,024	(22.2)	886,364	(16.5)	1,061,307	18.3	896,815	(28.0)

Vertical Analysis

	2021		2020		2019		2018		2017	
	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %	Rs '000	CONTR. %
Balance Sheet										
Equity & Reserve	7,308,181	21.9	7,282,594	29.8	5,741,208	30.0	5,516,165	30.4	4,746,759	29.9
Long term financing facilities	6,205,473	18.6	3,084,863	12.6	2,770,768	14.5	2,617,155	14.4	2,431,930	15.3
Non Current Liability	3,390,438	10.2	2,254,772	9.2	1,639,506	8.6	524,871	2.9	541,668	3.4
Current Liabilities	16,440,849	49.3	11,828,991	48.4	8,998,338	47.0	9,462,932	52.2	8,164,511	51.4
	33,344,941	100.0	24,451,220	100.0	19,149,820	100.0	18,121,123	100.0	15,884,868	100.0
Non Current Assets										
Property Plant and Equipment	7,999,342	24.0	5,996,064	24.5	6,117,464	31.9	6,946,303	38.3	5,957,311	37.5
Right-of-use assets	2,642,560	7.9	1,618,879	6.6	1,403,090	7.3	-	0.0	-	0.0
Intangibles	3,979	0.0	1,271	0.0	2,688	0.0	2,562	0.0	929	0.0
Long term investment	6,779,666	20.3	5,242,711	21.4	2,668,005	13.9	549,917	3.0	521,663	3.3
Long term loans & deposit	165,372	0.5	118,500	0.5	105,078	0.5	115,460	0.6	117,155	0.7
Current Asset										
Stores and spares	322,895	1.0	232,316	1.0	252,240	1.3	159,415	0.9	122,467	0.8
Stock in-trade	9,001,107	27.0	4,877,842	19.9	4,247,068	22.2	4,044,171	22.3	3,917,187	24.7
Trade Debts	3,808,763	11.4	3,938,337	16.1	3,021,121	15.8	3,300,338	18.2	2,797,402	17.6
Loans & Advances	572,187	1.7	433,755	1.8	390,886	2.0	463,549	2.6	295,457	1.9
Trade Deposits and Prepayments	320,840	1.0	234,864	1.0	147,214	0.8	93,469	0.5	131,883	0.8
Other receivables	872,991	2.6	555,622	2.3	756,463	4.0	2,392,178	13.2	1,944,231	12.2
Short term Investments	155,943	0.5	-	-	-	-	-	-	-	-
Cash and Balance	699,296	2.1	1,201,059	4.9	38,503	0.2	53,761	0.3	79,184	0.5
	33,344,941	100.0	24,451,220	100.0	19,149,820	100.0	18,121,123	100.0	15,884,868	100.0

	2021		2020		2019		2018		2017	
	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %	Rs '000	GOLY %
Profit & Loss										
Net Sales	32,724,924	100.0	24,442,492	100.0	26,156,201	100.0	24,080,265	100.0	20,898,174	100.0
Cost of Sales	27,458,310	83.9	19,521,551	79.9	21,271,958	81.3	19,747,583	81.5	17,335,541	83.0
Gross Profit	5,266,614	16.1	4,920,941	20.1	4,884,243	18.7	4,332,682	18.5	3,562,633	17.0
Administration and selling expenses	3,698,500	11.3	2,761,398	11.3	3,020,079	11.5	2,800,877	11.6	2,536,846	12.1
Other income	282,457	0.9	134,378	0.5	312,202	1.2	198,491	0.8	357,867	1.7
Operating profit	1,850,571	5.7	2,293,921	9.4	2,176,366	8.3	1,730,296	7.2	1,383,654	6.6
Financial charges	1,314,456	4.0	1,084,627	4.4	1,123,589	4.3	588,940	2.4	341,885	1.6
Share of profit	34,727	0.1	(48,110)	(0.2)	20,248	0.1	63,929	0.3	-	0.0
Profit before taxation	570,842	1.7	1,161,184	4.8	1,073,025	4.1	1,205,285	5.0	1,041,769	5.0
Provision for taxation	214,016	0.7	471,160	1.9	186,661	0.7	143,978	0.6	144,954	0.7
Profit after taxation	356,826	1.1	690,024	2.8	886,364	3.4	1,061,307	4.4	896,815	4.3

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, 2021.

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.

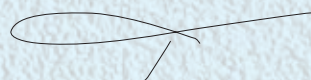
The Company has a nine (9) member Board of Directors ("the Board") which comprises of individuals with diverse background having core competencies, knowledge and experience relevant to the business of the Company. The Composition of the Board and its Committees is in accordance with the requirements 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 2021, the Board successfully achieved targets and objectives set for the growth of the Company by performing the following functions:

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

The Board of the company is fully committed to add value to the shareholders' wealth. Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final cash dividend of Rs. 7.5 per share.



Chaudhry Ahmed Javed
Chairman

March 31, 2022
Lahore





" Broaden your horizons. The more you see the more you understand."



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, 2021 ("FY 2021").

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, 2022.

The COVID-19 outbreak that developed rapidly in 2020 has now become a part of life, with communities having learnt to live along with it. Its overall spread has become steady now, mainly due to mass vaccination programs undertaken globally. The pandemic had adversely impacted the international and domestic economy, however, there are tangible indicators of recovery and world economy is back on track of progression and growth. The management of the company had remained vigilant and dealt with the aftermath of COVID19 in the most prudent manner possible. With revival of economy, the management looked towards investing in enhancing production capacities to benefit from the growth orientation. Measures were also taken to ensure health and safety of our employees during this whole pandemic episode, with constant support, in terms of medical assistance and financial coverage.

Key Performance Indicators (KPIs) for FY 2020 v/s FY 2019

Please find below key performance indicators of separate financials of Service Industries Limited for the year ended December 31, 2021.

Particulars	FY 2020 Rs'000	FY 2019 Rs'000 Restated	Percentage Change
Net Sales	32,724,924	24,442,492	34%
Operating profit	1,850,571	2,293,921	-19%
Profit before tax	570,842	1,161,184	-51%
Net profit after tax	356,826	690,024	-48%

SIL recorded sales of PKR 32.72 billion in its financial statements for the year 2021 showing an increase of 34% from last year. Net profit after tax amounted to PKR 356.83 million against profit after tax of PKR 690.04 million in last year. The significant increase in sales is mainly attributable to the volumetric growth in sales of the tyre division of the company, with footwear segment also contributing its due share towards revenue accumulation. Increased raw material prices due to spike in global raw material prices and weakening Pak rupee, increase in energy cost and high logistic costs resulted in reduced profitability of the company.

Tyre Division

The Tyre Division, our biggest revenue contributor, has shown a top line growth of almost PKR 6.75 billion i.e., 38% in the year 2021 against last

year. This growth in revenue stream was the result of teamwork, consistent product quality, efficient supply chain management and innovation.

A spike in the raw material prices and logistics costs posed a threat to our budgeted production targets. However, despite these challenges, our management team is determined to maintain its market position and capitalize on the brand image of Servis Tyres.

The products of the agricultural tyre production facility which went online last year have been extremely well received in the market. The management team is working on nationwide marketing activities, awareness campaigns, regional dealer meetings and strengthening market leadership through further capacity enhancement and restructuring of marketing channels. The management has invested in capacity enhancement in this period which will result in increased sales in the next year with lower operational cost.

Footwear Division

Our footwear sales showed a healthy increase of 21% in the year 2021 as compared to the last year. The profitability of domestic footwear business which is now the main contributor of footwear sales segment continued to face tough challenges as the retail market in the country remained under stress. During this challenging period, more institutional footwear business was booked by the Company to utilize available capacities, albeit at lower margins.

The retail business doubled from PKR 960 million in 2020 to PKR 2,251 million in 2021. This growth was primarily due to fast expansion (48 stores in 2020 to 91 stores in 2021) and lesser Covid restrictions in 2021 compared to 2020. This aggressive expansion is based on the reforms that were made last year which resulted in gross margin improvement through price point coverage and discount management, better inventory planning and a more balanced product portfolio. Business is on a growth path with an expansion plan of 50 more outlets in 2022

Technical Rubber Products

Our Corporate sales division under the umbrella of Technical Rubber Products (TRP) has also been under growth trajectory. Overall sales during the year showed an improvement of 59% with sales increasing from Rs. 462.134 million in 2020 to 734.424 million in 2021. Future prospects of this division are quite promising, with many orders in hand and further in pipeline. We expect TRP segment to have a much higher contribution towards company's revenue in coming years.

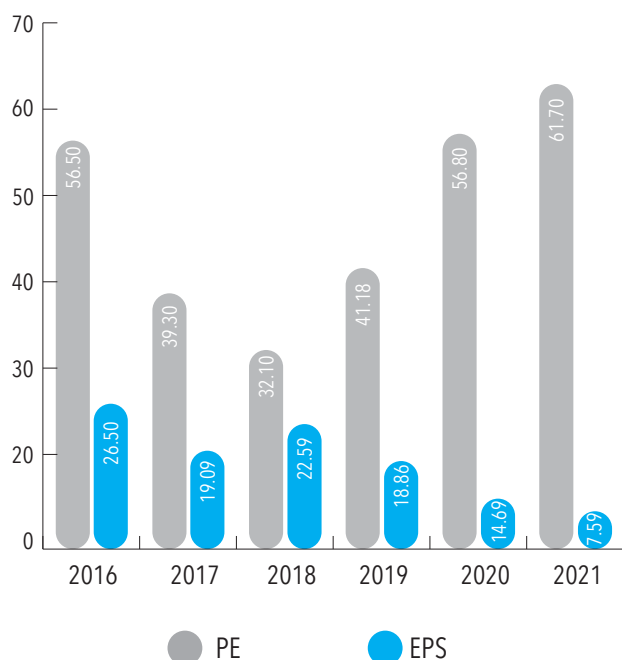
Earning Per Share (EPS)

The earnings per share of the Company stood at PKR 7.59 during the year ended 31st December 2021 as compared to PKR 14.69 during last year reflecting a decrease of 48%. The main reasons for reduction in margins are due to escalated input material prices, higher international freight costs, lower profitability ratios in institutional footwear business and fluctuating foreign exchange movements. However, the management

Directors' Report to the Shareholders

is making out every possible effort to manage the negative impact of these factors, and are hopeful that in the coming year 2022, we will be able to restore profitability while growing sales at the same time.

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 2021:

	PKR in million
Accumulated equity as at January 01, 2021	7,282
Total comprehensive income for FY 2021	378
Final Dividend @ PKR 7.50 per ordinary share for FY 2021	(352)
Accumulated equity as at December 31, 2021	7,308

The Board of Directors of the Company has recommended final cash dividend of Rs. 7.5 per share (2020: final cash dividend Rs. 15 per share) in their meeting held on March 31, 2022.

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.

Cash Flows & Capital Expenditure

The Company's cash requirements for working capital are managed mainly through internal cash generation, loan from subsidiary company and with support from financial institutions as per requirement. For Capital Expenditure, financing is done through banks and Financial Institutions. The cash flow and funding requirements are effectively monitored. The company continuously re-invests its surplus funds to make the required levels of investments in business necessary to sustain long term growth. During the current year, the Company made a capital investment of Rs.2,474 million (2020: Rs. 553 million) mainly on account of Capex incurred mainly in Tyre Division and massive expansion in retail network.

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



Directors' Report to the Shareholders

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 170+ 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 2021, SIL contributed PKR 1,737 million on this account.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

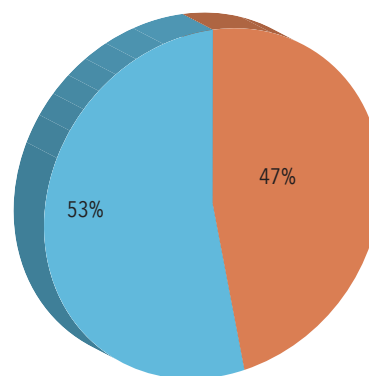
SIL is a socially conscious business entity. Its tradition of charity giving is as old as the Company itself. Over the past six decades, SIL has been involved

in significant philanthropic undertakings in health and education.

In late 2019, SIL decided to consolidate the delivery of this work by establishing its own independent corporate foundation by the name of Servis Foundation (SF). During 2020, as SF operationalized, it set out into becoming the custodian and implementer of all institutional CSR contributions of the Company. SF, as SIL's philanthropic arm, continues to deliver SIL's CSR goals through a programmatic and targeted mechanism.

During the year, the Company contributed PKR 50.735 million on account of CSR activities in various sectors.

Donations



■ Education

■ Healthcare

FUTURE OUTLOOK

We are hopeful that the Company's decision to invest in enhancing production capacities and expanding retail network during the current year and increasing topline will help the company to deliver excellent profits in the year 2022. Moreover, the strength of our Brands coupled with the talent and capability that we bring to the market makes the Company well positioned to continue as a leader in both Footwear and Tyre business.

The year 2022 is year of further value additions for the Company. SIL's associated company, Pakistan's first all Steel and Radial tyre manufacturer of the country, Service Long March Tyres (Private) Limited has commenced its commercial production with effect from March 10, 2022. The management is very confident on better future returns on this investment which will further consolidate shareholder's worth.

The Company's Tyre Division is on path of further expansion and sizeable production capacities are being added in the year 2022. Moreover, the Company is in process of setting up the production facility for the manufacturing of motorcycles chain kits, for which land and building have already been purchased and plant and machinery are under installation. The Company is also expanding its retail network and is planning to open 50 more retail outlets in the year 2022.

ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is determined to meet and wherever possible, exceed in all legal and ethical requirements and to conduct all businesses according to the highest professional and ethical standards and practices. The Board defines a path of continuous improvement constantly challenging existing processes. It also requires the Company to embrace change so that the Company is in the right place when new opportunities open. This also means attracting the best talent in the marketplace and giving them the skills and opportunities, 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 continues to evaluate internal controls and operations to ensure fair financial reporting processes, compliance with applicable laws and adherence with internal control systems. This also results in achieving our objective of adding value to our operations.

STATEMENT OF COMPLIANCE

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

DIRECTORS' STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK.

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

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- b. Proper books of account have been maintained by the Company.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements
- e. The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.

- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- 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, 2021, the following amounts were charged in the financial statements for remuneration including benefits to Chief Executive Officer and Executive Directors:

Rs. 73.222 million (2020: 63.712 million) was paid to the Chief Executive Officer (Details given in Note 40 to the audited financial statements).

Rs. 71.747 million (2020: 62.605 million) was paid to Executive Director (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 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.

Directors' Report to the Shareholders

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 follow

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

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) meeting during the year. Attendance by each member was as follows:

Name of Member	Attendance
Mrs. Ayesha Naweed – Chairperson	2/2
Mr. Arif Saeed – Member	1/2
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	6/6
Mr. Hassan Javed	6/6
Mr. Osman Saifullah Khan	2/6
Mr. Muhammad Naeem Khan*	5/5
Mr. Riaz Ahmed	6/6
Mrs. Ayesha Naweed	6/6
Mr. Shahid Hussain Jatoi	6/6

* appointed on 31 March, 2021 in place of Mr. Muhammed Amin (Deceased).

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

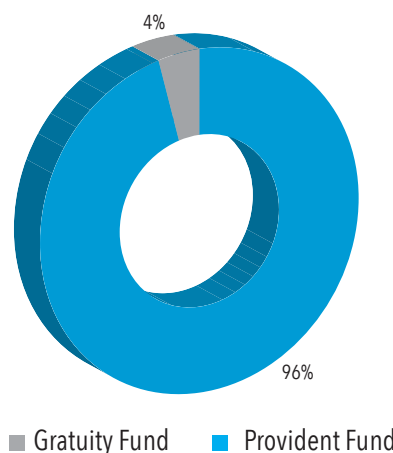
The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for their re-appointment as auditors of the Company for the financial year ending December 31, 2022.

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, 2021	December 31, 2020
	(Rupees in million)	
Provident Fund	2,068	1,790
Gratuity Fund	76	71

Value of Investments



Pattern of Shareholding

The pattern of shareholding as at December 31, 2021 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 2021 and 31 March 2022 except for:

- the declaration of final cash dividend of Rupees 7.5 per share (i.e.75%) 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 2021; and
- On 10 February 2022, there was a fire outbreak at one of the rented finished goods godowns of the Company. For the Company's 31 December 2021 financial statements, fire outbreak and related impacts are considered non-adjusting events, consequently there is no impact on these financial statements. Estimated loss of destroyed stock-in-trade is secured against insurance.

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 31, 2022
Lahore

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

Name of Company: Service Industries Limited
Year ended: December 31, 2021

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 Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the

Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

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

9. 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, 2021.
- b) HR and Remuneration Committee:**
Two meetings of HR and Remuneration Committee were held during the financial year ended December 31, 2021.
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.
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 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 executive over the next few years.	19(3)
3.	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
4.	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
5.	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 31, 2022
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 2021 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 2021.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: March 31, 2022

UDIN: CR202110158fcY6WpH0z

Independent Auditors' 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 2021, 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 2021 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition</p> <p>The Company recognized net revenue of Rupees 32,724.924 million for the year ended 31 December 2021.</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.

Sr. No	Key audit matters	How the matter was addressed in our audit
2	<p>Stock-in-trade</p> <p>As at 31 December 2021, stock-in-trade is stated at Rupees 9,001.107 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 26.99% of total assets of the Company as at 31 December 2021, 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.

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.



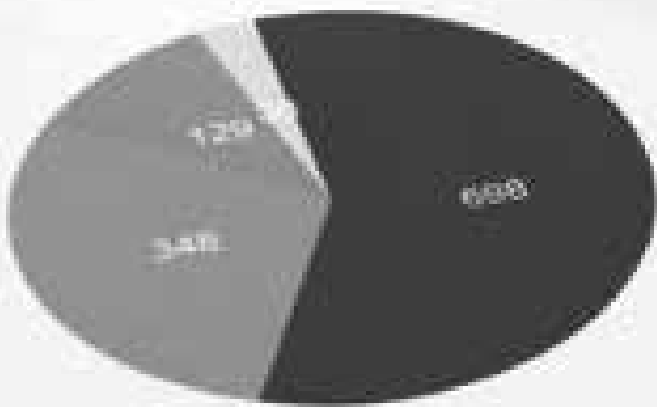
RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: March 31, 2022

UDIN: AR202110158yGfbQXPZK

Financial Statements



Statement of Financial Position

As at December 31, 2021

	Note	2021 Amount	2020 Amount
Rupees in thousand			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2020: 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	234,937
Reserves	4	6,838,307	7,047,655
Total Equity		7,308,181	7,282,592
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	6,205,473	3,084,863
Long term deposits	6	1,440	1,740
Lease liabilities	7	2,817,034	1,752,383
Employees' retirement benefit	8	176,721	154,077
Deferred liabilities	9	395,243	346,572
		9,595,911	5,339,635
CURRENT LIABILITIES			
Trade and other payables	10	5,124,422	3,853,305
Accrued mark-up	11	262,097	105,037
Short term borrowings	12	9,152,752	6,427,467
Current portion of non-current liabilities	13	1,862,235	1,405,285
Unclaimed dividend		39,343	37,897
		16,440,849	11,828,991
Total liabilities		26,036,760	17,168,626
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		33,344,941	24,451,218

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



Arif Saeed
(Chief Executive)

		2021	2020
	Note	Amount	Amount
Rupees in thousand			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	7,999,342	5,996,063
Right-of-use assets	16	2,642,560	1,618,879
Intangible assets	17	3,979	1,271
Long term investments	18	6,779,666	5,242,711
Long term loans to employees	19	27,416	8,857
Long term security deposits	20	137,956	109,643
		17,590,919	12,977,424
CURRENT ASSETS			
Stores, spares and loose tools	21	322,895	232,316
Stock-in-trade	22	9,001,107	4,877,842
Trade debts	23	3,808,763	3,938,337
Loans and advances	24	572,187	433,755
Advance income tax - net of provision for taxation	25	607,515	385,855
Trade deposits and prepayments	26	320,840	234,864
Other receivables	27	265,476	169,767
Short term investment	28	155,943	-
Cash and bank balances	29	699,296	1,201,058
		15,754,022	11,473,794
TOTAL ASSETS		33,344,941	24,451,218



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Statement of Profit or Loss

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
	Note	Rupees in thousand	
Revenue - net	30	32,724,924	24,442,492
Cost of sales	31	(27,458,310)	(19,521,551)
Gross profit		5,266,614	4,920,941
Distribution cost	32	(2,309,860)	(1,437,878)
Administrative expenses	33	(1,276,251)	(1,056,792)
Other expenses	34	(112,389)	(266,728)
		(3,698,500)	(2,761,398)
Other income	35	1,568,114	2,159,543
Profit from operations		282,457	134,378
Finance cost	36	(1,314,456)	(1,084,627)
		536,115	1,209,294
Share of profit / (loss) of equity accounted investee - net of taxation		34,727	(48,110)
Profit before taxation		570,842	1,161,184
Taxation	37	(214,016)	(471,160)
Profit after taxation		356,826	690,024
			Restated
Earnings per share - basic and diluted (Rupees)	38	7.59	14.69

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, 2021

	2021 Amount	2020 Amount
Note	Rupees in thousand	
Profit after taxation	356,826	690,024
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Surplus arising on remeasurement of investment at fair value through other comprehensive income - net of tax	31,177	66,860
Remeasurements of employees' retirement benefit obligation - net of tax	(10,008)	(1,700)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of tax	21,169	65,160
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	377,995	755,184

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, 2021

	RESERVES										TOTAL EQUITY	
	Capital reserves					Revenue reserves						
	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		Total
Balance at 31 December 2019	187,950	102,730	2,500	21,217	23,935	-	150,382	1,558,208	3,844,668	5,402,876	5,553,258	5,741,208
Transaction with owners:												
Final dividend for the year ended 31 December 2019 @ Rupees 7.50 per share	-	-	-	-	-	-	-	-	(140,963)	(140,963)	(140,963)	(140,963)
Issue of bonus shares for the year ended 31 December 2019 @ 25%	46,987	-	-	-	-	-	-	-	(46,987)	(46,987)	(46,987)	(46,987)
	46,987	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(140,963)
Reserve arising pursuant to the Scheme of Compromises, Arrangement and Reconstruction between the Company and its members and Service Global Footwear Limited - subsidiary company and its members (the Scheme)	-	-	-	-	-	927,163	927,163	-	-	-	927,163	927,163
Profit for the year	-	-	-	-	-	-	-	-	690,024	690,024	690,024	690,024
Other comprehensive income for the year	-	-	66,860	-	-	-	66,860	-	(1,700)	(1,700)	65,160	65,160
Total comprehensive income for the year	-	-	66,860	-	-	-	66,860	-	688,324	688,324	755,184	755,184
Balance as at 31 December 2020	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
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)
Transfer of gain on disposal of FVTOCI investment to retained earnings	-	-	(35,539)	-	-	-	(35,539)	-	(587,343)	(587,343)	(587,343)	(587,343)
Profit for the year	-	-	-	-	-	-	-	-	35,539	35,539	35,539	35,539
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

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, 2021

	Note	2021 Amount Rupees in thousand	2020 Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	39	(529,033)	2,951,620
Finance cost paid		(1,082,265)	(1,215,709)
Income tax paid		(636,609)	(320,328)
Workers' welfare fund paid		(24,356)	(54,275)
Workers' profit participation fund paid		(35,000)	(5,139)
Employees' retirement benefit paid		(23,479)	(15,707)
Net (increase) / decrease in long term loans to employees		(16,335)	6,414
Net increase in security deposits		(41,275)	(99,418)
Net cash (used in) / generated from operating activities		(2,388,352)	1,247,458
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(2,473,802)	(552,848)
Intangible assets acquired		(3,927)	-
Return on bank deposits		5,132	10,535
Proceeds from sale of operating fixed assets		12,572	18,473
Long term investment made		(1,502,505)	(1,629,033)
Proceeds from sale of long term investment		40,500	-
Short term investment made		(155,000)	-
Net cash used in investing activities		(4,077,030)	(2,152,873)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		2,545,007	1,248,164
Repayment of long term financing		(1,293,729)	(330,767)
Repayment of lease liabilities		(161,683)	(57,163)
Long term deposits - net		(300)	(666)
Short term borrowings - net		5,225,285	1,349,252
Dividend paid		(350,960)	(140,850)
Net cash from financing activities		5,963,620	2,067,970
Net (decrease) / increase in cash and cash equivalents		(501,762)	1,162,555
Cash and cash equivalents at the beginning of the year		1,201,058	38,503
Cash and cash equivalents at the end of the year		699,296	1,201,058

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, 2021

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 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 Sheikhpura
Retail outlets	
Shoe Box M.M. Alam Road	R-2, M.M. Alam Road, Gulberg II, Lahore.
Shoe Box Mall Road 1	Near Urban Sole, Mall Road, Lahore.
Shoe Box Mall Road 2	Dinga Singh Building, 46- Mall Road, Lahore.
Shoe Box Baghban Pura	17-A, Main G.T. Road, Lahore.
Shoe Box Allama Iqbal Town	Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore.
Shoe Box Karim Block	23-Karim Block, Allama Iqbal Town, Lahore.
Shoe Box DHAY Block	133-Y Block, Phase 3, DHA, Lahore.
Shoe Box DHA H Block	Phase-1 Market, DHA H-Block, Lahore.
Shoe Box G-1 Market	G-1 Market, Johar Town, Lahore.
Shoe Box Airport Road	Airport Road, Opposite Honda Point Shop, Lahore.
Shoe Box Saddar	Tufail Road, Saddar Gol Chakkar, Lahore Cantt.
Shoe Box Shalimar Link Road	108-Shalimar Link Road, Mughalpura, Lahore.
Shoe Box Link Road	99-K, B-Block, G.E.C.H.S., Main Link Road, Lahore.
Shoe Box Batapur	Nawab Plaza, Opposite Bata Gate No. 03, G.T. Road, Batapur, Lahore.
Shoe Box Wapda Town	PIA Society, Near ECS Shoes, Lahore.
Shoe Box Gujranwala 1	400-C, College Chowk, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 2	751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 3	Gujranwala Kings Mall, Adjacent With Borjan Shoes, Gujranwala.
Shoe Box Gujrat	Hassan Chowk, Kacheri Road, Gujrat.
Shoe Box Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Faisalabad 1	Harian Wala Chowk, D-Ground, Faisalabad.
Shoe Box Faisalabad 2	584-B, Chen One Road, Peoples Colony 1, Faisalabad.
Shoe Box Faisalabad 3	Opposite Stylo, Main Samanabad Road, Bilal Chowk, Faisalabad.
Shoe Box Burewala	Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala.
Shoe Box Burewala 2	505 C-Block, City Gate, Burewala.
Shoe Box Bahawalpur 1	Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur.
Shoe Box Bahawalpur 2	Railway Road, Bahawalpur.

Offices, Manufacturing units,	
Retail outlets and Warehouses	Addresses
Shoe Box Mandi Baha-ud-Din 1	Kacheri Road, Mandi Baha-ud-Din.
Shoe Box Mandi Baha-ud-Din 2	Opposite Al-Asar Mall, Jail Road, Mandi Baha-ud-din.
Shoe Box Multan 1	Zain Tower, 10-A Gulgshat Colony, Multan.
Shoe Box Multan 2	499-A, Vehari Road, Mumtazabad, Multan.
Shoe Box Multan 3	Property No. 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt.
Shoe Box Multan 4	Property No. 12, Block Y, Street 100, New Multan.
Shoe Box Multan 5	Vehari Road, Near Telephone Exchange, Mumtazabad, Multan.
Shoe Box Multan 6	Gardezi Market, Near Jalal Masjid Chowk, Gulgasht Colony, Multan.
Shoe Box Multan 7	Nishtar Chowk, Near Food Festival, Multan.
Shoe Box Rahim Yar Khan 1	Shahi Road, Rahim Yar Khan.
Shoe Box Rahim Yar Khan 2	5/A, Al-Hamra Road, Model Town, Rahim Yar Khan.
Shoe Box Rahim Yar Khan 3	Sadiq Bazar, Rahim Yar Khan.
Shoe Box Rawalpindi 1	Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi.
Shoe Box Rawalpindi 2	Shop No. 67 & 67A, Bank Road, Rawalpindi.
Shoe Box Rawalpindi 3	Property No. 11-C, Main PWD, Rawalpindi.
Shoe Box Rawalpindi 4	Walayat Complex, Bahria Town, Phase-07, Rawalpindi.
Shoe Box Sargodha 1	City Tower, City Road, Sargodha.
Shoe Box Sargodha 2	03, Jinnah Park, University Road, Sargodha.
Shoe Box Sialkot 1	Darman Wala Chowk, Trunk Bazar, Opposite Bata Shoes, Sialkot.
Shoe Box Sialkot 2	Allama Iqbal Road, Near Toba Masjid, Sialkot Cantt.
Shoe Box Sahiwal	Near Metro Shoes, Girls College Road, Sahiwal.
Shoe Box Peshawar 1	University Road, Peshawar.
Shoe Box Peshawar 2	Saddar Road, Peshawar.
Shoe Box Peshawar 3	17-C, Saddar Road, Peshawar Cantt.
Shoe Box Peshawar 4	University Road, Peshawar.
Shoe Box Peshawar 5	Ficus 2 Plaza, Near North West Institute, Ring Road, Peshawar.
Shoe Box Khanewal	Property No. 6-7, Block No. 12, Jamia Masjid Road, Khanewal.
Shoe Box Okara	Property No. B1-2r/169, M.A. Jinnah Road, Okara.
Shoe Box Daska	College Road, Near Borjan, Daska.
Shoe Box Bahawalnagar	Plot No. 6, Block No. 20, City Chowk, Bahawalnagar.
Shoe Box Chakwal	Al-Fateh Plaza, Talagang Road, Near GPO, Chakwal.
Shoe Box Karachi 1	B-61, Block H, Sector 2, North Nazimabad, Karachi.
Shoe Box Karachi 2	250/1 Deh Okewari, Block No. 19, Rashid Minhas Road, Gulistan-e-Jauhar, Karachi.
Shoe Box Karachi 3	Block 21, Shop # LG-13, Lucky One Mall, Main Rashid Minhas Road, Karachi.
Shoe Box Karachi 4	Plot G-21/23, Block 8, Clifton Karachi.
Shoe Box Sheikhpura	Bhatti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhpura.
Shoe Box Vehari 1	143-C, Club Road, Vehari.
Shoe Box Vehari 2	Ludden Road, Vehari
Factory Outlet Muridke	10-KM, Sheikhpura Road, Muridke.
Factory Outlet Gujrat	Servis Factory, Main G.T. Road, Gujrat.
Shoe Box Franchise	Al-Hafeez Center, 26-A, Model Town, Lahore.
Shoe Box Arifwala 1	Shop Bahawalnagar Road, Near MCB Bank, Arifwala.
Shoe Box Arifwala 2	Thana Baza, Arifwala.

Notes to the Financial Statements

For the year ended December 31, 2021

Offices, Manufacturing units, Retail outlets and Warehouses	Addresses
Shoe Box Nawabshah	Gol Chakra Road, Shaheed Benazirabad, Nawabshah.
Shoe Box Mianwali	Government High School Road, Mianwali.
Shoe Box Swat	City Center, Qamber, Swat.
Shoe Box Kohat	Kohat Katchery Chowk, Near Behram Medical Center, Kohat.
Shoe Box Islamabad 1	Awami Trade Center, G-9, Islamabad.
Shoe Box Islamabad 2	Aabpara Main Market, G-6, Near UBL Bank, Islamabad
Shoe Box Hafizabad	Vanike Road, Near Jamiya Masjid Al Qadeem, Hafizabad.
Shoe Box Sadiqabad	Ammam Din Plaza, Club Road Near Sadiq Club, Sadiqabad.
Shoe Box Chichawatni	Sultan Plaza, Khatoni No 1197, Naya Bazar, Chichawatni.
Shoe Box Mardan	Mardan Opposite Railway Station, Nowshehra Road, Mardan.
Shoe Box Muzaffargarh	Multan Road, Near Hakeem Wala Petrol Pump, Muzaffargarh.
Shoe Box Mirpur Khas	Hyderabad Road, Near Telenor Frenchise, Mirpur Khas.
Shoe Box Attock	Naseem Mart, Kamrah Road, Attock.
Shoe Box Pattoki	Brand Way Mall, Bypass, Opposite Punjab College Pattoki
Shoe Box Kasoor	Shahbaz Khan Road, Opposite Bank of Punjab, Kasur.
Shoe Box Narowal	Bypass Chowk, Circular Road, Narowal.
Shoe Box Layyah	Circular Road, Layyah.
Shoe Box D.G. Khan	Saddar Bazar, D.G. Khan.
Shoe Box Jauharabad	Main Bazar, Jauharabad.
Shoe Box Deepalpur	Pakpattan Chowk, Depalpur.
Shoe Box Hyderabad	Autobhan Road, Near ECS, Main Gidu Chowk, Hyderabad.
Shoe Box Wah Cantt.	Lala Rukh Basti, Opposite Al-Faisal Mall, Wah Cantt.

KLARA WAREHOUSES

Lahore	26-KM, Multan Road, Opposite Maraka Telephone Exchange, Lahore.
Lahore	19-A, Main Ravi Road, Near Kasur Pura Stop, Yadgar, Lahore.
Rawalpindi	Near Bagar Dhair, Tippu Sultan Masjid I-J-P Road, Rawalpindi.
Faisalabad	Jhang Road, Opposite Nayab Energy Gate, Faisalabad.
Bahawalpur	6-A, Adil Town, Dubai Mehal Road, Near City School, Bahawalpur.

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 realisable 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 recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised 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.

Notes to the Financial Statements

For the year ended December 31, 2021

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 2021:

- IFRS 16 (Amendments) 'Leases';
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures'.

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 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) 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 2022 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'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures

the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

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.

Covid-19-Related Rent Concessions (Amendment to IFRS 16 'Leases') effective for annual reporting periods beginning on or after 01 April 2021. These amendments permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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.

The International Accounting Standards Board (IASB) has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2022. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

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 2022 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.

Notes to the Financial Statements

For the year ended December 31, 2021

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

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 current tax year, the management has decided to cease the group taxation. This change has no financial impact on these financial statements.

Current

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

Deferred

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

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

2.6 Borrowings

Financing and borrowings are 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 Fixed assets

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

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.

Notes to the Financial Statements

For the year ended December 31, 2021

De-recognition

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

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

2.11 Intangible assets

Intangible assets, 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 recognised at cost.

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

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

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

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

2.14 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 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

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/ (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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (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.

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

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

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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.

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) 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.

(c) Dividend

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

(d) Other revenue

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

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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 and 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.

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 Technical rubber products (Manufacturing of different qualities of rubber products on specifications).

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

2.40 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

	2021	2020	2021	2020
	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	20,310,537	438,042	203,105
	46,987,454	23,493,727	469,874	234,937

3.1 Movement during the year

	2021	2020	2021	2020
	Number of shares		Rupees in thousand	
At 01 January	23,493,727	18,794,982	234,937	187,950
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	23,493,727	4,698,745	234,937	46,987
	46,987,454	23,493,727	469,874	234,937

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For the year ended December 31, 2021

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

	2021	2020
	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	19,812
Service Charitable Trust	45,254	22,628
Service Provident Fund Trust	2,181,274	1,090,637
	2021	2020
	Rupees in thousand	

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)	64,998	69,360
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		927,163	927,163
		1,140,043	1,144,405

Revenue reserves

General reserve		1,558,208	1,558,208
Unappropriated profits		4,140,056	4,345,042
		5,698,264	5,903,250
		6,838,307	7,047,655

- 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:

	2021	2020
	Rupees in thousand	
Balance at 01 January	69,360	2,500
Fair value adjustment during the year	40,463	66,860
Transfer of gain on disposal of FVTOCI investment to retained earnings	(35,539)	-
	74,284	69,360
Deferred income tax liability	(9,286)	-
Balance at 31 December	64,998	69,360

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

5. LONG TERM FINANCING

From banking companies - secured

Long term loans	(Note 5.1)	4,793,174	4,048,084
Long term musharaka	(Note 5.2)	525,134	270,000
		5,318,308	4,318,084

From related party - unsecured

Long term loan from subsidiary company	(Note 5.7)	2,500,000	-
		7,818,308	4,318,084

Current portion shown under current liabilities (Note 13)

Long term loans		(1,294,914)	(1,173,221)
Long term musharaka		(67,921)	(60,000)
Long term loan from subsidiary company		(250,000)	-
		(1,612,835)	(1,233,221)
		6,205,473	3,084,863

5.1 Long term loans

LENDER	2021	2020	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Allied Bank Limited (Note 5.3)	-	25,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 18 March 2016 and ended on 18 September 2021.	Half yearly	Half yearly	First joint pari passu charge of Rupees 2,200 million over plant and machinery of the Company.
Allied Bank Limited (Note 5.3)	180,000	270,000	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	
MCB Bank Limited (Note 5.3)	100,000	150,000	6-month KIBOR + 0.25%	Seven equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2023.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 2,067 million over plant and machinery of the Company with 25% margin.
MCB Bank Limited (Note 5.3)	400,000	560,000	6-month KIBOR + 0.14%	Seven 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)	300,000	400,000	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	
Habib Bank Limited (Note 5.3)	9,684	10,830	SBP rate for LTF + 0.50%	One hundred and forty one unequal quarterly instalments commenced on 30 April 2021 and ending on 30 April 2028.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 640 million over plant and machinery of the Company.
Habib Bank Limited (Note 5.3)	146,953	191,039	SBP rate for LTF + 0.50%	Thirteen equal quarterly instalments commenced on 22 June 2021 and ending on 22 June 2024.	-	Quarterly	
Allied Bank Limited (Note 5.3)	250,000	250,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 29 December 2019 and ending on 29 June 2025.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	123,219	130,917	SBP rate for LTF + 0.25%	Two hundred and ninety four unequal instalments commenced on 5 February 2021 and ending on 23 May 2031.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 667 million over all present and future plant and machinery of the Company with 25% margin.
	19,001	20,710	6-months KIBOR + 0.25%		Half yearly	Quarterly	
Allied Bank Limited	142,220	151,627					
Allied Bank Limited	401,125	-	3-month KIBOR + 0.25%	Twenty equal quarterly instalments commencing on 14 March 2023 and ending on 14 December 2027.	Quarterly	Quarterly	
Allied Bank Limited (Note 5.4)	537,516	1,039,588	SBP rate for refinance scheme for payment of salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 27 February 2021 and ending on 27 November 2022.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 352 million on plant and machinery of the Company with 25% margin.
MCB Bank Limited	800,000	1,000,000	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	First joint pari passu charge of Rupees 1,333,330 million over plant and machinery of the Company with 25% margin.
MCB Bank Limited	575,000	-	6-month KIBOR + 0.10%	Ten equal half yearly instalments commencing on 26 August 2022 and ending on 26 September 2027.	Half yearly	Half yearly	First joint pari passu charge of Rupees 767 million over all present and future plant and machinery of the Company with 25% margin.
Habib Bank Limited	517,500	-	6-month KIBOR + 0.20%	Ten equal half yearly instalments commencing on 26 August 2022 and ending on 26 February 2027.	Half yearly	Half yearly	First joint pari passu charge of Rupees 2,000 million on land and building of the Company with 25% margin.
Habib Bank Limited (Note 5.5)	433,176	-	SBP rate for TERF + 1%	Sixteen equal half yearly instalments commencing on 20 October 2023 and ending on 20 April 2031.	-	Half yearly	First joint pari passu charge of Rupees 2,000 million on plant and machinery of the Company with 25% margin.
	4,793,174	4,048,084					

5.2 Long term musharakah

LENDER	2021	2020	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Meezan Bank Limited (Note 5.3)	210,000	270,000	6-month KIBOR + 0.12%	Ten equal half yearly instalments commenced on 18 November 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.
Meezan Bank Limited	51,332		- SBP rate for Islamic financing facility for renewable energy + 1.00%	Eighty one equal quarterly instalments commenced on 9 September 2021 and ending on 3 August 2028.	-	Quarterly	First joint pari passu charge of Rupees 134 million over all present and future plant and machinery of the Company with 25% margin.
Fajsal Bank Limited (Note 5.6)	263,802		- SBP rate for ITERF + 0.75%	Sixty-six equal quarterly instalments commencing on 10 June 2023 and ending on 10 June 2032.	-	Quarterly	First joint pari passu charge of Rupees 667,000 million over all present and future plant and machinery of the Company with 25% margin.
	525,134	270,000					

5.3 Repayment period of these loans includes deferral 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 is obtained by the Company under SBP Refinance Scheme for payment of wages and salaries to workers. It is recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is 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 12.26% per annum.

5.6 This loan is 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 8.69% 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 7.94% to 11.72% (2020: Nil) 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 Company in pursuance of section 217 of the Companies Act, 2017.

		2021 Amount	2020 Amount
Rupees in thousand			
7. Lease liabilities			
Total lease liabilities	(Note 7.1)	2,984,950	1,854,699
Current portion shown under current liabilities	(Note 13)	(167,916)	(102,316)
		2,817,034	1,752,383

7.1 Reconciliation of lease liabilities

Balance at 01 January		1,854,699	1,513,488
Additions during the year		1,609,496	680,539
Interest on lease liabilities	(Note 36)	227,142	171,888
Impact of lease modification / termination		(317,563)	(282,165)
Payments made during the year		(388,824)	(229,051)
Balance at 31 December		2,984,950	1,854,699

7.2 Maturity analysis of lease liability is as follows:

Up to 6 months		207,141	134,793
6-12 months		227,767	148,816
1-2 year		485,349	318,495
More than 2 years		3,476,135	2,184,860
		4,396,392	2,786,964
Less: Future finance cost		(1,411,442)	(932,265)
Present value of lease liabilities		2,984,950	1,854,699

7.3 Implicit rates against lease liabilities range from 8.05% to 12.83% (2020: 8.05% to 14.56%) per annum.

8. Employees' Retirement Benefit

The latest actuarial valuation of the Fund as at 31 December 2021 was carried out using the 'Projected Unit Credit Method'. Details of the Fund as per the actuarial valuation are as follows:

		2021 Amount	2020 Amount
Rupees in thousand			
8.1 The amounts recognized in the statement of financial position are as follows:			
Present value of defined benefit obligations		252,845	225,093
Fair value of plan assets		(76,124)	(71,016)
Net defined benefit obligation		176,721	154,077

	2021 Amount	2020 Amount
	Rupees in thousand	
8.2 Movement in the present value of net defined benefit obligation		
Net liability at 01 January	154,077	148,408
Transferred to defined benefit obligation relating to Service Global Footwear Limited - subsidiary company	-	(18,826)
Current service cost	22,238	22,689
Net interest on defined benefit obligation	13,877	15,813
Net remeasurements for the year	10,008	1,700
Contributions made during the year	(23,479)	(15,707)
Net liability at 31 December	176,721	154,077
8.3 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at 01 January	225,093	212,148
Transferred to defined benefit obligation relating to Service Global Footwear Limited - subsidiary company	-	(18,826)
Current service cost	22,238	22,689
Interest cost	20,801	22,983
Benefits paid during the year	(23,479)	(15,707)
Remeasurements on obligation:		
Actuarial losses / (gains) from changes in financial assumptions	1,033	(731)
Experience adjustments	7,159	2,537
Present value of defined benefit obligation at 31 December	252,845	225,093
8.4 Movement in the fair value of the plan assets		
Fair value of plan assets at 01 January	71,016	63,740
Interest income on plan assets	6,924	7,170
Contributions made during the year	23,479	15,707
Benefits paid during the year	(23,479)	(15,707)
Remeasurements on fair value of plan assets	(1,816)	106
Fair value of plan assets at 31 December	76,124	71,016

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. 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.

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For the year ended December 31, 2021

	2021 Amount	2020 Amount
	Rupees in thousand	
Mutual funds	102,711	98,815
Bank balances	3,616	563
Total plan assets	106,327	99,378
Allocated to the Company	76,124	71,016
Allocated to the Service Global Footwear Limited - subsidiary company	30,203	28,362
	-	-

8.5 Amounts recognized in the statement of profit or loss

	2021 Amount	2020 Amount
	Rupees in thousand	
Current service cost	22,238	22,689
Interest cost	20,801	22,983
Interest income on plan assets	(6,924)	(7,170)
Net expense charged in the statement of profit or loss	36,115	38,502

8.6 Remeasurements charged to statement of other comprehensive income

	2021 Amount	2020 Amount
	Rupees in thousand	
Experience adjustments	(7,159)	(2,537)
Return on plan assets excluding interest income	(1,816)	106
Actuarial losses / (gains) from changes in financial assumptions	(1,033)	731
Total remeasurements charged to statement of other comprehensive income	(10,008)	(1,700)

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:

	2021	2020	2019	2018	2017
	Rupees in thousand				
Present value of defined benefit obligation	252,845	225,093	212,148	262,604	213,626
Fair value of the plan assets	(76,124)	(71,016)	(63,740)	(82,158)	(85,177)
Deficit in the plan	176,721	154,077	148,408	180,446	128,449
Remeasurement (loss) / gain on obligation	(8,192)	(1,806)	(13,804)	17,171	24,124
Remeasurement (loss) / gain on plan assets	(1,816)	106	(6,843)	(10,099)	(16,202)

8.8 Estimated charge to profit or loss for the year ending 31 December 2022 will be Rupees 43.224 million.

		2021	2020
8.9 Principal actuarial assumptions used:			
Discount rate used for interest cost	% per annum	9.75	11.25
Discount rate used for year end obligation	% per annum	11.75	9.75
Expected rate of salary increase	% per annum	10.75	8.75

8.10 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	226,968	273,707
Future salary increase	100	274,026	226,314

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					
11,313	41,805	63,075	167,705	2,498,423	2,782,321

Notes to the Financial Statements

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		2021 Amount	2020 Amount
Rupees in thousand			
9. Deferred Liabilities			
Deferred income - Government grant	(Note 9.1)	267,978	20,257
Gas Infrastructure Development Cess (GIDC) payable	(Note 9.2)	-	7,403
Deferred income tax liability - net	(Note 9.3)	127,265	318,912
		395,243	346,572
9.1 Deferred income - Government grant			
Balance at 01 January		76,759	-
Recognized during the year		324,749	96,520
Amortized during the year	(Note 35)	(73,695)	(19,761)
		327,813	76,759
Current portion shown under current liabilities	(Note 13)	(59,835)	(56,502)
		267,978	20,257

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 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 has 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.

		2021 Amount	2020 Amount
Rupees in thousand			
9.2 Gas Infrastructure Development Cess (GIDC) Payable			
Gas Infrastructure Development Cess payable at amortized cost		20,649	20,058
Adjustment due to impact of IFRS 9	(Note 36)	1,000	591
Current portion shown under current liabilities	(Note 13)	(21,649)	(13,246)
		-	7,403

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 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.

		2021 Amount	2020 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		595,148	591,236
Investment in associate		26,403	21,194
Fair value reserve FVTOCI investment		9,286	-
Right-of-use assets		613,074	-
		1,243,911	612,430
Deductible temporary differences:			
Allowance for expected credit losses		(61,794)	(63,793)
Provision for slow moving and obsolete stores		(6,735)	(6,281)
Provision for slow moving and obsolete stock in trade		(10,968)	(15,394)
Lease liabilities		(692,508)	-
Minimum tax carry forward		(344,641)	(208,050)
		(1,116,646)	(293,518)
Deferred income tax liability - net		127,265	318,912

	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	2021	288,414	2026
	2019	188,262	2024
	2018	115,161	2023
	2017	72,949	2022
		664,786	

		2021 Amount	2020 Amount
		Rupees in thousand	
10 Trade and other payables			
Trade creditors	(Note 10.1)	2,733,720	2,069,353
Accrued liabilities		1,044,568	950,898
Letters of credit		424,853	202,091
Contract liabilities - unsecured		610,421	250,855
Provident fund payable		27,295	22,037
Provision for service warranties		37,198	33,453
Workers' profit participation fund	(Note 10.2)	(11,648)	(1,857)
Workers' welfare fund	(Note 10.3)	23,971	41,810
Income tax deducted at source		8,998	5,186
Sales tax payable		-	264,431
Payable against purchase of freehold land and building thereon		215,704	-
Others		9,342	15,048
		5,124,422	3,853,305

10.1 These include Rupees 103.367 million (2020: Rupees 71.542 million) due to Service Global Footwear Limited - subsidiary company. It is in ordinary course of business and interest free.

10.2 Workers' profit participation fund

Balance at 01 January		(1,857)	(7,574)
Allocation for the year	(Note 34)	25,209	59,992
		23,352	52,418
Payments made during the year		(35,000)	(54,275)
Balance at 31 December		(11,648)	(1,857)

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		2021 Amount	2020 Amount
Rupees in thousand			
10.3 Workers' welfare fund			
Balance at 01 January		41,810	22,269
Provision for the year	(Note 34)	6,517	24,680
		48,327	46,949
Payments during the year		(24,356)	(5,139)
Balance at 31 December		23,971	41,810

11. Accrued mark-up			
Long term financing	(Note 11.1)	105,068	14,634
Short term borrowings	(Note 11.2)	157,029	90,403
		262,097	105,037

11.1 This includes accrued mark-up of Rupees 50.292 million (2020: Nil) on loan obtained from Service Global Footwear Limited - subsidiary company.

11.2 This includes accrued mark-up of Rupees 4.812 million (2020: Rupees 65.229 million) on loan obtained from Service Global Footwear Limited - subsidiary company.

		2021 Amount	2020 Amount
Rupees in thousand			

12. SHORT TERM BORROWINGS

From banking companies - secured

Short term running finances	(Notes 12.1 and 12.2)	4,182,235	1,496,701
Export refinance	(Notes 12.1 and 12.3)	1,851,415	2,016,475
Other short term finance - money market loan	(Notes 12.1 and 12.4)	2,100,000	-
		8,133,650	3,513,176

From related party - unsecured

Loan from Service Global Footwear Limited - subsidiary company	(Note 12.5)	1,019,102	2,914,291
		9,152,752	6,427,467

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 10,830 million (2020: Rupees 9,680 million).

12.2 The rates of mark-up range from 7.45% to 10.52% (2020: 7.28% to 14.56%) per annum.

12.3 The rates of mark-up range from 2.20% to 3% (2020: 2.20% to 3%) per annum.

12.4 The rates of mark-up range from 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 (2020: Rupees 5,000 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 7.48% to 9.57% (2020: 7.37% to 13.71%) per annum.

		2021	2020
		Amount	Amount
		Rupees in thousand	
13. Current portion of non-current liabilities			
Long term financing	(Notes 5)	1,612,835	1,233,221
Current portion of lease liabilities	(Note 7)	167,916	102,316
Deferred income - Government grant	(Note 9.1)	59,835	56,502
Provision for GIDC	(Note 9.2)	21,649	13,246
		1,862,235	1,405,285

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 further filed an appeal before ATIR against said points. The management of the Company is confident that decision will be in favour of the Company. Hence, no provision has been made in these financial statements.

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 million and remanded back certain charges to the tune of Rupees 172.707 million. The Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. The

Notes to the Financial Statements

For the year ended December 31, 2021

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.

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 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 has allowed a petition filed by the Company against show-cause notice issued by DCIR amounting to Rupees 13.076 million. The show-cause notice was issued on account of post sales tax refunds audit of various tax periods. FBR challenged the decision of Honourable Lahore High Court 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 has dismissed the writ petition of the Company, therefore intra-court appeal has been filled. Consequently, the Company has claimed input sales tax on packing material of Rupees 50.069 million (2020: Rupees 48.981 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 18.609 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 years 2006 and 2008. Demand of Rupees 12.774 million and Rupees 68.406 million respectively was created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company has filed appeal with ATIR which is pending for hearing. The management is confident that decision will be in 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(l) of the Ordinance. The Company filed appeal against foregoing assessment proceedings before Commissioner Inland Revenue (Appeals) [CIR(A)], 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 Commissioner Inland Revenue (Appeals) [CIR(A)], who remanded back the issue to taxation officer for fresh consideration, effectively deleting the impugned tax demand.

On 08 February 2022, subsequent to the reporting period, the Company has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) contesting the directions of CIR(A) 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. 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 The Company has issued cross corporate guarantees of Rupees 9,000 million (2020: Rupees 8,000 million) on behalf of Service Long March Tyres (Private) Limited - subsidiary company to secure the obligations of subsidiary company towards its lenders.

14.1.15 The Company's share in contingencies of associate accounted for under equity method is Rupees 25.066 million.

14.1.16 Guarantees issued in ordinary course of business through banks are of Rupees 2,721.638 million (2020: Rupees 958.318 million).

14.2 Commitments

14.2.1 Contracts for capital expenditure are approximately of Rupees 1,834.702 million (2020: Rupees 1,298.090 million).

14.2.2 Letters of credit other than capital expenditure are of Rupees 2,763.165 million (2020: Rupees 2,589.699 million).

14.2.3 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied 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:

	2021 Amount	2020 Amount
	Rupees in thousand	
Not later than one year	68,561	57,495
Later than one year and not later than five years	85,752	100,411
	154,313	157,906

15. FIXED ASSETS

Operating fixed assets	(Note 15.1)	7,375,009	5,842,520
Capital work-in-progress	(Note 15.2)	624,333	153,543
		7,999,342	5,996,063

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
At 31 December 2019								
Cost	5,021	1,710,737	5,768,014	61,696	47,019	1,228,239	317,297	9,138,023
Accumulated depreciation	-	(495,721)	(1,955,630)	(29,034)	(23,093)	(568,452)	(97,063)	(3,168,993)
Net book value	5,021	1,215,016	3,812,384	32,662	23,926	659,787	220,234	5,969,030
Year ended 31 December 2020								
Opening net book value	5,021	1,215,016	3,812,384	32,662	23,926	659,787	220,234	5,969,030
Additions	-	36,605	334,079	3,182	41,090	70,886	61,897	547,739
Disposals / written off:								
Cost	-	-	(8,843)	(610)	(5,887)	(7,407)	(23,758)	(46,505)
Accumulated depreciation	-	-	7,237	138	2,440	6,532	8,418	24,765
Depreciation	-	-	(1,606)	(472)	(3,447)	(875)	(15,340)	(21,740)
	-	(113,720)	(395,329)	(3,463)	(12,031)	(92,259)	(35,707)	(652,509)
Closing net book value	5,021	1,137,901	3,749,528	31,909	49,538	637,539	231,084	5,842,520
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

Description	Rupees in thousand							Total
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Leasehold Improvements	
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
	-	(70)	(1,224)	-	(1,703)	(2,508)	(2,032)	(7,537)
Depreciation	-	(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
Annual rate of depreciation (%)	5-10	10	10	10	20	10-30	10	

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
Rupees in thousand							
Leasehold improvements							
Shadbagh Shop Renovation	5,229	4,035	1,194	262	(932)	Negotiation	Javed and Company, Lahore
Vehicles							
Toyota Corolla Altis LEE-16-1237	2,191	1,438	753	766	13	Negotiation	Chaudhry Ahmad Javed, Company's Director
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	34,056	28,466	5,590	11,544	5,954		
	41,476	33,939	7,537	12,572	5,035		

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
Rupees in thousand			
15.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	(Note 31)	574,406	578,717
Distribution cost	(Note 32)	75,592	48,255
Administrative expenses	(Note 33)	28,620	25,537
		678,618	652,509

15.1.3 Particulars of immovable properties are as follows:

Head office and manufacturing units	Address	Area of land
		Sq. Feet
Head office	2 - Main Gulberg, Lahore.	29,842
Manufacturing unit		
Gujrat factory and residential colony	G.T. Road, Gujrat.	2,038,608
Muridke Factory	Mouza Chak Number 25/UCC, Tehsil Muridke, District Sheikhpura	689,491
		2,757,941

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 2019	15,785	109,745	491	-	11,257	11,156	-	148,434
Additions during the year	24,459	312,796	789	40,368	61,988	92,170	-	532,570
Transferred to operating fixed assets during the year	(32,333)	(334,079)	(1,086)	(40,160)	(57,904)	(61,899)	-	(527,461)
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

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	
		2021	2020
Hangzhou SFR Technology Co. Ltd.,	No. 106 Houmuqiao Road, Cangqian Street, Yuhang District, Hangzhou, China 311121	Other	6,860
		Related / Other	Rupees in thousand

Notes to the Financial Statements

For the year ended December 31, 2021

	2021 Amount	2020 Amount
Rupees in thousand		
16. Right-of-use assets		
Reconciliation of carrying amount of right-of-use assets		
Balance at 01 January	1,618,879	1,403,090
Additions during the year	1,609,496	680,539
Impact of lease modification / termination	(282,131)	(268,006)
Depreciation for the year (Note 16.2)	(303,684)	(196,744)
Balance at 31 December	2,642,560	1,618,879

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 six 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.

	2021 Amount	2020 Amount
Rupees in thousand		
16.2 The depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 31)	15,437	11,227
Distribution cost (Note 32)	288,247	185,517
	303,684	196,744

17. Intangible Assets

Balance at 01 January	1,271	2,688
Addition during the year	3,927	-
Amortization during the year (Note 17.2)	(1,219)	(1,417)
Balance at 31 December	3,979	1,271
17.1 Cost at 31 December	48,843	44,916
Accumulated amortization at 31 December	(44,864)	(43,645)
Net book value at 31 December	3,979	1,271

17.2 Amortization on intangible assets has been allocated as follows:

Distribution cost (Note 32)	569	833
Administrative expenses (Note 33)	650	584
	1,219	1,417

Notes to the Financial Statements

For the year ended December 31, 2021

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

		2021	2020
		Amount	Amount
		Rupees in thousand	
18. Long term investments			
Investment in subsidiary companies - at cost	(Note 18.1)	6,372,722	4,870,217
Investment in associate (with significant influence) - under equity method	(Note 18.2)	315,571	280,844
Investment in joint ventures	(Note 18.3)	-	240
Other investment - at FVTOCI	(Note 18.4)	91,373	91,410
		6,779,666	5,242,711

18.1 Investment in subsidiary companies - at cost

Service Industries Capital (Private) Limited 30,000,000 (2020: 30,000,000) fully paid ordinary shares of Rupees 10 each Equity held 100% (2020: 100%)	(Note 18.1.1)	300,000	300,000
Service Global Footwear Limited 163,550,000 (2020: 163,550,000) fully paid ordinary shares of Rupees 10 each. Equity held 80% (2020: 100%)		3,026,184	3,026,184
Service Long March Tyres (Private) Limited 303,250,000 (2020: 153,000,000) fully paid ordinary shares of Rupees 10 each Equity held 32.09% (2020: 51%)	(Note 18.1.2)	3,046,538	1,544,033
		6,372,722	4,870,217

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 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 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.

		2021	2020
		Amount	Amount
		Rupees in thousand	
18.2 Investment in associate (with significant influence) - under equity method			
Speed (Private) Limited 160,709 (2020: 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		89,895	138,005
Adjustment due to adoption of IFRS 16		-	(35,641)
Share of post acquisition profit / (loss) for the year - net of tax		34,727	(12,469)
		124,622	89,895
		315,571	280,844

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.

	2021	2020
	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	1,419,824	1,419,662
Non-current assets	792,879	632,026
Total assets	2,212,703	2,051,688
Current liabilities	356,238	482,089
Non-current liabilities	689,612	561,319
Total liabilities	1,045,850	1,043,408
Net assets	1,166,853	1,008,280

18.2.3 Breakup value per share (Rupees) **1,590** 1,374

18.2.4 Reconciliation to carrying amounts:

Balance at 01 January	1,008,280	1,227,963
Profit / (loss) after income tax - net of tax	158,573	(56,937)
Adjustment due to adoption of IFRS 16	-	(162,746)
Balance at 31 December	1,166,853	1,008,280

Percentage of holding **21.90%** 21.90%

Company's share	255,541	220,814
Goodwill	60,030	60,030
Carrying value of investment in associate	315,571	280,844

Summarized statement of comprehensive income:

Revenue - net for the year	2,485,943	1,803,052
Profit / (loss) for the year	158,573	(56,938)
Total comprehensive income / (loss) for the year	158,573	(56,938)

Notes to the Financial Statements

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	2021 Amount	2020 Amount
	Rupees in thousand	
18.3 Investment in joint ventures		
S2 Power Limited		
24,000 (2020: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited		
24,000 (2020: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
Impairment loss recognized (Note 18.3.1 and Note 34)	(480)	(240)
	-	240

18.3.1 Impairment loss of Rupees 0.240 million (2020: Rupees 0.240 million) has been recognised during the year on investment in S2 Hydro Limited (2020: S2 Power Limited).

18.4 Other investment - at FVTOCI

TRG Pakistan Limited		
775,000 (2020: 1,000,000) fully paid ordinary shares of Rupees 10 each	17,089	22,050
Fair value adjustment	74,284	69,360
	91,373	91,410

19. Long term loans to employees

Considered good:		
Executives (Notes 19.1, 19.2 and Note 19.3)	34,315	18,268
Other employees (Note 19.3)	2,539	2,251
	36,854	20,519
Current portion shown under current assets (Note 24)		
Executives	(7,806)	(10,589)
Other employees	(1,632)	(1,073)
	(9,438)	(11,662)
	27,416	8,857

19.1 Reconciliation of carrying amount of loans to executives:

Balance at 01 January	18,268	25,680
Disbursements during the year	28,195	6,250
Repayments during the year	(12,148)	(13,662)
Balance at 31 December	34,315	18,268

- 19.2** Maximum aggregate balance due from executives at the end of any month during the year was Rupees 34.439 million (2020: Rupees 23.619 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 a charge on the assets purchased and / or 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.

	2021	2020
	Amount	Amount
	Rupees in thousand	
20. Long Term Security Deposits		
Security deposits against Ijarah	25,002	23,747
Security deposits against right-of-use assets	86,767	63,187
Security deposits - others	28,722	28,142
	140,491	115,076
Current portion shown under current assets (Note 26)	(2,535)	(5,433)
	137,956	109,643

21. Stores, spares and loose tools

Machinery spares	47,369	42,362
Stores (Note 21.1)	303,382	213,622
Loose tools	1,175	1,047
	351,926	257,031
Provision for slow moving and obsolete items (Note 21.2)	(29,031)	(24,715)
	322,895	232,316

- 21.1** These include stores in transit of Rupees 4.214 million (2020: Rupees Nil).

21.2 Provision for slow moving and obsolete items

Balance at 01 January	24,715	26,636
Provision made during the year	4,624	123
Reversal of provision during the year	(308)	(2,044)
Net charge / (reversal) of provision for the year	4,316	(1,921)
Balance at 31 December	29,031	24,715

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
22. Stock-In-Trade			
Raw materials	(Note 22.1)	4,326,819	1,994,118
Packing materials		93,056	64,239
Work-in-process	(Note 22.5)	559,759	426,949
Finished goods	(Note 22.2, Note 22.3 and Note 23.5)		
- Own production		2,978,105	1,699,970
- Purchased		1,090,642	753,139
		4,068,747	2,453,109
		9,048,381	4,938,415
Provision for slow moving and obsolete items	(Note 22.6)	(47,274)	(60,573)
		9,001,107	4,877,842

22.1 These include stock in transit of Rupees 962.545 million (2020: Rupees 474.000 million).

22.2 These include stock in transit of Rupees 72.586 million (2020: Rupees 59.525 million).

22.3 Finished goods of Rupees 104.993 million (2020: Rupees 76.977 million) are being carried at net realizable value.

22.4 The aggregate amount of Rupees 19.390 million (2020: Rupees 7.876 million) has been charged to cost of sales, being the cost of inventory written down during the year.

22.5 During the year, as a result of fire at warehouse of footwear division of the Company, some stock got burnt. The carrying value of the burnt stock-in-trade was Rupees 31.886 million. The Company has claimed such loss from its insurance provider. Gain on insurance claim of stock-in-trade written off due to fire has been recognized in profit or loss during the year.

		2021	2020
		Amount	Amount
		Rupees in thousand	
22.6 Provision for slow moving and obsolete items			
Balance at 01 January		60,573	114,911
Provision made during the year		49,358	39,616
Reversal of provision during the year		(62,657)	(29,611)
Net (reversal) / charge of provision for the year		(13,299)	10,005
Stock written off against provision during the year		-	(64,343)
Balance at 31 December		47,274	60,573

		2021 Amount	2020 Amount
Rupees in thousand			
23. Trade debts			
Considered good:			
Secured:			
- Against irrevocable letters of credit		14,124	32,276
Unsecured:			
- Related parties	(Note 23.3, 23.4 and 23.5)	59,621	189,598
- Others	(Note 23.6)	4,001,372	3,967,483
		4,060,993	4,157,081
		4,075,117	4,189,357
Allowance for expected credit losses	(Note 23.7)	(266,354)	(251,020)
		3,808,763	3,938,337

23.1 Foreign jurisdictions of trade debts:

Europe		81,503	47,769
Asia, Africa and Australia		-	97,792
United States of America and Canada		174,009	97,157
		255,512	242,718

23.2 Types of counterparties:

Export			
Corporate		214,307	181,155
Other		41,205	61,563
		255,512	242,718
Local			
Corporate		1,701,156	2,017,193
Other		2,118,449	1,929,446
		3,819,605	3,946,639
		4,075,117	4,189,357

23.3 This represents amounts due from following related parties:

Service Global Footwear Limited - subsidiary company		-	129,977
Jomo Technologies (Private) Limited - associated company		58,075	59,621
Service Long March Tyres (Private) Limited - subsidiary company		1,546	-

Notes to the Financial Statements

For the year ended December 31, 2021

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

	2021	2020
	Amount	Amount
	Rupees in thousand	
Service Global Footwear Limited - subsidiary company	-	129,977
Jomo Technologies (Private) Limited - associated company	58,075	59,621
Service Long March Tyres (Private) Limited - subsidiary company	1,546	-

23.5 As at the reporting date, trade debts due from related parties amounting to Rupees 35.055 million (2020: Rupees 98.212 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

Upto 1 month	7,088	3,433
1 to 6 months	5,259	94,779
More than 6 months	22,708	-
	35,055	98,212

23.6 As at 31 December 2021, trade debts due from other than related parties of Rupees 1,097.810 million (2020: Rupees 916.579 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:

Upto 1 month	411,251	378,048
1 to 6 months	400,865	268,271
More than 6 months	285,694	270,260
	1,097,810	916,579

23.7 Allowance for expected credit losses

Balance at 01 January		251,020	168,918
Expected credit losses recognized during the year	(Note 34)	15,334	108,026
Trade debts written off against expected credit losses	(Note 23.8)	-	(25,924)
Balance at 31 December		266,354	251,020

23.8 During the year ended 31 December 2020, trade debts of Rupees 25.924 million were written off against allowance for expected credit losses. The ageing of these trade debts was more than 3 years. These trade debts did not include amounts due from related parties.

	2021	2020	
	Amount	Amount	
	Rupees in thousand		
24. Loans and advances			
Considered good:			
Advances to staff	6,781	3,421	
Current portion of long term loans to employees	(Note 19)	9,438	11,662
Advances to suppliers	95,273	66,112	
Letters of credit	456,375	334,435	
Others	(Note 24.1)	4,320	18,125
	572,187	433,755	

	2021 Amount	2020 Amount
	Rupees in thousand	
24.1 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 24.1.1 and Note 34)	(14,167)	(2,691)
	-	11,476
24.1.1 Impairment loss of Rupees 14.167 million (2020: Rupees 2.691 million) has been recognised during the year on investment in S2 Hydro Limited (2020: S2 Power Limited).		
24.1.2 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. ADVANCE INCOME TAX - NET OF PROVISION FOR TAXATION		
Advance income tax	1,449,785	909,295
Provision for taxation	(842,270)	(523,440)
	607,515	385,855
26. TRADE DEPOSITS AND PREPAYMENTS		
Security deposits	221,468	205,608
Prepayments	96,837	23,823
Current portion of long term security deposits (Note 20)	2,535	5,433
	320,840	234,864
27. OTHER RECEIVABLES		
Considered good:		
Duty draw back	37,518	93,763
Custom duty rebate	66,744	64,988
Sales tax refundable	134,746	-
Accrued interest on term deposit receipts	-	1,586
Receivable from subsidiary companies (Note 27.1)	604	737
Others	25,864	8,693
	265,476	169,767

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 current tax year, the management has decided to cease the group taxation. Hence, the net impact, after incorporating the prior period adjustments and advance tax, is recognized as receivable from the Subsidiary Companies. These are neither past due nor impaired.

Notes to the Financial Statements

For the year ended December 31, 2021

	2021 Amount	2020 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	737
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	-
Service Industries Capital (Private) Limited - subsidiary company	340	737
28. SHORT TERM INVESTMENT		
At amortized cost		
Term deposit receipt (Note 28.1)	155,000	-
Interest accrued thereon	943	-
	155,943	-
28.1 This represents term deposit with banking company having maturity period of one year and carries profit at the rates ranging from 6.16% to 7.16% per annum.		
29. Cash and bank balances		
With banks:		
On current accounts		
Local currency	680,728	901,970
Foreign currency (Note 29.1)	2,576	753
	683,304	902,723
On saving accounts		
Local currency (Note 29.2)	1,903	2,246
Term deposit receipts	-	282,000
	685,207	1,186,969
Cash in transit	4,486	5,135
Cash in hand	9,603	8,954
	699,296	1,201,058

29.1 This represents USD 1,395 (2020: USD 1,395) and EURO 11,463 (2020: EURO 2,692.62).

29.2 Rate of profit on saving accounts ranges from 5.25% to 8.25% (2020: 5.50% to 11.25%) per annum.

	2021 Amount	2020 Amount
Rupees in thousand		
30. REVENUE		
Revenue from contracts with customers:		
Export:		
- Sales	4,091,747	3,080,508
- Discounts, commissions etc.	(90,026)	(79,061)
	4,001,721	3,001,447
Local:		
- Sales	36,142,403	27,234,418
- Sales tax	(5,739,982)	(4,319,435)
- Discounts, commissions etc.	(1,686,480)	(1,521,230)
	28,715,941	21,393,753
Duty draw back	7,262	47,292
	32,724,924	24,442,492
30.1 Sales of footwear - net		
Export sales	1,232,134	1,500,069
Local sales	6,003,736	4,439,419
Duty draw back	7,262	47,292
	7,243,132	5,986,780
Sales of tyres - net		
Export sales	2,769,588	1,501,378
Local sales	21,977,780	16,492,200
	24,747,368	17,993,578
Sales of technical rubber products - net		
Local sales	734,424	462,134
	32,724,924	24,442,492

30.2 The amount of Rupees 241.468 million included in contract liabilities (Note 10) at 31 December 2020 has been recognised as revenue in 2021 (2020: 143.494 million).

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

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
31. Cost of sales			
Raw materials consumed	(Note 31.1)	18,879,101	12,588,679
Salaries, wages and other benefits	(Note 31.2)	2,666,483	2,223,133
Stores and spares consumed		384,850	223,830
Packing materials consumed		674,391	471,741
Fuel and power		1,549,514	944,716
Insurance		32,245	24,497
Travelling		10,864	7,992
Repair and maintenance		221,090	181,635
Entertainment		3,209	1,560
Depreciation on operating fixed assets	(Note 15.1.2)	574,406	578,717
Depreciation on right-of-use-assets	(Note 16.2)	15,437	11,227
(Reversal) / charge provision for slow moving and obsolete inventory		(8,983)	8,084
Vendor processing charges		5,042	2,054
Other manufacturing charges		72,612	62,557
		25,080,261	17,330,422
Work-in-process			
Opening stock		426,949	225,852
Closing stock		(559,759)	(426,949)
		(132,810)	(201,097)
Cost of goods manufactured		24,947,451	17,129,325
Finished goods			
Opening stock		2,453,109	2,413,252
Purchases during the year		4,126,497	2,432,083
Closing stock		(4,068,747)	(2,453,109)
		2,510,859	2,392,226
		27,458,310	19,521,551
31.1 Raw materials consumed			
Opening stock		1,994,118	1,657,095
Purchases during the year		21,211,802	12,925,702
Closing stock		(4,326,819)	(1,994,118)
Raw materials consumed during the year	(Note 31.3)	18,879,101	12,588,679

- 31.2** Salaries, wages and other benefits include Rupees 77.449 million (2020: Rupees 66.215 million), Rupees 12.037 million (2020: Rupees 18.480 million) and Rupees 40.768 million (2020: Rupees 55.422 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 91.135 million (2020: Rupees 46.839 million) has been adjusted against raw materials consumed.

		2021	2020
		Amount	Amount
		Rupees in thousand	
32. Distribution Cost			
Salaries and other benefits	(Note 32.1)	599,302	362,054
Freight and insurance		652,862	335,317
Advertisement and publicity		358,057	268,229
Entertainment		8,053	5,319
Samples		45,666	39,061
Depreciation on operating fixed assets	(Note 15.1.2)	75,592	48,255
Depreciation on right-of-use-assets	(Note 16.2)	288,247	185,517
Amortization on intangible assets	(Note 17.2)	569	833
Rent, rates and taxes	(Note 32.2 and 32.3)	42,332	32,210
Postage and courier		25,960	30,007
Fuel and power		81,357	41,276
Travelling and conveyance		53,633	42,067
Others		78,230	47,733
		2,309,860	1,437,878

- 32.1** Salaries and other benefits include Rupees 13.344 million (2020: Rupees 9.897 million), Rupees 15.376 million (2020: Rupees 3.989 million) and Rupees 0.689 million (2020: Rupees 0.398 million) in respect of provident fund contribution, gratuity fund and compensated absences by the Company respectively.
- 32.2** These include rent expense of Rupees 39.617 million (2020: Rupees 20.651 million) relating to shops not classified as lease due to sale based rent.
- 32.3** These include rent expense of Rupees 1.849 million (2020: Rupees 1.141 million) relating to leases of low value assets.

Notes to the Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
33. Administrative Expenses			
Salaries and other benefits	(Note 33.1)	866,896	741,281
Communication		23,499	18,404
Printing and stationery		11,053	8,040
Travelling and conveyance		24,316	16,079
Entertainment		29,593	21,257
Vehicles' running		31,000	18,460
Insurance		4,110	3,736
Rent, rates and taxes	(Note 33.2)	26,716	19,026
Fuel and power		20,454	15,917
Repairs and maintenance		13,144	9,444
Auditor's remuneration	(Note 33.3)	4,459	4,071
Legal and professional		39,496	37,528
Fee and subscription		11,408	9,964
Depreciation on operating fixed assets	(Note 15.1.2)	28,620	25,537
Amortization on intangible assets	(Note 17.2)	650	584
Ijarah rentals		54,683	50,610
Computer running		16,357	11,821
Advertisement		193	13
General		69,604	45,020
		1,276,251	1,056,792

33.1 Salaries and other benefits include Rupees 23.537 million (2020: Rupees 18.383 million), Rupees 8.702 million (2020: Rupees 16.033 million) and Rupees 1.541 million (2020: Rupees 0.860 million) in respect of provident fund contribution, gratuity fund and compensated absences by the Company respectively.

33.2 This includes rent expense of Rupees 17.889 million (2020: Rupees 6.116 million) and Rupees 3.586 million (2020: Rupees 2.555 million) relating to short term leases and leases of low value assets respectively.

		2021	2020
		Amount	Amount
		Rupees in thousand	
33.3 Auditor's remuneration:			
Audit fee		3,239	2,944
Half yearly review		811	737
Certification charges		200	200
Reimbursable expenses		209	190
		4,459	4,071

		2021 Amount	2020 Amount
Rupees in thousand			
34. Other Expenses			
Donations	(Notes 34.1)	50,735	59,518
Workers' profit participation fund	(Note 10.2)	25,209	59,992
Workers' welfare fund	(Note 10.3)	6,517	24,680
Loss on modification of leases - net		-	3,546
Advances to suppliers written off		2,807	-
Operating fixed asset written off	(Note 15.1.1)	71	8,035
Allowance for expected credit losses	(Note 23.7)	15,334	108,026
Impairment loss recognized on investment in joint venture	(Note 18.3)	240	240
Impairment loss against advances to joint ventures	(Note 24.1.1)	11,476	2,691
		112,389	266,728

34.1 The names of donees to whom donation amount exceeds Rupees 5.074 million (2020: Rupees 5.952 million) are as follows:

Servis Foundation	(Note 34.1.1)	33,003	32,156
Shalamar Hospital	(Note 34.1.2)	10,845	12,177
Service Charitable Trust	(Note 34.1.3)	5,463	-
		49,311	44,333

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.

		2021 Amount	2020 Amount
Rupees in thousand			
35. Other Income			
Income from financial assets			
Return on bank deposits		6,075	10,535
Dividend income		3,366	-
Exchange gain - net		26,000	24,290
Income from non-financial assets			
Amortization of deferred income - Government grant	(Note 9.1)	73,695	19,761
Gain on initial recognition of GIDC payable at amortized cost		-	1,786
Gain on lease modification - net		8,198	-
Gain on termination of leases - net		27,233	17,705
Gain on sale of operating fixed assets - net		5,106	4,768
Scrap sales and others		83,240	46,622
Miscellaneous		49,544	8,911
		282,457	134,378

Notes to the Financial Statements

For the year ended December 31, 2021

	2021	2020
	Amount	Amount
	Rupees in thousand	
36. Finance Cost		
Mark-up / interest on:		
- long term financing	351,876	374,061
- short term borrowings	380,479	278,158
- loans from Service Global Footwear Limited - subsidiary company	287,668	235,985
- lease liabilities	227,142	171,888
- provident fund payable	435	-
Adjustment due to impact of IFRS 9 on GIDC (Note 9.2)	1,000	591
Bank charges and commission	65,856	23,944
	1,314,456	1,084,627

37. Taxation		
Current (Note 37.1)	409,294	338,885
Prior year	5,655	-
Deferred tax	(200,933)	132,275
	214,016	471,160

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.

2021
Rupees in thousand

Reconciliation between tax expense and accounting profit:

Accounting profit before taxation	570,842
Applicable tax rate	29%
Tax on accounting profit	165,544
Prior year	5,655
Deferred tax	(200,933)
Tax effect of final tax regime income taxed at a lower rate	(1,120,694)
Tax effect of minimum tax	240,855
Tax effect of expenses / (income) that are not considered in determining taxable liability	1,115,067
Others	8,522
	214,016

Tax charge reconciliation for the year ended 31 December 2020 has not been presented being impracticable.

	2021	2020
38. Earnings Per Share - Basic And Diluted		Restated
Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	356,826	690,024
Weighted average number of ordinary shares (Numbers)	46,987,454	46,987,454
Basic earnings per share (Rupees)	7.59	14.69

38.1 There is no dilutive effect on basic earnings per share for the year ended 31 December 2021 and 31 December 2020 as the Company has no potential ordinary shares as on 31 December 2021 and 31 December 2020.

	2021	2020
	Amount	Amount
	Rupees in thousand	
39. CASH (USED IN) / GENERATED FROM OPERATIONS		
Profit before taxation	570,842	1,161,184
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	678,618	652,509
Depreciation on right-of-use-assets	303,684	196,744
Amortization on intangible assets	1,219	1,417
Gain on initial recognition of GIDC payable at amortized cost	-	(1,786)
Exchange gain - net	(26,000)	(24,290)
Provision for gratuity	36,115	38,502
Finance cost	1,314,456	1,084,627
Provision for workers' profit participation fund	25,209	59,992
Provision for workers' welfare fund	6,517	24,680
(Reversal) / charge of provision for slow moving and obsolete inventory	(8,983)	8,084
Allowance for expected credit losses	15,334	108,026
Return on bank deposits	(6,075)	(10,535)
Loss on modification of leases - net	-	3,546
Gain on lease modification - net	(8,198)	-
Amortization of deferred income - Government grant	(73,695)	(19,761)
Gain on termination of leases - net	(27,233)	(17,705)
Share of (profit) / loss of equity accounted investee	(34,727)	48,110
Impairment loss on investments in joint venture	240	240
Impairment loss against advances to joint venture	11,476	2,691
Gain on sale of operating fixed assets - net	(5,035)	(4,768)
Operating fixed assets written off	71	8,035
Advances to suppliers written off	2,807	-
Working capital changes (Note 39.1)	(3,305,675)	(367,922)
	(529,033)	2,951,620

39.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spares and loose tools	(81,596)	11,840
Stock-in-trade	(4,123,265)	(630,774)
Trade debts	140,240	(1,019,778)
Loans and advances	(154,939)	(46,061)
Prepayments	(73,014)	(7,567)
Other receivables	(95,709)	182,284
	(4,388,283)	(1,510,056)
Increase / (decrease) in trade and other payables	1,082,608	1,142,134
	(3,305,675)	(367,922)

Notes to the Financial Statements

For the year ended December 31, 2021

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

	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

	2020				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	Rupees in thousand				
Balance at 31 December 2019	3,477,446	1,513,488	5,078,215	2,406	37,784
Financing / borrowings obtained	1,248,164	-	7,173,118	-	-
Lease liabilities recognized during the year	-	680,539	-	-	-
Impact of lease modification / termination	-	(282,165)	-	-	-
Repayment of financing / lease liabilities / borrowings	(330,767)	(57,163)	(5,823,866)	-	-
Long term deposits - net	-	-	-	(666)	-
Dividend declared	-	-	-	-	140,963
Dividend paid	-	-	-	-	(140,850)
Other changes - non-cash movement:					
Deferred income - Government grant - net	(76,759)	-	-	-	-
Balance at 31 December 2020	4,318,084	1,854,699	6,427,467	1,740	37,897

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	
	2021	2020	2021	2020	2021	2020
Rupees in thousand						
Managerial remuneration	36,083	28,375	35,083	27,500	203,820	188,914
Bonus	20,000	27,800	20,000	27,800	80,726	47,213
Allowances:						
House rent	3,608	2,838	3,508	2,750	69,853	44,447
Conveyance	-	-	-	-	37,700	36,742
Medical	-	-	-	-	21,631	26,624
Utilities	3,608	2,837	3,508	2,750	24,222	19,720
Special allowance	-	-	-	-	4,899	27,902
Retirement and other benefits	9,923	1,862	9,648	1,805	67,199	15,537
Total	73,222	63,712	71,747	62,605	510,050	407,099
Number of persons	1	1	1	1	78	69

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.

40.2 Aggregate amount charged in these financial statements for meeting fee to directors was Rupees 2.742 million (2020: Rupees 2.340 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, 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:

Notes to the Financial Statements

For the year ended December 31, 2021

			2021	2020
Nature of relationship	Nature of transactions			
Subsidiary Companies				
Service Global Footwear Limited	Sale of goods	(Rupees in thousand)	100,205	221,248
	Expenses charged	(Rupees in thousand)	183,712	243,704
	Purchase of goods	(Rupees in thousand)	224,929	127,767
	Loan obtained	(Rupees in thousand)	3,008,311	1,715,939
	Loan repaid	(Rupees in thousand)	2,403,500	946,526
	Interest expense on borrowings	(Rupees in thousand)	287,668	235,985
	Share under group taxation	(Rupees in thousand)	265	-
Service Industries Capital (Private) Limited	Share under group taxation	(Rupees in thousand)	340	737
Service Long March Tyres (Private) Limited	Investment made	(Rupees in thousand)	1,502,505	1,544,033
	Service rendered	(Rupees in thousand)	34,000	8,911
	Sale of goods	(Rupees in thousand)	1,699	-
Sub-subsidiary Company				
Service Shoes Lanka (Private) Limited	Purchase of goods	(Rupees in thousand)	-	7,386
Associated companies / undertakings				
Jomo Technologies (Private) Limited	Sale of goods	(Rupees in thousand)	44,446	50,958
S2 Power Limited	Reimbursement of expenses	(Rupees in thousand)	-	618
Shahid Arif Investment (Private) Limited	Bonus shares issued	(Number of shares)	19,812	4,000
	Cash dividend paid	(Rupees in thousand)	253	119
Service Charitable Trust	Bonus shares issued	(Number of shares)	22,627	4,500
	Cash dividend paid	(Rupees in thousand)	238	136
	Donation made	(Rupees in thousand)	5,463	-
Servis Foundation	Donation made	(Rupees in thousand)	33,003	32,156
Shalamar Hospital	Donation made	(Rupees in thousand)	10,845	12,177
Post employment benefit plans				
Service Industries Limited Employees Gratuity Fund Trust	Company's contribution made	(Rupees in thousand)	36,115	38,502
Service Provident Fund Trust	Company's contribution made	(Rupees in thousand)	114,330	94,495
	Bonus shares issued	(Number of shares)	1,090,637	218,100
	Cash dividend paid	(Rupees in thousand)	16,360	6,544
Directors				
	Cash dividend paid	(Rupees in thousand)	157,791	63,119
	Sale of vehicle	(Rupees in thousand)	766	-
	Bonus shares issued	(Number of shares)	10,519,335	2,104,000

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 Shareholding
		2021	2020	
S2 Power Limited	Common Directorship	No	Yes	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	80.00%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital	No	Yes	60.00%
Service Long March Tyres (Private) Limited	Subsidiary Company due to control	Yes	Yes	32.09%
Jomo Technologies (Private) Limited	Common directorship and associate of Service Industries Capital (Private) Limited (subsidiary company)	Yes	Yes	Nil
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
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

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 Shareholding
Service Shoes Lanka (Private) Limited	Sri Lanka	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company)	60%

41.3.1 As on 31 December 2021 and 31 December 2020, disclosures relating to subsidiary of Service Industries Capital (Private) Limited - subsidiary company, incorporated outside Pakistan are as follows:

Notes to the Financial Statements

For the year ended December 31, 2021

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

42. Plant Capacity

Footwear division

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

Technical rubber products

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

Tyre division

	Installed capacity		Actual production	
	2021	2020	2021	2020
Number of tyres	20,428,253	19,406,624	15,217,693	12,354,363
Number of tubes	60,092,733	54,933,036	49,603,093	41,485,131

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

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 and Great Britain Pound (GBP). Currently, the Company's foreign exchange risk exposure is restricted to bank balances, and the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

		2021	2020
		Amount	Amount
Cash at banks - USD	In thousand	1,395	1,395
Cash at banks - EURO	In thousand	11,463	2,693
Trade debts - USD	In thousand	2,174,831	1,269,488
Trade debts - EURO	In thousand	64,886	149,351
Trade debts - GBP	In thousand	5,348	30,805
Trade and other payables - USD	In thousand	(2,273,997)	(1,451,827)
Trade and other payables - EURO	In thousand	(56,781)	(27,845)
Trade and other payables - CNY	In thousand	(425,466)	-
Net exposure - USD	In thousand	(97,771)	(180,944)
Net exposure - EURO	In thousand	19,568	124,199
Net exposure - GBP	In thousand	5,348	30,805
Net exposure - CNY	In thousand	(425,466)	-

The following significant exchange rates were applied during the period:

Rupees per US Dollar

Average rate	163.26	162.26
Reporting date rate	176.60	160.25

Rupees per EURO

Average rate	192.73	186.11
Reporting date rate	201.00	196.87

Rupees per GBP

Average rate	224.26	208.67
Reporting date rate	239.55	216.97

Rupees per CNC

Average rate	25.31	23.54
Reporting date rate	27.85	24.46

Notes to the Financial Statements

For the year ended December 31, 2021

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro and GBP with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.572 million (2020: Rupees 0.518 million) lower / higher, mainly as a result of 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:

Index	Impact on statement of othe comprehensive income (Fair value reserve FVTOCI investment)	
	2021 Amount	2020 Amount
	Rupees in thousand	
PSX (5% increase)	3,098	4,571
PSX (5% decrease)	(3,098)	(4,571)

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:

	2021	2020
	Amount	Amount
	Rupees in thousand	
Fixed rate instruments		
Financial liabilities		
Long term financing	1,565,682	1,372,374
lease liabilities	2,984,950	1,854,699
Short term borrowings	1,851,415	2,016,475
Financial assets		
Term deposit receipts	-	282,000
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	1,903	2,246
Short term investment	155,000	-
Financial liabilities		
Long term financing	6,252,626	2,945,710
Short term borrowings	7,301,337	4,410,992

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 127.272 million (2020: Rupees 48.562 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:

	2021	2020
	Amount	Amount
	Rupees in thousand	
Long term investment	91,373	91,410
Long term loans to employees	36,854	20,519
Security deposits	361,959	320,684
Trade debts	3,808,763	3,938,337
Loans and advances	11,101	21,546
Other receivables	26,468	11,016
Short term investment	155,943	-
Bank balances	685,207	1,186,969
	5,177,668	5,590,481

Notes to the Financial Statements

For the year ended December 31, 2021

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

	Rating			2021	2020
	Short term	Long term	Agency	Amount	Amount
Rupees in thousand					
Banks					
Allied Bank Limited	A1+	AAA	PACRA	7,575	4,306
Askari Bank Limited	A1+	AA+	PACRA	1,746	84
Bank Alfalah Limited	A1+	AA+	PACRA	40,173	13,179
Bank AL Habib Limited	A1+	AAA	PACRA	199	98,441
Faysal Bank Limited	A1+	AA	PACRA	44,598	396,805
Habib Bank Limited	A1+	AAA	VIS	343,814	571,036
MCB Bank Limited	A1+	AAA	PACRA	61,591	221
MCB Islamic Bank Limited	A1	A	PACRA	-	82
Meezan Bank Limited	A1+	AAA	VIS	2,161	370
National Bank of Pakistan	A1+	AAA	PACRA	37,387	1,063
Samba Bank Limited	A1	AA	VIS	68,207	60
Soneri Bank Limited	A1+	AA-	PACRA	5,300	7,506
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,416	7,685
Silk Bank Limited	A2	A-	VIS	288	2,840
United Bank Limited	A1+	AAA	VIS	70,752	83,291
				685,207	1,186,969
Investments					
TRG Pakistan Limited		Unknown		91,373	91,410
MCB Islamic Bank Limited	A1	A	PACRA	155,943	-
				932,523	1,278,379

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 2021 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 identified the Gross Domestic Product, Unemployment, Interest, and the inflation Index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 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 2021						
Not past due	0.00%	1,658,765	-	0.00%	120,323	-
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	120,585	100.00%	-	-
		2,248,439	266,354		120,323	-
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	-

	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 2020						
Not past due	0.00%	2,270,497	-	0.00%	184,412	-
Up to 30 days	0.94%	57,133	536	0.00%	-	-
31 to 60 days	21.99%	46,490	10,221	0.00%	-	-
61 to 90 days	58.01%	41,840	24,272	0.00%	-	-
91 to 180 days	71.70%	59,205	42,450	0.00%	-	-
181 to 360 days	81.99%	92,830	76,113	0.00%	-	-
Above 360 days	100.00%	97,428	97,428	100.00%	-	-
		2,665,423	251,020		184,412	-
Trade debts which are not subject to risk of default		1,281,216	-		58,306	-
Gross Trade debts		3,946,639	251,020		242,718	-

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2021, the Company had Rupees 8,466.535 million (2020: Rupees 7,230.000 million) available borrowing limits from financial institutions and Rupees 699.296 million (2020: Rupees 1,201.058 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:

Notes to the Financial Statements

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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
Short term borrowings	9,152,752	8,648,488	8,648,488	-	-	-
Trade and other payables	4,428,187	4,428,187	4,428,187	-	-	-
Unclaimed dividend	39,343	39,343	39,343	-	-	-
Accrued mark-up	262,097	262,097	262,097	-	-	-
	24,687,077	27,373,144	14,553,814	1,590,003	2,602,817	8,626,510

Contractual maturities of financial liabilities as at 31 December 2020:

	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	4,318,084	4,971,718	862,976	746,454	1,418,283	1,944,005
Long term deposits	1,740	1,740	-	-	-	1,740
Lease liabilities	1,854,699	2,786,964	134,793	148,816	318,495	2,184,860
Short term borrowings	6,427,467	6,813,990	6,620,016	193,974	-	-
Trade and other payables	3,237,390	3,237,390	3,237,390	-	-	-
Unclaimed dividend	37,897	37,897	37,897	-	-	-
Accrued mark-up	105,037	105,037	105,037	-	-	-
	15,982,314	17,954,736	10,998,109	1,089,244	1,736,778	4,130,605

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

	2021		2020	
	FVTOCI	Amortized cost	FVTOCI	Amortized cost
	-----Rupees in thousand-----			
Long term investment	91,373	-	91,410	-
Long term loans to employees	-	36,854	-	20,519
Security deposits	-	361,959	-	320,684
Trade debts	-	3,808,763	-	3,938,337
Loans and advances	-	11,101	-	21,546
Other receivables	-	26,468	-	11,016
Short term investment	-	155,943	-	-
Cash and bank balances	-	699,296	-	1,201,058
	91,373	5,100,384	91,410	5,513,160

2021	2020
At amortized cost	

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

Liabilities as per statement of financial position

Long term financing	7,818,308	4,318,084
Long term deposits	1,440	1,740
Lease liabilities	2,984,950	1,854,699
Accrued mark-up	262,097	105,037
Short term borrowings	9,152,752	6,427,467
Unclaimed dividend	39,343	37,897
Trade and other payables	4,428,187	3,035,299
	24,687,077	15,780,223

Notes to the Financial Statements

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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:

	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 investment	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
Accrued mark-up	262,097	-	262,097
Short term borrowings	9,152,752	-	9,152,752
Unclaimed dividend	39,343	-	39,343
Trade and other payables	4,428,187	696,235	5,124,422
	24,687,077	696,235	25,383,312

	2020		
	Financial assets	Non-financial assets	Assets as per statement of financial position
	Rupees in thousand		
Long term investments	91,410	5,151,301	5,242,711
Long term loans to employees	8,857	-	8,857
Long term security deposits	109,643	-	109,643
Trade debts	3,938,337	-	3,938,337
Loans and advances	33,208	400,547	433,755
Trade deposits and prepayments	211,041	23,823	234,864
Other receivables	11,016	158,751	169,767
Cash and bank balances	1,201,058	-	1,201,058
	5,604,570	5,734,422	11,338,992

	2020		
	Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position
	Rupees in thousand		
Long term financing	4,318,084	-	4,318,084
Long term deposits	1,740	-	1,740
Lease liabilities	1,854,699	-	1,854,699
Accrued mark-up	105,037	-	105,037
Short term borrowings	6,427,467	-	6,427,467
Unclaimed dividend	37,897	-	37,897
Trade and other payables	3,237,390	615,915	3,853,305
	15,982,314	615,915	16,598,229

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 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'.

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		2021 Amount	2020 Amount
Borrowings	Rupees in thousand	16,971,060	10,745,551
Total equity	Rupees in thousand	7,308,181	7,282,592
Total capital employed	Rupees in thousand	24,279,241	18,028,143
Gearing ratio	Percentage	69.90%	59.60%

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

44 UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2021	2020	2021	2020
	Rupees in thousand			
Total facilities	12,030,000	5,626,000	24,285,000	14,345,000
Utilized at the end of the year	4,638,500	2,509,000	15,818,465	7,115,000
Unutilized at the end of the year	7,391,500	3,117,000	8,466,535	7,230,000

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 2021	Level 1	Level 2	Level 3	Total
	Rupees in thousand			

Financial assets

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

Recurring fair value measurements At 31 December 2020	Level 1	Level 2	Level 3	Total
	Rupees in thousand			

Financial assets

Financial assets at fair value through other comprehensive income	91,410	-	-	91,410
Total financial assets	91,410	-	-	91,410

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

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

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and 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.

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

	Footwear		Tyre		Technical Rubber Products		Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020
Rupees in thousand								
Sales	7,243,132	5,986,780	24,747,368	17,993,578	734,424	462,134	32,724,924	24,442,492
Profit / (loss) before taxation and unallocated								
Income and expenses	(192,482)	(92,286)	2,244,225	2,740,308	231,473	140,521	2,283,216	2,788,543
Unallocated income and expenses							(1,712,374)	(1,627,359)
Taxation							(214,016)	(471,160)
Profit after taxation							356,826	690,024

46.1 Reconciliation of reportable segment assets and liabilities

	Footwear		Tyre		Technical Rubber Products		Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020
Rupees in thousand								
Total assets for reportable segment	8,215,216	6,994,264	15,727,851	10,080,999	308,341	281,408	24,251,408	17,356,671
Unallocated assets							9,093,533	7,094,547
Total assets as per statement of financial position							33,344,941	24,451,218
Unallocated liabilities							26,036,760	17,168,626
Total liabilities as per statement of financial position							26,036,760	17,168,626

Notes to the Financial Statements

For the year ended December 31, 2021

46.2 Geographical information

Footwear		Tyre		Technical Rubber Products		Total	Total
2021	2020	2021	2020	2021	2020	2021	2020

Rupees in thousand

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

Europe	642,703	659,870	782,702	383,893	-	-	1,425,405	1,043,763
United States of America	144,624	320,978	1,082,581	98,116	-	-	1,227,205	419,094
Asia	432,360	500,863	857,509	715,049	-	-	1,289,869	1,215,912
Australia	12,447	13,177	-	-	-	-	12,447	13,177
Africa	-	5,180	46,796	304,321	-	-	46,796	309,501
Pakistan	6,003,736	4,439,420	21,977,780	16,492,199	734,424	462,134	28,715,940	21,393,753
Duty Drawback	7,262	47,292	-	-	-	-	7,262	47,292
	7,243,132	5,986,780	24,747,368	17,993,578	734,424	462,134	32,724,924	24,442,492

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.

	2021	2020
48. NUMBER OF EMPLOYEES		
Number of employees as at 31 December	8,505	8,171
Average number of employees during the year	8,338	7,705

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 2021 of Rupees 7.50 per share (i.e. 75%) at their meeting held on March 31, 2022 . However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.
- 49.2** On 10 February 2022, there was a fire outbreak at one of the rented finished goods godowns of the Company. For the Company's 31 December 2021 financial statements, fire outbreak and related impacts are considered non-adjusting events, consequently there is no impact on these financial statements. Estimated loss of destroyed stock-in-trade is secured against insurance.

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2022 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 together with the Consolidated Financial Statements of the Service Industries Limited ("The Holding Company") and its Subsidiary Companies (together referred to as Group) for the year ended December 31, 2021.

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 and Service Shoes Lanka (Private) Limited, a partially owned subsidiary company of Service Industries Capital (Private) Limited.

Service Industries Limited

The Director Report providing a commentary on the performance of Service Industries Limited for the year ended December 31, 2021 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 80% (2020: 100%) 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, 2021 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% (2020:51%) and shareholding of Service Global Footwear Limited in Service Long March Tyres (Private) Limited is 18.91% (2020: Nil).

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 Capital (Private) 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 14/3/17, Sri Wickrema Mawatha, Colombo 15 and the principal place of business is located at Katunayake.

Clarification to Qualification in Audit Report

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

For and on Behalf of the Board



Arif Saeed
Chief Executive



Omar Saeed
Director

March 31, 2022
Lahore

Independent Auditors' 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 2021, 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 2021, 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 2021 are unaudited and have been prepared by the management in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities. Hence, total assets of Rupees 277.713 million as at 31 December 2021 and total turnover and net loss of Rupees 212.421 million and Rupees 151.355 million respectively for the year ended 31 December 2021 pertaining to the aforesaid Subsidiary Company have been consolidated without incorporating adjustments necessary to give effect to uniform accounting policies adopted by the Group and disclosures required under accounting and reporting standards as applicable in Pakistan.

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Revenue recognition The Group recognized net sales of Rupees 39,575 million for the year ended 31 December 2021.</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. For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> • Summary of significant accounting policies, Revenue from contracts with customers 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 2021, stock-in-trade is stated at Rupees 11,622 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 21.29% of total assets of the Group as at 31 December 2021, and the judgment involved in valuation. 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; • 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 has made significant capital expenditure on manufacturing facility for all steel radial tyres of trucks and buses (the Project).</p> <p>We identified capitalization of fixed assets as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> • Summary of significant accounting policies, Fixed assets note 2.9 to the consolidated financial statements. • Fixed assets note 15 to the consolidated financial statements. 	<p>Our audit procedures to assess the capitalization, amongst others, included the following:</p> <ul style="list-style-type: none"> • Understanding the design and implementation of management controls over capitalization and testing controls over authorization of capital expenditure and accuracy of its recording in the system; • Testing, on sample basis, the costs incurred on the Project with supporting documentation and contracts; • Assessing the nature of costs incurred for the Project through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Group should have consolidated Service Shoes Lanka (Private) Limited (Subsidiary Company) based on audited financial statements prepared in accordance with the accounting policies adopted by the Group. 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, 2022

UDIN: AR202110158IryTgfdHN

Consolidated Statement of Financial Position

As at December 31, 2021

	Note	2021 Amount Rupees in thousand	2020 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 100,000,000 (2020: 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	234,937
Reserves	4	9,220,402	8,152,588
Equity attributable to equity holders of the Holding Company		9,690,276	8,387,525
Non-controlling interest		5,663,630	1,451,499
Total equity		15,353,906	9,839,024
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	11,395,994	3,478,292
Long term deposits	6	1,440	1,740
Lease liabilities	7	2,817,034	1,752,383
Employees' retirement benefit	8	297,612	259,994
Deferred liabilities	9	2,252,771	363,958
		16,764,851	5,856,367
CURRENT LIABILITIES			
Trade and other payables	10	7,554,758	5,218,389
Accrued mark-up	11	296,284	65,119
Short term borrowings	12	12,458,263	7,868,831
Current portion of non-current liabilities	13	2,127,597	1,541,612
Unclaimed dividend		39,343	37,897
		22,476,245	14,731,848
Total liabilities		39,241,096	20,588,215
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		54,595,002	30,427,239

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



Arif Saeed
(Chief Executive)

		2021	2020
		Amount	Amount
	Note	Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	26,534,730	9,566,926
Right-of-use assets	16	2,642,560	1,618,879
Intangible assets	17	43,602	39,507
Long term investments	18	597,268	557,757
Long term loans to employees	19	45,704	16,437
Long term security deposits	20	149,472	115,345
		30,013,336	11,914,851
CURRENT ASSETS			
Stores, spares and loose tools	21	367,266	276,788
Stock-in-trade	22	11,622,051	6,335,260
Trade debts	23	4,468,249	4,633,123
Loans and advances	24	915,549	892,136
Trade deposits and prepayments	25	330,531	244,507
Other receivables	26	1,157,736	1,126,663
Advance income tax - net of provision for taxation	27	943,976	802,940
Accrued interest	28	26,931	5,406
Short term investment	29	155,943	-
Cash and bank balances	30	4,593,434	4,195,565
		24,581,666	18,512,388
TOTAL ASSETS		54,595,002	30,427,239



Omar Saeed
(Director)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
	Note	Rupees in thousand	
REVENUE	31	39,574,739	31,160,011
Cost of sales	32	(33,152,287)	(24,852,381)
Gross profit		6,422,452	6,307,630
Distribution cost	33	(2,880,498)	(1,872,870)
Administrative expenses	34	(1,761,012)	(1,514,046)
Other expenses	35	(147,594)	(314,116)
		(4,789,104)	(3,701,032)
Other income	36	1,633,348	2,606,598
Profit from operations		937,453	376,185
Finance cost	37	(1,534,106)	(999,373)
		1,036,695	1,983,410
Share of loss of equity accounted investees - net of taxation		(15,898)	(91,509)
Profit before taxation		1,020,797	1,891,901
Taxation	38	(436,063)	(567,469)
Profit after taxation		584,734	1,324,432
Share of profit attributable to:			
Equity holders of the holding company		534,617	1,322,475
Non-controlling interest		50,117	1,957
		584,734	1,324,432
			Restated
Earnings per share - basic and diluted (Rupees)	39	11.38	28.15

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, 2021

	2021	2020
	Amount	Amount
Note	Rupees in thousand	
Profit after taxation	584,734	1,324,432
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Surplus arising on remeasurement of investment at fair value through other comprehensive income - net of tax	31,177	66,860
Remeasurements of employees' retirement benefit obligation - net of tax	(11,500)	(4,012)
Share of remeasurement of retire benefit of associate - net of tax	(1)	-
	19,676	62,848
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiary	(15,240)	393
Exchange difference on translation of goodwill	1,387	134
	(13,853)	527
Other comprehensive income for the year	5,823	63,375
Total comprehensive income for the year	590,557	1,387,807
Share of total comprehensive income attributable to:		
Equity holders of the holding company	546,834	1,385,693
Non-controlling interest	437,723	2,114
	590,557	1,387,807

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, 2021

	Attributable to the Equity Holders of the Holding Company											Share Capital	Shareholders' equity	Non-controlling interest	TOTAL EQUITY		
	Capital reserves					Revenue reserves			Total Reserves	Sub-total	Un-appropriated profit						
	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	Sub total
	Share	Share	Share	Share	Share	Share	Share	Share	Share	Share	Share					Share	Share
Balance as at 31 December 2019	187,950	102,730	2,500	21,217	44,395	4,501	-	-	-	175,343	1,558,208	4,294,131	5,852,339	6,027,682	6,215,632	(31,693)	6,183,939
Transactions with owners:																	
Final dividend for the year ended 31 December 2019 @ Rupees 7.50 per share	46,987	-	-	-	-	-	-	-	-	-	-	(140,963)	(140,963)	(140,963)	(140,963)	-	(140,963)
Issue of bonus shares for the year ended 31 December 2019 @ 25%	46,987	-	-	-	-	-	-	-	-	-	-	(46,987)	(46,987)	(46,987)	-	-	(140,963)
Reserve arising pursuant to the Scheme of Compromises, Arrangement and Reconstruction between the Holding Company and its members and Service Global Footwear Limited - subsidiary company and its members (the Scheme)	-	-	-	-	-	-	927,163	-	-	927,163	-	-	-	927,163	927,163	-	927,163
Non-controlling interest on investment in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,481,078	1,481,078
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,322,475	1,322,475	1,322,475	1,322,475	1,957	1,324,432
Other comprehensive income for the year	-	66,860	-	-	370	-	-	-	-	67,230	-	(4,012)	(4,012)	63,218	63,218	157	63,375
Total comprehensive income for the year	-	66,860	-	-	370	-	-	-	-	67,230	-	1,318,463	1,318,463	1,385,693	1,385,693	2,114	1,387,807
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	234,937	-	-	-	-	-	-	-	-	-	-	(352,406)	(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)	-	-	-
Share premium on initial public offer of Service Global 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	-	-	-	14,978	-	-	-	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	35,539	-	-	-	-
Transfer to non - controlling interest	-	-	-	-	-	-	-	-	-	(242,330)	-	(242,330)	(242,330)	(242,330)	(242,330)	242,330	-
Non-controlling interest on investment in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,588,478	3,588,478
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	534,617	534,617	534,617	534,617	50,117	584,734
Other comprehensive income for the year	-	31,177	-	-	(7,757)	-	-	-	-	23,420	-	(11,203)	(11,203)	12,217	12,217	(6,394)	5,823
Total comprehensive income for the year	-	31,177	-	-	(7,757)	-	-	-	-	23,420	-	523,414	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	5,153,924	6,712,132	9,220,402	9,690,276	5,663,630	15,353,906

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, 2021

	Note	2021 Amount Rupees in thousand	2020 Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	246,828	3,874,888
Finance cost paid		(902,760)	(1,053,158)
Income tax paid		(771,768)	(390,692)
Workers' profit participation fund paid		(65,104)	(54,275)
Workers' welfare fund paid		(40,385)	(5,139)
Employees' retirement benefit paid		(27,418)	(17,593)
Long term loans to employees - net		(27,891)	7,620
Security deposits - net		(47,677)	(103,161)
Net cash (used in) / generated from operating activities		(1,636,175)	2,258,490
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on operating fixed assets		(17,839,936)	(2,197,002)
Intangible asset acquired		(3,927)	-
Long term investment made		(40,000)	(40,000)
Proceeds from sale of long term investment		40,500	-
Loans given to associates		(90,000)	-
Loans repaid by associates		70,000	-
Return on bank deposits, term deposit receipts and loans to associates received		210,405	75,650
Proceeds from sale of operating fixed assets		12,660	25,894
Short term investment made		(155,943)	-
Net cash used in investing activities		(17,796,241)	(2,135,458)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		11,942,580	1,508,004
Repayment of long term financing		(1,431,297)	(406,433)
Repayment of lease liabilities		(161,682)	(57,163)
Long term deposits - net		(300)	(666)
Short term borrowings - net		4,589,432	1,584,622
Share capital issued to non-controlling interest		3,569,375	1,470,000
Share deposit money received from non-controlling interest		19,103	11,078
Share premium - net received		1,669,274	-
Dividend paid		(350,960)	(140,850)
Net cash from financing activities		19,845,525	3,968,592
Effects of exchange rate changes on cash and cash equivalents		(15,240)	393
Net increase in cash and cash equivalents		397,869	4,092,017
Cash and cash equivalents at the beginning of the year		4,195,565	103,548
Cash and cash equivalents at the end of the year		4,593,434	4,195,565

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, 2021

1 THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding Company

- Service Industries Limited

Subsidiary Companies

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

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

Offices, Manufacturing units,	
Retail outlets and Warehouses	Address
Registered and head office	Servis House, 2 – Main Gulberg, Lahore
Karachi office	Adamjee House, 10th Floor, I.I. Chundrigar Road, Karachi.
Gujrat factory	G.T. Road, Gujrat.
Muridke factory	Mouza Chak No. 25/UCC, Tehsil Muridke, District Sheikhpura
Retail outlets	
Shoe Box M.M. Alam Road	R-2, M.M. Alam Road, Gulberg II, Lahore.
Shoe Box Mall Road 1	Near Urban Sole, Mall Road, Lahore.
Shoe Box Mall Road 2	Dinga Singh Building, 46- Mall Road, Lahore.
Shoe Box Baghban Pura	17-A, Main G.T. Road, Lahore.
Shoe Box Allama Iqbal Town	Gulshan Block-1, Main Boulevard, Allama Iqbal Town, Lahore.
Shoe Box Karim Block	23-Karim Block, Allama Iqbal Town, Lahore.
Shoe Box DHAY Block	133-Y Block, Phase 3, DHA, Lahore.
Shoe Box DHA H Block	Phase-1 Market, DHA H-Block, Lahore.
Shoe Box G-1 Market	G-1 Market, Johar Town, Lahore.
Shoe Box Airport Road	Airport Road, Opposite Honda Point Shop, Lahore.
Shoe Box Saddar	Tufail Road, Saddar Gol Chakkar, Lahore Cantt.
Shoe Box Shalimar Link Road	108-Shalimar Link Road, Mughalpura, Lahore.
Shoe Box Link Road	99-K, B-Block, G.E.C.H.S., Main Link Road, Lahore.
Shoe Box Batapur	Nawab Plaza, Opposite Bata Gate No. 03, G.T. Road, Batapur, Lahore.
Shoe Box Wapda Town	PIA Society, Near ECS Shoes, Lahore.
Shoe Box Gujranwala 1	400-C, College Chowk, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 2	751-B, Rex Cinema Road, Main Market, Satellite Town, Gujranwala.
Shoe Box Gujranwala 3	Gujranwala Kings Mall, Adjacent With Borjan Shoes, Gujranwala.
Shoe Box Gujrat	Hassan Chowk, Kacheri Road, Gujrat.

Offices, Manufacturing units,	
Retail outlets and Warehouses	Address
Shoe Box Kharian	Main G.T. Road, Near Stylo Shoes, Kharian.
Shoe Box Faisalabad 1	Harian Wala Chowk, D-Ground, Faisalabad.
Shoe Box Faisalabad 2	584-B, Chen One Road, Peoples Colony 1, Faisalabad.
Shoe Box Faisalabad 3	Opposite Stylo, Main Samanabad Road, Bilal Chowk, Faisalabad.
Shoe Box Burewala	Al-Rehman Center, Opposite Stylo Shoes, G.T. Road, Vehari Road, Burewala.
Shoe Box Burewala 2	505 C-Block, City Gate, Burewala.
Shoe Box Bahawalpur 1	Circular Road, Opposite Quaid-e-Azam Medical College, Bahawalpur.
Shoe Box Bahawalpur 2	Railway Road, Bahawalpur.
Shoe Box Mandi Baha-ud-Din 1	Kacheri Road, Mandi Baha-ud-Din.
Shoe Box Mandi Baha-ud-Din 2	Opposite Al-Asar Mall, Jail Road, Mandi Baha-ud-din.
Shoe Box Multan 1	Zain Tower, 10-A Gulshat Colony, Multan.
Shoe Box Multan 2	499-A, Vehari Road, Mumtazabad, Multan.
Shoe Box Multan 3	Property No. 115-1A, Aziz Bhatti Shaheed Road, Multan Cantt.
Shoe Box Multan 4	Property No. 12, Block Y, Street 100, New Multan.
Shoe Box Multan 5	Vehari Road, Near Telephone Exchange, Mumtazabad, Multan.
Shoe Box Multan 6	Gardezi Market, Near Jalal Masjid Chowk, Gulgashat Colony, Multan.
Shoe Box Multan 7	Nishtar Chowk, Near Food Festival, Multan.
Shoe Box Rahim Yar Khan 1	Shahi Road, Rahim Yar Khan.
Shoe Box Rahim Yar Khan 2	5/A, Al-Hamra Road, Model Town, Rahim Yar Khan.
Shoe Box Rahim Yar Khan 3	Sadiq Bazar, Rahim Yar Khan.
Shoe Box Rawalpindi 1	Nadir Plaza, Near Shan Mall, Commercial Market, Satellite Town, Rawalpindi.
Shoe Box Rawalpindi 2	Shop No. 67 & 67A, Bank Road, Rawalpindi.
Shoe Box Rawalpindi 3	Property No. 11-C, Main PWD, Rawalpindi.
Shoe Box Rawalpindi 4	Walayat Complex, Bahria Town, Phase-07, Rawalpindi.
Shoe Box Sargodha 1	City Tower, City Road, Sargodha.
Shoe Box Sargodha 2	03, Jinnah Park, University Road, Sargodha.
Shoe Box Sialkot 1	Darman Wala Chowk, Trunk Bazar, Opposite Bata Shoes, Sialkot.
Shoe Box Sialkot 2	Allama Iqbal Road, Near Toba Masjid, Sialkot Cantt.
Shoe Box Sahiwal	Near Metro Shoes, Girls College Road, Sahiwal.
Shoe Box Peshawar 1	University Road, Peshawar.
Shoe Box Peshawar 2	Saddar Road, Peshawar.
Shoe Box Peshawar 3	17-C, Saddar Road, Peshawar Cantt.
Shoe Box Peshawar 4	University Road, Peshawar.
Shoe Box Peshawar 5	Ficus 2 Plaza, Near North West Institute, Ring Road, Peshawar.
Shoe Box Khanewal	Property No. 6-7, Block No. 12, Jamia Masjid Road, Khanewal.
Shoe Box Okara	Property No. B1-2r/169, M.A. Jinnah Road, Okara.
Shoe Box Daska	College Road, Near Borjan, Daska.
Shoe Box Bahawalnagar	Plot No. 6, Block No. 20, City Chowk, Bahawalnagar.
Shoe Box Chakwal	Al-Fateh Plaza, Talagang Road, Near GPO, Chakwal.
Shoe Box Karachi 1	B-61, Block H, Sector 2, North Nazimabad, Karachi.
Shoe Box Karachi 2	250/1 Deh Okewari, Block No. 19, Rashid Minhas Road, Gulistan-e-Jauhar, Karachi.
Shoe Box Karachi 3	Block 21, Shop # LG-13, Lucky One Mall, Main Rashid Minhas Road, Karachi.
Shoe Box Karachi 4	Plot G-21/23, Block 8, Clifton Karachi.
Shoe Box Sheikhpura	Bhatti Chowk, Near Virk Travels, Gujranwala Chowk, Sheikhpura.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

Offices, Manufacturing units, Retail outlets and Warehouses	Address
Shoe Box Vehari 1	143-C, Club Road, Vehari.
Shoe Box Vehari 2	Ludden Road, Vehari
Factory Outlet Muridke	10-KM, Sheikhpura Road, Muridke.
Factory Outlet Gujrat	Servis Factory, Main G.T. Road, Gujrat.
Shoe Box Franchise	Al-Hafeez Center, 26-A, Model Town, Lahore.
Shoe Box Arifwala 1	Shop Bahawalnagar Road, Near MCB Bank, Arifwala.
Shoe Box Arifwala 2	Thana Baza, Arifwala.
Shoe Box Nawabshah	Gol Chakra Road, Shaheed Benazirabad, Nawabshah.
Shoe Box Mianwali	Government High School Road, Mianwali.
Shoe Box Swat	City Center, Qamber, Swat.
Shoe Box Kohat	Kohat Katchery Chowk, Near Behram Medical Center, Kohat.
Shoe Box Islamabad 1	Awami Trade Center, G-9, Islamabad.
Shoe Box Islamabad 2	Aabpara Main Market, G-6, Near UBL Bank, Islamabad
Shoe Box Hafizabad	Vanike Road, Near Jamiya Masjid Al Qadeem, Hafizabad.
Shoe Box Sadiqabad	Ammam Din Plaza, Club Road Near Sadiq Club, Sadiqabad.
Shoe Box Chichawatni	Sultan Plaza, Khatoni No 1197, Naya Bazar, Chichawatni.
Shoe Box Mardan	Mardan Opposite Railway Station, Nowshehra Road, Mardan.
Shoe Box Muzaffargarh	Multan Road, Near Hakeem Wala Petrol Pump, Muzaffargarh.
Shoe Box Mirpur Khas	Hyderabad Road, Near Telenor Frenchise, Mirpur Khas.
Shoe Box Attock	Naseem Mart, Kamrah Road, Attock.
Shoe Box Pattoki	Brand Way Mall, Bypass, Opposite Punjab College Pattoki
Shoe Box Kasoor	Shahbaz Khan Road, Opposite Bank of Punjab, Kasur.
Shoe Box Narowal	Bypass Chowk, Circular Road, Narowal.
Shoe Box Layyah	Circular Road, Layyah.
Shoe Box D.G. Khan	Saddar Bazar, D.G. Khan.
Shoe Box Jauharabad	Main Bazar, Jauharabad.
Shoe Box Deepalpur	Pakpattan Chowk, Depalpur.
Shoe Box Hyderabad	Autobhan Road, Near ECS, Main Gidu Chowk, Hyderabad.
Shoe Box Wah Cantt.	Lala Rukh Basti, Opposite Al-Faisal Mall, Wah Cantt.

KLARA WAREHOUSES

Lahore	26-KM, Multan Road, Opposite Maraka Telephone Exchange, Lahore.
Lahore	19-A, Main Ravi Road, Near Kasur Pura Stop, Yadgar, Lahore.
Rawalpindi	Near Bagar Dhair, Tippu Sultan Masjid I-J-P Road, Rawalpindi.
Faisalabad	Jhang Road, Opposite Nayab Energy Gate, Faisalabad.
Bahawalpur	6-A, Adil Town, Dubai Mehal Road, Near City School, Bahawalpur.

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited Company on 19 July 2019 in Pakistan under the Companies Act,

2017 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% (2020 : Nil). 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 – Sheikhpura Road, Lahore
Factory outlet	10 - KM, Muridke – Sheikhpura Road, Lahore

Service Industries Capital (Private) Limited

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

Service 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 52.78% (2020: 49%).

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% (2019: 40%).

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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:

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 realisable 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 2021:

- IFRS 16 (Amendments) 'Leases';
- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures'.

The above mentioned accounting amendments to published 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) Standards and amendments to published approved accounting standards that are effective in current year but not relevant to the Group

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2021 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 2022 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 1 January 2022. 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'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 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.

Covid-19-Related Rent Concessions (Amendment to IFRS 16 'Leases') effective for annual reporting periods beginning on or after 01 April 2021. These amendments permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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.

The International Accounting Standards Board (IASB) has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2022. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

The above amendments and improvements do not have a material 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 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.

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 subsidiary of which the functional currency is different from that used in preparing the Group's financial statements are translated in functional currency of the Group. Statement of financial position items are translated at the exchange rate at the reporting date and statement of profit and loss items are converted at the average rate for the period. Any resulting 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.

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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.

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

iii) Compensated absences

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

2.6 Taxation

Current

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

The Group except Service Long March Tyres (Private) Limited opted group taxation under section 59AA of Income Tax Ordinance, 2001

for the tax year 2021. Due to listing of the Service Global Footwear Limited – Subsidiary Company on 28 April 2021 and resultant dilution of shareholding of Service Industries Limited – Holding Company in Service Global Footwear Limited – Subsidiary Company, from current tax year, the management has decided to cease the group taxation. This change has no financial impact on these consolidated financial statements.

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 Fixed assets

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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

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For the year ended December 31, 2021

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.

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 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.

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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 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 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.

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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.

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.

2.22 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 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.

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.

Other revenue

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

Derivative that do not qualify for hedge accounting are recognized in the consolidated statement of financial position at estimated fair value with corresponding effect to consolidated statement of profit or loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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 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 Technical rubber products (Manufacturing of different qualities of rubber products on specifications).

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

2.40 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 vests 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.

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2021	2020	2021	2020
	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	20,310,537	438,042	203,105
	46,987,454	23,493,727	469,874	234,937

3.1 Movement during the year

	2021	2020	2021	2020
	Number of shares		Rupees in thousand	
At 01 January	23,493,727	18,794,982	234,937	187,950
Ordinary shares of Rupees 10 each issued as fully paid bonus shares	23,493,727	4,698,745	234,937	46,987
At 31 December	46,987,454	23,493,727	469,874	234,937

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

	2021	2020
	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	19,812
Service Charitable Trust	45,254	22,628
Service Provident Fund Trust	2,181,274	872,510

	2021	2020
	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)	64,998	69,360
Share premium	(Note 4.2)	1,356,636	21,217
Share of reserve held by equity accounted investee		44,395	44,395
Exchange translation reserve		(2,886)	4,871
Reserve pursuant to the Scheme		927,163	927,163
Share options reserve	(Note 4.3)	14,978	-
Share of employees' share compensation reserve held by equity accounted investee		256	-
		2,508,270	1,169,736

Revenue reserves

General reserve		1,558,208	1,558,208
Unappropriated profits		5,153,924	5,424,644
		6,712,132	6,982,852
		9,220,402	8,152,588

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	69,360	2,500
Fair value adjustment during the year	31,177	66,860
Transfer of gain on disposal of FVTOCI investment to retained earnings	(35,539)	-
Balance at 31 December	64,998	69,360

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 of Service Global Footwear Limited - Subsidiary Company. 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 of Service Global Footwear Limited - Subsidiary Company. 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

If in any year the full number of options is not granted, then the un-granted options may be carried forward to subsequent years and granted in such subsequent years. Out of total 1,500,000 options, during the year compensation committee granted 650,000 options and remaining 850,000 options will be granted in subsequent years.

	2021	2020
	Rupees in thousand	

4.3.2 Movement in employee's share option reserve:

Balance at 01 January	-	-
Recognized during the year at the fair value	18,723	-
Balance at 31 December	18,723	-

4.3.2.1 Share of employees' share option reserve attributable to:

Equity holders of Holding Company	14,978	-
Non-Controlling Interest	3,745	-
	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:

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	2021		2020	
	Number of options	WAEP (Rupees)	Number of options	WAEP (Rupees)
Outstanding at 01 January	-	-	-	-
Add: Options granted during the year	650,000	10	-	-
Outstanding at 31 December	650,000	10	-	-
Exercisable at 31 December	650,000	-	-	-

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

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:

		2021	2020
Fair value at grant date	Rupees	28.8042	-
Share price at grant date	Rupees	38.00	-
Exercise price	Rupees	10.00	-
Expected volatility	%	21.00%	-
Expected life	Years	1.00	-
Expected dividend	%	-	-
Risk-free interest rate	%	8.41%	-

Expected volatility has been based on an evaluation of the historical volatility of a similar entity following a comparable period in its life. The expected life of the share options is based on 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.

		2021	2020
		Rupees in thousand	
5. LONG TERM FINANCING			
From banking companies - secured			
Long term loans	(Note 5.1)	11,001,720	4,567,370
Long term musharaka	(Note 5.2)	1,902,011	270,000
		12,903,731	4,837,370
Current portion shown under current liabilities	(Note 13)		
Long term loans		(1,439,816)	(1,299,078)
Long term musharaka		(67,921)	(60,000)
		(1,507,737)	(1,359,078)
		11,395,994	3,478,292

5.1 Long term loans

Service Industries Limited - Holding Company

LENDER	2021	2020	RATE OF MARK-UP PER-ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Allied Bank Limited (Note 5.3)	-	25,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 18 March 2016 and ended on 18 September 2021.	Half yearly	Half yearly	First joint pari passu charge of Rupees 2,200 million over plant and machinery of the Holding Company.
Allied Bank Limited (Note 5.3)	180,000	270,000	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	
MCB Bank Limited (Note 5.3)	100,000	150,000	6-month KIBOR + 0.25%	Seven equal half yearly instalments commenced on 28 March 2018 and ending on 28 September 2023.	Half yearly	Half yearly	First joint pari passu hypothecation charge of Rupees 2,067 million over plant and machinery of the Holding Company with 25% margin.
MCB Bank Limited (Note 5.3)	400,000	560,000	6-month KIBOR + 0.14%	Seven 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)	300,000	400,000	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	
Habib Bank Limited (Note 5.3)	9,684	10,830	SBP rate for LTF + 0.50%	One hundred and forty one unequal quarterly instalments commenced on 30 April 2021 and ending on 30 April 2028.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 640 million over plant and machinery of the Holding Company.
Habib Bank Limited (Note 5.3)	144,953	191,039	SBP rate for LTF + 0.50%	Thirteen equal quarterly instalments commenced on 22 June 2021 and ending on 22 June 2024.	-	Quarterly	
Allied Bank Limited (Note 5.3)	250,000	250,000	6-month KIBOR + 0.15%	Ten equal half yearly instalments commenced on 29 December 2019 and ending on 29 June 2025.	Half yearly	Half yearly	
Allied Bank Limited (Note 5.3)	123,219	130,917	SBP rate for LTF + 0.25%	Two hundred and ninety four unequal instalments commenced on 5 February 2021 and ending on 23 May 2031.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 667 million over all present and future plant and machinery of the Holding Company with 25% margin.
Allied Bank Limited	19,001	20,710	6-months KIBOR + 0.25%		Half yearly	Quarterly	
Allied Bank Limited	142,220	151,627					
Allied Bank Limited	401,125	-	3-month KIBOR + 0.25%	Twenty equal quarterly instalments commencing on 14 March 2023 and ending on 14 December 2027.	Quarterly	Quarterly	
Allied Bank Limited (Note 5.4)	537,516	1,039,588	SBP rate for refinance scheme for payment of salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 27 February 2021 and ending on 27 November 2022.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 352 million on plant and machinery of the Holding Company with 25% margin.
MCB Bank Limited	800,000	1,000,000	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	First joint pari passu charge of Rupees 1,333.330 million over plant and machinery of the Holding Company with 25% margin.
MCB Bank Limited	575,000	-	6-month KIBOR + 0.10%	Ten equal half yearly instalments commencing on 26 August 2022 and ending on 26 September 2027.	Half yearly	Half yearly	First joint pari passu charge of Rupees 767 million over all present and future plant and machinery of the Holding Company with 25% margin.
Habib Bank Limited	517,500	-	6-month KIBOR + 0.20%	Ten equal half yearly instalments commencing on 26 August 2022 and ending on 26 February 2027.	Half yearly	Half yearly	First joint pari passu charge of Rupees 2,000 million on land and building of the Holding Company with 25% margin.
Habib Bank Limited (Note 5.5)	433,176	-	SBP rate for IERF + 1%	Sixteen equal half yearly instalments commencing on 20 October 2023 and ending on 20 April 2031.	-	Half yearly	First joint pari passu charge of Rupees 2,000 million on plant and machinery of the Holding Company with 25% margin.

Service Global Footwear Limited - Subsidiary Company

LENDER	2021	2020	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Habib Bank Limited (Note 5.3)	95,334	105,806	SBP rate for LTF + 0.50%	Three hundred and six unequal instalments commenced on 22 June 2019 and ending on 6 August 2028.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 226,000 million on all present and future fixed assets (excluding land and building) of the Service Global Footwear Limited- Subsidiary Company with 25% margin.
Habib Bank Limited (Note 5.3)	49,359	57,943	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	49,684	21,870	SBP rate for LTF + 0.25%	Four hundred and forty unequal instalments commenced on 7 April 2019 and ending on 16 July 2031.	-	Quarterly	
	14,080	43,205	3-months KIBOR + 0.25%		Quarterly	Quarterly	
	63,764	65,075					
Allied Bank Limited (Note 5.3)	85,013	83,455	SBP rate for LTF + 0.25%	One hundred and eighty unequal instalments commenced on 15 November 2021 and ending on 28 November 2030.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 575,000 million on all present and future fixed assets (plant and machinery) of the Service Global Footwear Limited - Subsidiary Company.
	-	5,959	6-months KIBOR + 0.25%		Half yearly	Quarterly	
	85,013	89,414				Quarterly	
Allied Bank Limited (Note 5.4)	104,021	201,048	SBP rate for refinance schem or payment of salaries and wages + 0.50%	Eight equal quarterly instalments commenced on 6 February 2021 and ending on 6 November 2022.	-	Quarterly	

Service Long March Tyres (Private) Limited -Subsidiary Company

LENDER	2021	2020	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Allied Bank Limited (Note 5.5)	1,354,731	-	SBP rate for TERF + 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 267,000 million on all present and future fixed assets of the Company inclusive of 25% margin and corporate guarantee of Rupees 2,000,000 million of Service Industries Limited -Holding Company.
Bank-Alfalah limited (Note 5.5)	566,090	-	SBP rate for TERF + 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 1,334,000 million on all present and future fixed assets of the Company inclusive of 25% margin and corporate guarantee of Rupees 1,000,000 million of Service Industries Limited -Holding Company.
MCB Bank Limited (Note 5.5)	667,607	-	SBP rate for TERF + 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 1,334,000 million on all present and future fixed assets of the Company inclusive of 25% margin and corporate guarantee of Rupees 1,000,000 million of Service Industries Limited -Holding Company.
MCB Bank Limited	1,000,000	-	3-months KIBOR - 0.50%	Six equal instalments of principle amount on semi annual basis commencing on 29 September 2023 to 29 September 2026	Quarterly	Quarterly	First joint pari passu charge of Rupees 3,333,000 million on all building, plant and machinery of the Company inclusive of 25% margin and corporate guarantee of Rupees 1,000,000 million of Service Industries Limited -Holding Company.
Habib Bank Limited (Note 5.5)	2,222,627	-	SBP rate for TERF + 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 4,000,000 million on all building, plant and machinery of the Company inclusive of 25% margin and corporate guarantee of Rupees 3,000,000 million of Service Industries Limited -Holding Company.
	11,001,720	4,567,370					

5.2 Long term musharaka

Service Industries Limited - Holding Company

LENDER	2021	2020	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Meezan Bank Limited (Note 5.3)	210,000	270,000	270,000 6-month KIBOR + 0.12% Ten equal half yearly instalments commenced on 18 November 2019 and ending on 18 May 2025. Half yearly	Half yearly	Half yearly	Exclusive charge of Rupees 365.578 million over plant and machinery of the Holding Company with 15% margin.	
Meezan Bank Limited	51,332	-	SBP rate for Islamic financing facility for renewable energy + 1.00%	Eighty one equal quarterly instalments commenced on 9 September 2021 and ending on 3 August 2028.	-	Quarterly	First joint pari passu charge of Rupees 134 million over all present and future plant and machinery of the Holding Company with 25% margin.
Faysal Bank Limited (Note 5.6)	263,802	-	SBP rate for ITERF + 0.75%	Sixty-six equal quarterly instalments commencing on 10 June 2023 and ending on 10 June 2032.	-	Quarterly	First joint pari passu charge of Rupees 667,000 million over all present and future plant and machinery of the Holding Company with 25% margin.

Service Long March Tyres (Private) Limited -Subsidiary Company

LENDER	2021	2020	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	Rupees in thousand						
Faysal Bank Limited (Note 5.6)	1,376,877	-	SBP rate for ITERF + 0.50%	Thirty three unequal quarterly instalments commencing on 08 February 2023 and ending on 08 February 2031.	-	Quarterly	First joint pari passu charge of Rupees 2,667,000 million on all present and future fixed assets of the Company inclusive of 25% margin and corporate guarantee of Rupees 1000,000 million of Holding Company.
	1,902,011	270,000					

5.3 Repayment period of these loans / musharka 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 are 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 are recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is 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 12.26% per annum.

5.6 This loan is obtained by the Holding Company and Service Long March Tyres (Private) Limited - Subsidiary 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 8.01% to 8.69% 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.

		2021 Amount	2020 Amount
Rupees in thousand			
7. LEASE LIABILITIES			
Total lease liabilities	(Note 7.1)	2,984,950	1,854,699
Less: Current portion shown under current liabilities	(Note 13)	(167,916)	(102,316)
		2,817,034	1,752,383

7.1 Reconciliation of lease liabilities

Balance at 01 January		1,854,699	1,513,488
Additions during the year		1,609,496	680,539
Interest on lease liabilities	(Note 37)	227,142	171,888
Impact of lease modification / termination		(317,563)	(282,165)
Payments made during the year		(388,824)	(229,051)
Balance at 31 December		2,984,950	1,854,699

7.2 Maturity analysis of lease liabilities is as follows :

up to 6 months		207,141	13,479
6-12 months		227,767	14,881
1-2 years		485,349	31,849
more than 2 years		3,476,135	218,486
		4,396,392	278,696
Less: Future finance cost		(1,411,442)	(9,326)
Present value of lease liabilities		2,984,950	1,854,699

7.3 Implicit rates against lease liabilities range from 8.05% to 12.83% (2020: 8.05% to 14.56%) per annum.

8. EMPLOYEES' RETIREMENT BENEFIT

Service Shoes Lanka (Private) Limited - Subsidiary Company	(Note 8.1)	7,027	7,275
Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company	(Note 8.2)	290,585	252,719
		297,612	259,994

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'.

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 2021 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:

		2021 Amount	2020 Amount
Rupees in thousand			
Present value of defined benefit obligations		396,912	351,912
Fair value of plan assets		(106,327)	(99,193)
Net defined benefit obligation		290,585	252,719

	2021 Amount	2020 Amount
	Rupees in thousand	
8.4 Movement in the present value of net defined benefit obligation		
Net liability at 01 January	252,719	212,225
Current service cost	30,212	31,199
Net interest on defined benefit obligation	23,324	22,876
Net remeasurements for the year	11,500	4,012
Contributions made during the year	(27,170)	(17,593)
Net liability at 31 December	290,585	252,719
8.5 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at 01 January	351,912	301,421
Current service cost	30,212	31,199
Interest cost	32,995	32,910
Benefits paid during the year	(27,170)	(17,593)
Benefits due but not paid	185	(185)
Remeasurements on obligation:		
Actuarial losses / (gains) from changes in financial assumptions	1,466	(1,044)
Experience adjustments	7,312	5,204
Present value of defined benefit obligation at 31 December	396,912	351,912
8.6 Movement in the fair value of the plan assets		
Fair value of plan assets at 01 January	99,193	89,196
Interest income on plan assets	9,671	10,034
Contributions made during the year	27,170	17,593
Benefits paid during the year	(27,170)	(17,593)
Benefits due but not paid reversed / (recognised)	185	(185)
Return on plan assets, excluding interest income	(906)	42
Remeasurements on fair value of plan assets	(1,816)	106
Fair value of plan assets at 31 December	106,327	99,193
8.6.1 The major categories of total plan assets of the Fund are as follows:		
Mutual funds	102,711	98,815
Bank balances	3,616	563
Total plan assets	106,327	99,378
8.6.2 Fair value of the plan assets		
Total plan assets	106,327	99,378
Payables to outgoing employees	-	(185)
Market value of assets	106,327	99,193

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	2021 Amount	2020 Amount
	Rupees in thousand	
8.7 Amounts recognized in the statement of profit or loss		
Current service cost	30,212	31,199
Interest cost	32,995	32,910
Interest income on plan assets	(9,671)	(10,034)
Net expense charged in the statement of profit or loss	53,536	54,075
8.8 Charge for the year has been allocated as follows:		
Cost of sales (Note 32)	25,764	30,298
Distribution cost (Note 33)	15,468	4,515
Administrative expenses (Note 34)	12,304	19,262
	53,536	54,075

8.9 Remeasurements charged to statement of other comprehensive income

Experience adjustments	(7,312)	(5,204)
Return on plan assets excluding interest income	(2,249)	148
Actuarial (losses) / gains from changes in financial assumptions	(1,939)	1,044
Total remeasurements charged to consolidated statement of comprehensive income	(11,500)	(4,012)

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:

	2021	2020	2019	2018	2017
	Rupees in thousand				
Present value of defined benefit obligation	396,912	351,912	301,421	262,604	213,626
Fair value of the plan assets	(106,327)	(99,193)	(89,196)	(82,158)	(85,177)
Deficit in the plan	290,585	252,719	212,225	180,446	128,449
Remeasurement loss / (gain) on obligation	8,778	4,160	(16,713)	17,171	24,124
Remeasurement gain / (loss) on plan assets	(2,722)	148	(5,059)	(10,099)	(16,202)

	2021	2020
8.11 Principal actuarial assumptions used:		
Discount rate used for interest cost	% per annum 9.75	11.25
Discount rate used for year end obligation	% per annum 11.75	9.75
Expected rate of salary increase	% per annum 10.75	8.75

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	361,649	428,378
Future salary increase	100	428,828	360,715

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 7 years 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					
15,893	49,035	140,344	294,772	3,193,592	3,693,636

8.16 Estimated charge to consolidated statement of profit or loss for the year ending on 31 December 2022 will be Rupees 64.831 million.

	2021 Amount	2020 Amount
Rupees in thousand		

9. Deferred Liabilities

Deferred income - Government grant	(Note 9.1)	2,105,330	23,733
Provision for Gas Infrastructure Development Cess (GIDC)	(Note 9.2)	-	7,403
Deferred income tax liability - net	(Note 9.3)	147,441	332,822
		2,252,771	363,958

9.1 Deferred income - Government grant

Balance at 01 January		90,705	-
Recognized during the year		2,842,188	113,531
Amortized during the year	(Note 36)	(397,268)	(22,826)
		2,535,625	90,705
Current portion shown under current liabilities	(Note 13)	(430,295)	(66,972)
		2,105,330	23,733

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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 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 Group has 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.

	2021	2020
	Amount	Amount
	Rupees in thousand	
9.2 Gas Infrastructure Development Cess (GIDC) Payable		
Gas Infrastructure Development Cess payable at amortized cost	20,649	20,058
Adjustment due to impact of IFRS 9	(Note 37) 1,000	591
Current portion shown under current liabilities	(Note 13) (21,649)	(13,246)
	-	7,403
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 which is pending adjudication. GIDC payable has been recognized at amortized cost in accordance with IFRS 9.		
9.3 Deferred income tax liability - net		
The deferred income tax liability / (asset) originated due to timing differences relating to:		
Taxable temporary differences:		
Accelerated tax depreciation	595,387	591,423
Investment in associate	43,361	34,806
Fair value reserve FVTOCI investment	9,286	-
Right-of-use assets	613,074	-
Others - Service Shoes Lanka (Private) Limited - Subsidiary Company	2,979	111
	1,264,087	626,340
Deductible temporary differences		
Allowance for expected credit losses	(61,794)	(63,793)
Provision for slow moving and obsolete stores	(6,735)	(6,281)
Provision for slow moving and obsolete stock in trade	(10,968)	(15,394)
Lease liabilities	(692,508)	-
Minimum tax carry forward	(344,641)	(208,050)
	(1,116,646)	(293,518)
Deferred income tax liability - net	147,441	332,822

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

	2021			Closing balance
	Opening balance	Recognised in consolidated statement of profit or loss	Recognised in consolidated other 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 recognised	-	320,145	-	320,145
Deferred income tax recognised	(208,050)	(136,591)	-	(344,641)
	332,822	(194,667)	9,286	147,441
Rupees in thousand				
2020				
	Opening balance	Recognised in consolidated statement of profit or loss	Recognised in consolidated other comprehensive income	Closing balance
Accelerated tax depreciation	503,473	87,950	-	591,423
Investment in associate	19,605	15,201	-	34,806
Allowance for expected credit losses	(37,230)	(26,563)	-	(63,793)
Provision for slow moving and obsolete stores	(5,871)	(410)	-	(6,281)
Provision for slow moving and obsolete stock-in-trade	(25,326)	9,932	-	(15,394)
Minimum tax carry forward	(265,520)	57,470	-	(208,050)
Others	-	111	-	111
	189,131	143,691	-	332,822

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For the year ended December 31, 2021

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	2021	288,414	2026
	2019	188,262	2024
	2018	115,161	2023
	2017	72,949	2022
		664,786	

2021 2020
Amount Amount
Rupees in thousand

10 TRADE AND OTHER PAYABLES

Trade creditors		4,482,422	3,152,940
Accrued liabilities		1,547,951	1,320,675
Letters of credit		424,853	202,091
Contract liabilities - unsecured		710,045	343,772
Provident fund payable		55,160	38,612
Provision for service warranties		37,198	33,453
Workers' profit participation fund	(Note 10.1)	4,724	26,252
Workers' welfare fund	(Note 10.2)	50,167	71,293
Income tax deducted at source		13,599	9,823
Payable against purchase of freehold land and building thereon		215,704	-
Others		12,935	19,478
		7,554,758	5,218,389

10.1 Workers' profit participation fund

Balance at 01 January		26,252	(8,322)
Interest for the year	(Note 37)	1,250	-
Provision for the year	(Note 35)	42,326	88,849
		69,828	80,527
Payments made during the year		(65,104)	(54,275)
Balance at 31 December		4,724	26,252

		2021 Amount	2020 Amount
Rupees in thousand			
10.2 Workers' welfare fund			
Balance at 01 January		71,293	34,724
Provision for the year	(Note 35)	19,259	41,708
		90,552	76,432
Payments during the year		(40,385)	(5,139)
Balance at 31 December		50,167	71,293
11. ACCRUED MARK-UP			
Long term financing		116,569	16,714
Short term borrowings		179,715	48,405
		296,284	65,119
12. SHORT TERM BORROWINGS			
From banking companies - secured			
Local banks			
Short term running finances	(Notes 12.1 and 12.2)	4,793,715	1,658,294
Export refinance	(Notes 12.1 and 12.3)	5,414,010	6,112,839
Other short term finance - money market loan	(Notes 12.1 and 12.4)	2,100,000	-
		12,307,725	7,771,133
Foreign bank			
Short term running finance	(Note 12.5)	150,538	97,698
		12,458,263	7,868,831

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, joint pari passu charge over plant and machinery of the Group Companies and cross corporate guarantees of the Holding Company. These form part of total credit facilities of Rupees 18,737.730 million (2020: Rupees 13,980.000 million).

12.2 The rates of mark-up range from 7.45% to 10.52% (2020: 7.28% to 14.56%) per annum.

12.3 The rates of mark-up range from 2.20% to 8.26% (2020: 2.20% to 3.00%) per annum.

12.4 The rates of mark-up range from 7.59% to 10.88% per annum.

12.5 This facility is obtained from MCB Bank Limited, Sri Lanka. This facility carries mark-up at the rate of LIBOR + 4.5% (2020: LIBOR + 3%) per annum and is secured by way of lien over export purchase orders.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
13. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term financing	(Notes 5)	1,507,737	1,359,078
Current portion of lease liabilities	(Note 7)	167,916	102,316
Deferred income - Government grant	(Note 9.1)	430,295	66,972
Provision for GIDC	(Note 9.2)	21,649	13,246
		2,127,597	1,541,612

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 10.000 million and remanded back certain charges to the tune of 172.707 million. The Holding Company filed an appeal with ATIR against the decision of CIR (Appeals) which is pending for hearing. The management of the Holding Company is confident that decision will be in 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 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 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 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(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 has dismissed the writ petition of Service Industries Limited - Holding Company and Service Global Footwear Limited - Subsidiary Company, therefore intra-court appeal has been filled. 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 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 21.878 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 years 2006 and 2008. A demand of Rupees 12.774 million and Rupees 68.406 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Holding Company without discussing the merits of the cases. The Holding Company has filed appeal with ATIR which is pending for hearing. The management is confident that decision will be in 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. 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(I) of the Income Tax Ordinance, 2001. The holding Company filed appeal against foregoing assessment proceedings before Commissioner Inland Revenue (Appeals) [CIR(A)], 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 Commissioner Inland Revenue (Appeals) [CIR(A)], who remanded back the issue to taxation officer for fresh consideration, effectively deleting the impugned tax demand.

On 08 February 2022, subsequent to the reporting period, the Holding Company has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) contesting the directions of CIR(A) 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.

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- 14.1.14** 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 Commissioner Inland Revenue Appeals - VI (CIR - A) who upheld the order. Service Global Footwear Limited - Subsidiary Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) dated 01 March 2022. The ATIR granted the Service Global Footwear Limited - Subsidiary Company interim relief in view of the prima facie evidence in favour of its position. Based on grounds and facts the appeal is likely to be decided in favour of Service Global Footwear Limited - Subsidiary Company.
- 14.1.15** Post dated cheques have been issued by Service Global Footwear Limited - Subsidiary Company to custom authorities in respect of duties amounting to Rupees 1,657.194 million (2020: Rupees 1,686.555 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- 14.1.16** Guarantees issued in ordinary course of business of the Holding Company through banks are of Rupees 2,721.638 million (2020: Rupees 958.318 million).
- 14.1.17** Guarantees of Rupees 539.439 million (2020: Rupees Nil) are given by the banks of Service Long March tyres (Private) Limited to The Collector of Customs, Karachi against shipment, Director Excise and Taxation, Karachi and Sui Southern Gas Company Limited against infrastructure cess and gas connection.
- 14.1.18** Service Industries Limited - Holding Company's and Service Industries capital (Private) Limited - Subsidiary Company's share in contingencies of associate accounted for under equity method is Rupees 41.170 million.
- 14.1.19** Service Industries Limited - Holding Company has issued cross corporate guarantees of Rupees 9,000 million (2020: Rupees 8,000 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 6,258.043 million (2020: Rupees 12,396.763 million).
- 14.2.2** Letters of credit other than capital expenditure are of Rupees 2,808.673 million (2020: Rupees 2,786.092 million).
- 14.2.3** Outstanding foreign currency forward contracts are of Rupees 1,631.608 million (2020: Rupees Nil).
- 14.2.4** Vehicles are obtained under ijarah arrangements from Meezan Bank Limited, Allied 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:

	2021	2020
	Amount	Amount
	Rupees in thousand	
Not later than one year	82,379	65,435
Later than one year and not later than five years	110,396	106,257
	192,775	171,692

15. FIXED ASSETS

Operating fixed assets	(Note 15.1)	10,361,648	8,708,099
Capital work-in-progress	(Note 15.2)	16,173,082	858,827
		26,534,730	9,566,926

15.1 Reconciliations of carrying amounts of operating fixed assets at the beginning and at the end of the year are 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 Assets
	Rupees in thousand									
At 31 December 2019										
Cost	7,024	56,768	6,416	2,044,815	6,733,781	70,623	57,841	1,550,291	317,297	10,844,856
Currency retranslation	870	7,029	-	-	6,527	252	1,210	2,642	-	18,530
Accumulated depreciation	(470)	(12,511)	-	(617,168)	(2,363,462)	(34,512)	(30,125)	(687,633)	(97,063)	(3,842,944)
Currency retranslation	(41)	(1,144)	-	-	(1,902)	(114)	(663)	(501)	-	(4,365)
	(511)	(13,655)	-	(617,168)	(2,365,364)	(34,626)	(30,788)	(688,134)	(97,063)	(3,847,309)
Net book value	7,383	50,142	6,416	1,427,647	4,374,944	36,249	28,263	864,799	220,234	7,016,077
Year ended 31 December 2020										
Opening net book value	7,383	50,142	6,416	1,427,647	4,374,944	36,249	28,263	864,799	220,234	7,016,077
Additions	789,114	-	135,661	71,383	379,913	7,401	49,929	98,615	61,897	1,593,913
Completion date adjustment under the Scheme	-	-	245,975	237,430	443,758	-	-	-	-	927,163
Disposals / written off:										
Cost	-	-	-	-	(12,441)	(610)	(10,566)	(8,655)	(23,758)	(56,030)
Accumulated depreciation	-	-	-	-	10,466	138	4,021	7,128	8,418	30,171
	-	-	-	-	(1,975)	(472)	(6,545)	(1,527)	(15,340)	(25,859)
Depreciation	(4,136)	(2,726)	-	(146,956)	(480,231)	(4,334)	(12,959)	(116,850)	(35,707)	(803,899)
Currency retranslation	30	225	-	-	253	13	85	98	-	704
Closing 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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 Assets
	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
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
Annual rate of depreciation (%)	1.22-2	05	-	5-10	10	5-20	5-20	5-30	10	-

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
Rupees in thousand							
Leasehold improvements							
Shadbagh Shop Renovation	5,229	4,035	1,194	262	(932)	Negotiation	Javed and Company, Lahore
Vehicles							
Toyota Corolla Altis LEE-16-1237	2,191	1,438	753	766	13	Company Policy	Chaudhry Ahmad Javed, Holding Company's Director
Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000	35,756	30,088	5,668	11,632	5,964		
	43,176	35,561	7,615	12,660	5,045		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021 Amount	2020 Amount
Rupees in thousand			
15.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	(Note 32)	752,492	714,820
Distribution cost	(Note 33)	75,592	48,255
Administrative expenses	(Note 34)	36,433	36,606
Capital work-in-progress - unallocated expenses		14,736	4,218
		879,253	803,899

15.1.3 Particulars of immovable properties are as follows:

Head office and manufacturing units	Address	Area of land Sq. Feet
Head office	2 - Main Gulberg, Lahore.	29,842
Manufacturing units		
Gujrat factory and residential colony	G.T. Road, Gujrat.	2,038,608
Muridke factory	Mouza Chak Number 25/UCC, Tehsil Muridke, District Sheikhupura	689,491
Muridke factory and residential colony	10 - KM, Muridke - Sheikhupura Road, Muridke	1,345,693
Freehold land	Hadbast Manga Otar, Raiwind, Lahore	211,500
Leasehold land	Sindh Industrial Trading Estates Area, Nooriabad District, Jamshoro.	2,178,000
Manufacturing unit	60-B Ring Road, Phase 2, Export Processing Zone (EPZ), Katunayake, Sri Lanka	44,475
		6,537,609

15.2 Movement in capital work in progress

	Advances against land	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 2019	40,355	58,989	122,171	-	-	491	-	19,062	11,156	-	-	252,224
Additions during the year	95,306	128,386	359,207	487,923	-	5,968	43,888	106,966	92,168	-	56,549	1,376,361
Transferred to operating fixed assets during the year	(135,661)	(67,111)	(379,913)	-	-	(5,213)	(40,160)	(79,803)	(61,897)	-	-	(769,758)
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

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	
		2021	2020
Hangzhou SFR Technology Co. Ltd.,	No. 106 Houmuqiao Road, Cangqian Street, Yuhang District, Hangzhou, China 311121	Other	-
		Related / Other	Rupees in thousand
			6,860

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
15.2.2 Unallocated expenses			
Salaries, wages and other benefits	(Note 15.2.3)	199,196	24,527
Legal and professional charges		-	496
Rent, rates and taxes		48,727	2,420
Fuel and power		20,477	781
Travelling and conveyance		35,354	2,803
Consultancy charges		17,142	17,322
Communication expenses		2,635	158
Vehicles running expenses		4,270	160
Printing and stationery		1,408	212
Safety and security expenses		28,613	1,942
Depreciation	(Note 15.1.2)	18,954	4,218
Scrap sale		(26,855)	-
Miscellaneous		4,665	1,510
		354,586	56,549

15.2.3 Salaries, wages and other benefits include Rupees 3.487 million (2020: Rupees 0.222 million) in respect of provident fund contribution by the Service Long March Tyres (Private) Limited - Subsidiary Company.

		2021	2020
		Amount	Amount
		Rupees in thousand	
16. Right-of-use assets			
Reconciliation of carrying amount of right-of-use assets			
Balance at 01 January		1,618,879	1,403,090
Additions during the year		1,609,496	680,539
Impact of lease modification / termination		(282,131)	(268,006)
Deperation for the year	(Note 16.2)	(303,684)	(196,744)
Balance at 31 December		2,642,560	1,618,879

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 six 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.

		2021 Amount	2020 Amount
Rupees in thousand			
16.2	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	(Note 32) 15,437	11,227
	Distribution cost	(Note 33) 288,247	185,517
		303,684	196,744

17. Intangible Assets

	Computer softwares	(Note 17.1) 3,979	1,271
	Goodwill	(Note 17.2) 39,623	38,236
		43,602	39,507

17.1 Computer software

Cost			
	Balance at 01 January	44,916	44,916
	Additions during the year	3,927	-
	Balance at 31 December	48,843	44,916
Amortization			
	Balance at 01 January	(43,645)	(42,228)
	Charge for the year	(1,219)	(1,417)
		(44,864)	(43,645)
	Net book value at 31 December	3,979	1,271

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) 569	833
	Administrative expenses	(Note 34) 650	584
		1,219	1,417

17.1 Goodwill

	Balance at 01 January	(Note 17.1) 38,236	38,102
	Effect of movements in exchange rates	(Note 17.2) 1,387	134
	Balance at 31 December	39,623	38,236

17.2.1 This represents goodwill arised on acquisition of Service Shoes Lanka (Private) Limited - Subsidiary Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021 Amount	2020 Amount
Rupees in thousand			
18. LONG TERM INVESTMENTS			
Investment in associates (with significant influence) - under equity method	(Note 18.1)	505,895	466,107
Investment in joint ventures - at cost	(Note 18.2)	-	240
Other investment - at FVTOCI	(Note 18.3)	91,373	91,410
		597,268	557,757

18.1 Investment in associates (with significant influence) - under equity method

	Speed (Private) Limited		Jomo Technologies (Private) Limited		Total	
	2021	2020	2021	2020	2021	2020
Rupees in thousand						
Cost of investment	342,526	342,526	80,000	40,000	422,526	382,526
Share of post acquisition reserve						
Balance at 01 January	96,080	175,090	(12,499)	-	83,581	175,090
Adjustment due to adoption of IFRS 16	-	(58,532)	-	-	-	(58,532)
Adjustment due to deemed disposal of equity accounted investee	-	-	15,431	-	15,431	-
Share of employees' share compensation reserve	-	-	256	-	256	-
Share of post acquisition profit / (loss) - net of tax	57,031	(20,478)	(72,929)	(12,499)	(15,898)	(32,977)
Share of other comprehensive loss - net of tax	-	-	(1)	-	(1)	-
	153,111	96,080	(69,742)	(12,499)	83,369	83,581
	495,637	438,606	10,258	27,501	505,895	466,107

18.1.1 Summary of financial information of associates as per un-audited financial statements for the year:

	Speed (Private) Limited		Jomo Technologies (Private) Limited	
	2021	2020	2021	2020
Rupees in thousand				
Current assets	1,419,824	1,419,662	253,234	219,922
Non-current assets	792,879	632,026	78,327	75,120
Total assets	2,212,703	2,051,688	331,561	295,042
Current liabilities	356,238	482,089	266,273	178,872
Non-current liabilities	689,612	561,319	37,928	2,399
Total liabilities	1,045,850	1,043,408	304,201	181,271
Net assets	1,166,853	1,008,280	27,360	113,771

Speed (Private) Limited		Jomo Technologies (Private) Limited	
2021	2020	2021	2020

Rupees in thousand

18.1.1 Summary of financial information of associates as per un-audited financial statements for the year:

Reconciliation to carrying amounts:				
Balance at 01 January	1,008,280	1,227,964	113,771	-
Transaction with owners in their capacity as owners	-	-	300,000	204,500
Employees' share compensation reserve	-	-	1,394	-
Profit / (loss) after income tax	158,573	(56,938)	(387,801)	(90,729)
Other comprehensive loss - net of tax	-	-	(4)	-
Adjustment due to adoption of IFRS 16	-	(162,746)	-	-
Balance at 31 December	1,166,853	1,008,280	27,360	113,771
Percentage of holding	35.97%	35.97%	18.33%	19.55%
Group's Share	419,714	362,683	5,016	22,259
Goodwill	75,923	75,923	5,242	5,242
Carrying amount	495,637	438,606	10,258	27,501
Summarized statement of comprehensive income:				
Revenue	2,485,923	1,803,052	285,567	53,493
Profit / (loss) for the year	158,573	(56,938)	(387,801)	(90,729)
Other comprehensive loss for the year	-	-	(4)	-
Total comprehensive income / (loss) for the year	158,573	(56,938)	(387,805)	(90,729)

18.1.2 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 (2020: 263,909) fully paid ordinary shares of Rupees 100 each.

18.1.3 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 (2020: 40,000,000) fully paid ordinary shares of Rupee 1 each.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021 Amount	2020 Amount
	Rupees in thousand	
18.2 Investment in joint ventures - at cost		
S2 Power Limited		
24,000 (2020: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited		
24,000 (2020: 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 and Note 35)	(480)	(240)
	-	240

18.2.1 Impairment loss of Rupees 0.240 million (2020: Rupees 0.240 million) has been recognised during the year on investment in S2 Hydro Limited (2020: S2 Power Limited).

18.3 Other investment - at FVTOCI

TRG Pakistan Limited		
775,000 (2020: 1,000,000) fully paid ordinary shares of Rupees 10 each	17,089	22,050
Fair value adjustment	74,284	69,360
	91,373	91,410

19. LONG TERM LOANS TO EMPLOYEES

Considered good:

Executives	(Note 19.1, 19.2 and 19.3)	56,311	28,230
Other employees	(Note 19.3)	4,272	4,462
		60,583	32,692
Current portion shown under current assets	(Note 24)		
Executives		(12,574)	(14,438)
Other employees		(2,305)	(1,817)
		(14,879)	(16,255)
		45,704	16,437

19.1 Reconciliation of carrying amount of loans to executives:

Balance at 01 January	28,230	35,919
Disbursements during the year	43,695	9,500
Reclassification of other employees to executives	1,273	-
Repayments during the year	(16,887)	(17,189)
Balance at 31 December	56,311	28,230

- 19.2** Maximum aggregate balance due from executives at the end of any month during the year was Rupees 57.382 million (2020: Rupees 35.526 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 a charge on the assets purchased and / or 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.

	2021	2020
	Amount	Amount
	Rupees in thousand	
20. LONG TERM SECURITY DEPOSITS		
Security deposits against Ijarah	33,718	27,503
Security deposits against right-of-use assets	86,767	63,187
Security deposits - others	32,651	31,652
	153,136	122,342
Current portion shown under current assets (Note 25)	(3,664)	(6,997)
	149,472	115,345

21. STORES, SPARES AND LOOSE TOOLS

Machinery spares	69,557	63,761
Stores	321,986	235,719
Loose tools	8,672	4,982
	400,215	304,462
Provision for slow moving and obsolete items (Note 21.2)	(32,949)	(27,674)
	367,266	276,788

- 21.1** These include stores in transit of Rupees 4.214 million (2020: Rupees Nil).

21.2 Provision for slow moving and obsolete items

Balance at 01 January	27,674	29,623
Provision made during the year	5,719	2,126
Reversal of provision during the year	(444)	(4,075)
Net charge / (reversal) of provision	5,275	(1,949)
Balance at 31 December	32,949	27,674

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
22. STOCK-IN-TRADE			
Raw materials	(Note 22.1)	5,544,894	2,706,529
Packing materials		144,214	90,288
Work-in-process	(Note 22.2)	1,076,910	700,755
Finished goods	(Note 22.3, 22.4, 22.5 and 22.6)		
- Own production		3,857,855	2,154,857
- Purchased		1,090,642	776,083
		4,948,497	2,930,940
		11,714,515	6,428,512
Provision for slow moving and obsolete items	(Note 22.6)	(92,464)	(93,252)
		11,622,051	6,335,260

22.1 These include stock in transit of Rupees 1,065.646 million (2020: Rupees 631.835 million).

22.2 This includes stock of Rupees 48.732 million (2020: Rupees Nil) sent to outside parties for processing.

22.3 These include stock in transit of Rupees 488.572 million (2020: Rupees 108.318 million).

22.4 Finished goods of Rupees 153.301 million (2020: Rupees 127.478 million) are being carried at net realizable value.

22.5 The aggregate amount of Rupees 26.993 million (2020: Rupees 7.876 million) has been charged to cost of sales, being the cost of inventory written down during the year.

22.6 During the year, as a result of fire at warehouse of footwear division of the Holding Company, some stock got burnt. The carrying value of the burnt stock-in-trade was Rupees 31.886 million. The Holding Company has claimed such loss from its insurance provider. Gain on insurance claim of stock-in-trade written off due to fire has been recognized in consolidated statement of profit or loss during the year.

22.7 Provision for slow moving and obsolete items

Balance at 01 January		93,252	149,164
Provision made during the year		66,419	73,299
Reversal of provision during the year		(67,207)	(64,868)
Net (reversal) / charge of provision		(788)	8,431
Stock written off during the year against provision		-	(64,343)
Balance at 31 December		92,464	93,252

	2021	2020
	Amount	Amount
	Rupees in thousand	
23. TRADE DEBTS		
Considered good:		
Secured:		
- Against irrevocable letters of credit	107,888	704,473
Unsecured:		
- Related party (Notes 23.1, 23.2 and 23.3)	105,111	94,539
- Others (Note 23.4)	4,525,847	4,087,013
	4,630,958	4,181,552
	4,738,846	4,886,025
Allowance for expected credit losses (Note 23.5)	(270,597)	(252,902)
	4,468,249	4,633,123

23.1 This represents amounts due from following related party:

Jomo Technologies (Private) Limited - associated company	105,111	94,539
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23.2 The maximum aggregate amount receivable from related party at the end of any month during the year was as follows:

Jomo Technologies (Private) Limited	135,182	94,539
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23.3 As at the 31 December 2021, trade debt due from related party amounting to Rupees 61.347 million (2020: Rupees 77.885) was past due but not impaired. The ageing analysis of this trade debts is as follows:

Upto 1 month	19,270	31,727
1 to 6 months	19,369	46,158
More than 6 months	22,708	-
	61,347	77,885

23.4 As at 31 December 2021, trade debts due from other than related parties of Rupees 1,183.512 million (2020: Rupees 959.313 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:

	2021	2020
	Amount	Amount
	Rupees in thousand	
Upto 1 month	436,244	413,781
1 to 6 months	459,577	274,135
More than 6 months	287,691	271,397
	1,183,512	959,313

23.5 Allowance for expected credit losses

Balance at 01 January		171,777
Recognition of expected credit losses during the year (Note 35)	17,695	107,049
Trade debts written off during the year (Note 23.6)	-	(25,924)
Balance at 31 December	270,597	252,902

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

23.6 During the year ended 31 December 2020, trade debts of Rupees 25.924 million were written off against allowance for expected credit losses. The ageing of these trade debts was more than 3 years. These trade debts did not include amounts due from related parties.

	2021	2020
	Amount	Amount
	Rupees in thousand	
24. LOANS AND ADVANCES		
Considered good:		
Advances to staff - against salaries	10,863	5,053
Current portion of long term loans to employees (Note 19)	14,879	16,255
Advances to suppliers	291,434	94,524
Letters of credit	564,053	708,179
Loans to associates:		
Jomo Technologies (Private) Limited (Note 24.1)	30,000	-
Speed (Private) Limited (Note 24.2)	-	50,000
Others (Note 24.3)	4,320	18,125
	915,549	892,136

24.1 This represents loan given to the Jomo Technologies (Private) Limited - associated company for the period commenced from 30 December 2021 and ending on 30 December 2022. It is neither past due nor impaired. It carries interest at the rate of 3 months KIBOR + 0.50% (2020: Nil) per annum. The maximum aggregate amount due from the associate at the end of any month during the year was Rupees 40,000,000 (2020: Rupees Nil).

24.2 This represents loan given to the Speed (Private) Limited - associated company for the period commenced from 13 November 2020 and ended on 13 November 2021. It carried interest at the rate of 3 months KIBOR + 0.50% (2020: 3 months KIBOR + 0.50%) per annum. The maximum aggregate amount due from the associate at the end of any month during the year was Rupees 50,000,000 (2020: 50,000,000).

	2021	2020
	Amount	Amount
	Rupees in thousand	
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 and Note 35)	(14,167)	(2,691)
	-	11,476

24.3.1 Impairment loss of Rupees 14.167 million (2020: Rupees 2.691 million) has been recognised during the year on investment in S2 Hydro Limited (2020: S2 Power Limited).

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

	2021 Amount	2020 Amount
	Rupees in thousand	
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	225,635	208,752
Prepayments	101,232	28,758
Current portion of long term security deposits (Note 20)	3,664	6,997
	330,531	244,507
26. OTHER RECEIVABLES		
Considered good:		
Duty draw back	84,581	237,548
Custom duty rebate	120,201	402,052
Sales tax	898,903	459,918
Others	25,865	10,055
Fair value of forward exchange contracts	1,613	-
Lab testing charges (Note 26.1)	26,573	17,090
	1,157,736	1,126,663
26.1 Lab testing charges:		
Lab testing charges	27,628	17,090
Less: Allowance for expected credit losses (Note 35)	(1,055)	-
	26,573	17,090
27. ADVANCE INCOME TAX - NET		
Advance income tax	1,986,538	1,341,485
Provision for taxation	(1,042,562)	(538,545)
	943,976	802,940
28. ACCRUED INTEREST		
On term deposit receipts	26,913	4,189
On loans to associates:		
Jomo Technologies (Private) Limited (Note 28.1)	18	-
Speed (Private) Limited (Note 28.2)	-	1,217
	26,931	5,406

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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 0.988 million (2020: Rupees Nil).

28.2 This represents interest accrued on loan given to Speed (Private) Limited - associated company. The maximum aggregate amount receivable at the end of any month during the year was Rupees 0.756 million (2020: Rupees 4.002 million).

	2021	2020
	Amount	Amount
	Rupees in thousand	
29. SHORT TERM INVESTMENT		
At amortized cost		
Term deposit receipt (Note 29.1)	155,000	-
Interest accrued thereon	943	-
	155,943	-

29.1 This represents term deposit with banking company having maturity period of one year and carries profit at the rates ranging from 6.16% to 7.16% per annum.

30. CASH AND BANK BALANCES

With banks:

On current accounts :

Local currency		696,018	995,063
Foreign currency	(Note 30.1)	12,770	9,771
		708,788	1,004,834

On saving accounts:

Local currency	(Note 30.2)	499,001	19,352
Foreign currency	(Note 30.3)	245	220
		499,246	19,572

		1,208,034	1,024,406
Term deposit receipts	(Note 30.4)	3,370,014	3,156,623
		4,578,048	4,181,029
Cash in transit		4,486	5,135
Cash in hand		10,900	9,401
		4,593,434	4,195,565

30.1 These include USD 10,494 (2020: USD 56,061), EURO 51,596.29 (2020: EURO 2,692.62) and LKR 499,022 (2020: LKR 2,671,423).

30.2 Rates of profit on saving accounts range from 3.00% to 12.25% (2020: 5.50% to 12.02%) per annum.

30.3 This represents USD 1,389 (2020: USD 1,373) and rate of profit on foreign currency account ranges from 0.54% to 0.68% (2020: 0.50% to 1.35%) per annum.

30.4 Effective interest rates on term deposit receipts range from 7.00% to 12.00% (2020: 5.10% to 13.65%) per annum. Maturity period of these term deposit receipts is less than 3 months (2020: less than 3 months).

	2021 Amount	2020 Amount
Rupees in thousand		
31. REVENUE		
Revenue from contracts with customers:		
Export:		
- Sales	10,761,926	9,873,219
- Discounts, commissions etc.	(180,350)	(190,093)
	10,581,576	9,683,126
Local:		
- Sales	36,449,550	27,190,246
- Sales tax	(5,823,206)	(4,366,964)
- Discounts, commissions etc.	(1,686,480)	(1,521,230)
	28,939,864	21,302,052
Duty draw back	53,299	174,833
	39,574,739	31,160,011

31.1 Sales of footwear - net

Export sales	7,811,988	8,181,748
Local sales	6,228,815	4,347,718
Duty draw back	53,299	174,833
	14,094,102	12,704,299

Sales of tyres - net

Export sales	2,769,588	1,501,378
Local sales	21,976,625	16,492,200
	24,746,213	17,993,578

Sales of technical rubber products - net

Local sales	734,424	462,134
	39,574,739	31,160,011

31.2 The amount of Rupees 260.30 million included in contract liabilities (Note 10) at 31 December 2020 has been recognised as revenue in 2021 (2020: 182.81 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, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
32. COST OF SALES			
Raw materials consumed	(Note 32.1)	22,718,499	15,442,531
Processing charges		19,641	8,328
Salaries, wages and other benefits	(Note 32.2 and Note 32.3)	4,375,531	3,711,615
Stores and spares consumed		597,803	398,118
Packing materials consumed		1,068,293	791,206
Fuel and power		1,641,798	1,024,230
Insurance		38,543	31,053
Travelling		18,509	15,610
Repair and maintenance		256,689	213,212
Entertainment		10,582	5,414
Rent, rates and taxes		-	1,600
Depreciation on operating fixed assets	(Note 15.1.2)	752,492	714,820
Depreciation on right-of-use assets	(Note 16.2)	15,437	11,227
Provision for slow moving and obsolete inventory		4,487	6,482
Other manufacturing charges		163,595	126,661
		31,681,899	22,502,107
Work-in-process			
Opening stock		700,755	474,140
Closing stock		(1,076,910)	(700,755)
		(376,155)	(226,615)
Cost of goods manufactured		31,305,744	22,275,492
Finished goods			
Opening stock		2,930,940	2,972,936
Purchases during the year		3,864,100	2,534,893
Closing stock		(4,948,497)	(2,930,940)
		1,846,543	2,576,889
		33,152,287	24,852,381
32.1 Raw materials consumed			
Opening stock		2,706,529	2,506,506
Purchases during the year		25,556,864	15,642,554
Closing stock		(5,544,894)	(2,706,529)
Raw materials consumed during the year	(Note 32.4)	22,718,499	15,442,531

- 32.2** Salaries, wages and other benefits include Rupees 139.712 million (2020: Rupees 123.919 million), Rupees 25.764 million (2020: Rupees 30.298 million) and Rupees 56.332 million (2020: Rupees 63.417 million) 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 11.522 million (2020: Rupees Nil).
- 32.4** Custom duty rebate for the year amounting to Rupees 305.592 million (2020: Rupees 164.338 million) has been adjusted against raw materials consumed.

		2021	2020
		Amount	Amount
		Rupees in thousand	
33. DISTRIBUTION COST			
Salaries and other benefits	(Note 33.1)	661,103	415,557
Freight and insurance		888,845	502,904
Advertisement and publicity		358,070	268,237
Entertainment		10,805	9,558
Samples claims and product development		254,480	180,456
Depreciation on operating fixed assets	(Note 15.1.2)	75,592	48,255
Depreciation on right-of-use assets	(Note 16.2)	288,247	185,517
Amortization on intangible assets	(Note 17.2)	569	833
Rent, rates and taxes	(Note 33.2 and 33.3)	43,401	33,161
Postage and courier		75,398	81,584
Fuel and power		84,890	44,493
Travelling and conveyance		60,576	54,578
Others		78,522	47,737
		2,880,498	1,872,870

- 33.1** Salaries and other benefits include Rupees 15.493 million (2020: Rupees 11.773 million) ,Rupees 15.468 million (2020: Rupees 4.515 million) and Rupees 0.689 million (2020: Rupees 0.443 million) in respect of provident fund contribution, gratuity fund and compensated absences respectively.
- 33.2** These include rent expense of Rupees 39.617 million (2020: 20.651 million) relating to shops not classified as lease due to sale based rent.
- 33.3** These include rent expense of Rupees 1.849 million (2020: Rupees 1.141 million) relating to leases of low value assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		Amount	Amount
		Rupees in thousand	
34. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	(Note 34.1 and Note 34.2)	1,193,267	1,038,618
Communication		26,062	20,554
Printing and stationery		14,377	10,820
Travelling and conveyance		30,199	23,202
Entertainment		44,901	27,276
Vehicles' running		38,349	23,671
Insurance		7,169	6,236
Rent, rates and taxes	(Note 33.2)	32,775	25,264
Fuel and power		29,942	22,815
Repairs and maintenance		15,806	14,023
Auditor's remuneration	(Note 33.3)	8,396	7,311
Legal and professional		77,397	81,066
Fee and subscription		13,323	24,970
Depreciation on operating fixed assets	(Note 15.1.2)	36,433	36,606
Amortization on intangible assets	(Note 17.2)	650	584
Ijarah rentals		70,180	65,080
Computer running expenses		24,968	17,759
Advertisement		234	16
General expenses		96,584	68,175
		1,761,012	1,514,046

34.1 Salaries and other benefits include Rupees 32.479 million (2020: Rupees 26.007 million), Rupees 12.304 million (2020: Rupees 19.262 million) and Rupees 3.020 million (2020: Rupees 1.615 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 7.201 million (2020: Rupees Nil).

34.3 This includes rent expense of Rupees 17.889 million (2020: Rupees 6.116 million) and Rupees 3.586 million (2020: Rupees 2.555 million) relating to short term leases and leases of low value assets respectively.

		2021	2020
		Amount	Amount
		Rupees in thousand	
34.4 Auditor's remuneration:			
Audit fee		5,506	4,559
Special audit fee		350	1,150
Half yearly review		1,311	737
Other certification services		575	325
Reimbursable expenses		654	540
		8,396	7,311

		2021 Amount	2020 Amount
Rupees in thousand			
35. OTHER EXPENSES			
Donations	(Notes 35.1)	52,665	61,998
Workers' profit participation fund	(Note 10.1)	42,326	88,849
Workers' welfare fund	(Note 10.2)	19,259	41,708
Loss on modification of leases - net		-	3,546
Advances to suppliers written off		2,807	-
Operating fixed asset written off		71	8,035
Allowance for expected credit losses - trade debts	(Note 23.5)	17,695	107,049
Allowance for expected credit losses - lab testing charges	(Note 26.1)	1,055	-
Impairment loss recognized on investment in joint ventures	(Note 18.2)	240	240
Impairment loss against advances to joint ventures	(Note 24.3)	11,476	2,691
		147,594	314,116

35.1 The names of donees to whom donation amount exceeds Rupees 5,266 million (2020: Rupees 6.200 million) are as follows:

Servis Foundation	(Note 35.1.1)	34,933	32,156
Shalamar Hospital	(Note 35.1.2)	10,845	12,177
Service Charitable Trust	(Note 35.1.3)	5,463	-
		51,241	44,333

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.

		2021 Amount	2020 Amount
Rupees in thousand			
36. OTHER INCOME			
Income from financial assets			
Return on bank deposits		229,594	74,494
Interest on loans to the associates		2,336	5,136
Exchange gain - net		141,987	193,819
Dividend income		3,366	-
Income from non-financial assets			
Amortization of deferred income - Government grant	(Note 9.1)	397,268	22,826
Gain on initial recognition of provision for GIDC		-	1,786
Gain on lease modification - net		8,198	-
Gain on termination of leases - net		27,234	17,705
Gain on sale of operating fixed assets - net		5,116	8,070
Adjustment due to deemed disposal of equity accounted investee		15,431	-
Scrap sales and others		91,379	52,349
Miscellaneous		15,544	-
		937,453	376,185

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	Amount	Amount
	Rupees in thousand	
37. FINANCE COST		
Mark-up / interest on:		
- long term financing	687,221	389,130
- short term borrowings	505,926	379,346
- lease liabilities (Note 7.1)	227,142	171,888
- provident fund payable	663	-
Adjustment due to impact of IFRS 9 on GIDC (Note 9.2)	1,000	591
Interest on workers' profit participation fund (Note 10.1)	1,250	-
Bank charges and commission	110,904	58,418
	1,534,106	999,373

38. TAXATION		
Current (Note 38.1)	624,470	424,839
Prior year	6,260	(1,061)
Deferred tax	(194,667)	143,691
	436,063	567,469

38.1 Except for Service Shoes Lanka (Private) Limited – 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 is computed in accordance with the tax legislation in force in Sri Lanka.

	2021	2020
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39. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)	531,488	1,322,475
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	2021	Restated 2020
Weighted average number of ordinary shares of the Holding Company (Numbers)	46,987,454	46,987,454

Basic earnings per share (Rupees)	11.31	28.15
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39.1 There is no dilutive effect on basic earnings per share for the year ended 31 December 2021 and 31 December 2020 as the Group has no potential ordinary shares as on 31 December 2021 and 31 December 2020.

	2021 Amount	2020 Amount
	Rupees in thousand	
40. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,020,797	1,891,901
Adjustments for non-cash charges and other items:		
Depreciation	864,517	799,681
Depreciation on right-of-use-assets	303,684	196,744
Amortization on intangible assets	1,219	1,417
Gain on initial recognition of provision for GIDC	-	(1,786)
Exchange gain - net	(141,987)	(193,819)
Provision for gratuity	53,536	57,596
Finance cost	1,534,106	999,374
Provision for workers' profit participation fund	42,326	88,849
Provision for workers' welfare fund	19,259	41,708
Charge of provision for slow moving and obsolete inventory	4,487	6,482
Allowance for expected credit losses - trade debts	17,695	107,049
Return on bank deposits, term deposit receipts and loans to associates	(231,930)	(79,630)
(Gain) / loss on modification of leases	(8,198)	3,546
Amortization of deferred income - Government grant	(397,268)	(22,826)
Gain on termination of leases	(27,234)	(17,705)
Share of loss in equity accounted investees	15,898	91,509
Gain on deemed disposal of equity accounted investee	(15,431)	-
Impairment loss on investment in joint venture	240	240
Impairment loss against advance to joint venture	11,476	2,691
Gain on sale of operating fixed assets - net	(5,116)	(8,070)
Operating fixed asset written off	71	8,035
Advances to suppliers written off	2,807	-
Allowance for expected credit losses - lab testing charges	1,055	-
Employees' share option reserve	18,723	-
Working capital changes (Note 40.1)	(2,837,904)	(98,098)
	246,828	3,874,888

40.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spares and loose tools	(94,965)	14,560
Stock-in-trade	(5,286,791)	(439,933)
Trade debts	289,166	(928,617)
Loans and advances	(19,072)	(209,558)
Trade deposits and prepayments	(72,474)	(8,141)
Other receivables	(32,128)	310,700
	(5,216,264)	(1,260,989)
Increase / (decrease) in trade and other payables	2,378,360	1,162,891
	(2,837,904)	(98,098)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

	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

	2020				
	Liabilities from financing activities				
	Long term financing	Lease liabilities	Short term borrowings	Long term deposits	Unclaimed dividend
	Rupees in thousand				
Balance at 31 December 2019	3,826,504	1,513,488	6,284,209	2,406	37,784
Financing / borrowings obtained	1,508,004	-	7,398,523	-	-
Repayment of financing / lease liabilities / short term borrowings	(406,433)	(57,163)	(5,813,901)	-	-
Long term deposits - net	-	-	-	(666)	-
Dividend declared	-	-	-	-	140,963
Dividend paid	-	-	-	-	(140,850)
Other changes - non-cash movement:					
Lease liabilities recognised during the year	-	680,539	-	-	-
Impact of lease modification / termination	-	(282,165)	-	-	-
Deferred income - Government grant - net	(90,705)	-	-	-	-
Balance at 31 December 2020	4,837,370	1,854,699	7,868,831	1,740	37,897

41. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2021	2020	2021	2020	2021	2020
Rupees in thousand						
Managerial remuneration	36,083	28,375	35,083	27,500	203,820	188,914
Bonus	20,000	27,800	20,000	27,800	80,726	47,213
Allowances:						
House rent	3,608	2,838	3,508	2,750	69,853	44,447
Conveyance	-	-	-	-	37,700	36,742
Medical	-	-	-	-	21,631	26,624
Utilities	3,608	2,837	3,508	2,750	24,222	19,720
Special allowance	-	-	-	-	4,899	27,902
Retirement and other benefits	9,923	1,862	9,648	1,805	67,199	15,537
Total	73,222	63,712	71,747	62,605	510,050	407,099
Number of persons	1	1	1	1	78	69

41.1 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.

41.2 Aggregate amount charged in these consolidated financial statements for meeting fee to directors of the Holding Company was Rupees 2.742 million (2020: Rupees 2.340 million).

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

42. 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:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

Nature of relationship	Nature of transactions		2021	2020
Associated companies / undertakings				
Jomo Technologies (Private) Limited	Sale of goods	(Rupees in thousand)	118,185	80,802
	Investment made	(Rupees in thousand)	40,000	40,000
	Loan given	(Rupees in thousand)	70,000	-
	Loan repaid by associate	(Rupees in thousand)	40,000	-
	Interest charged	(Rupees in thousand)	1,006	-
Speed (Private) Limited	Loan repaid by associate	(Rupees in thousand)	50,000	-
	Interest charged	(Rupees in thousand)	1,330	5,136
Chaoyang Long March Tyre Co. Ltd	Share deposit money received	(Rupees in thousand)	2,857,103	1,331,078
	Share capital of Service Long March tyres (Private) Limited issued	(Rupees in thousand)	2,838,000	1,320,000
	Purchase of goods	(Rupees in thousand)	292,624	-
Mr. Shabir Ahmad of Myco Corporation	Share deposit money received	(Rupees in thousand)	322,500	150,000
	Share capital of Service Long March tyres (Private) Limited issued	(Rupees in thousand)	322,500	150,000
S2 Power Limited	Reimbursement of expenses	(Rupees in thousand)	-	618
Shahid Arif Investment (Private) Limited	Bonus shares issued	(Number of shares)	19,812	4,000
	Cash dividend paid	(Rupees in thousand)	253	119
Service Charitable Trust	Bonus shares issued	(Number of shares)	22,627	4,500
	Cash dividend paid	(Rupees in thousand)	238	136
	Donation made	(Rupees in thousand)	5,463	-
Servis Foundation	Donation made	(Rupees in thousand)	34,933	32,156
Shalamar Hospital	Donation made	(Rupees in thousand)	10,845	12,177
Post employment benefit plans				
Service Industries Limited Employees Gratuity Fund Trust	Company's contribution made	(Rupees in thousand)	53,536	54,075
Service Provident Fund Trust	Company's contribution made	(Rupees in thousand)	187,684	161,699
	Bonus shares issued	(Number of shares)	1,090,637	218,100
	Cash dividend paid	(Rupees in thousand)	16,360	6,544
Directors of the Holding Company				
	Cash dividend paid	(Rupees in thousand)	157,791	63,119
	Sale of vehicle	(Rupees in thousand)	766	-
	Bonus shares issued	(Number of shares)	10,519,335	2,104,000

42.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives of the Holding Company is disclosed in Note 41.

42.2 Following are the related parties with whom the Group 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		Percentage Shareholding
		2021	2020	
S2 Power Limited	Common directorship and shareholding of Holding Company	No	Yes	48.00%
S2 Hydro Limited	Common directorship and shareholding of Holding Company	No	No	48.00%
Speed (Private) Limited	Common directorship and shareholding of Holding Company	Yes	Yes	35.97%
SBL Trading (Private) Limited	Common directorship of Holding Company	No	No	Nil
Nishat Power Limited	Common directorship of Service Global Footwear Limited - Subsidiary Company	No	No	Nil
Cherat Packaging Limited	Common directorship of Service Global Footwear Limited - Subsidiary Company	No	No	Nil
Habib Insurance Company Limited	Common directorship of Holding Company	No	No	Nil
Jomo Technologies (Private) Limited	Common directorship of Holding Company and shareholding of Service Industries Capital (Private) Limited - Wholly Owned Subsidiary Company	Yes	Yes	18.34%
Chaoyang Long March Tyre Co. Ltd	Common directorship of Service Long March Tyres (Private) Limited - Subsidiary Company	Yes	Yes	Nil
Shahid Arif Investment (Private) Limited	Common directorship of Holding Company	Yes	Yes	Nil
Mr. Shabir Ahmad of Myco Corporation	Joint Venturer	Yes	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Thardeep Microfinance Foundation	Common directorship of Service Global Footwear Limited - Subsidiary Company	No	No	Nil
Systems Limited	Common directorship of Holding Company	No	No	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Servis Foundation	Common directorship of Holding Company	Yes	Yes	Nil
Service Charitable Trust	Directors of the Holding Company are Trustees	Yes	Yes	Nil
Shalamar Hospital	Directors of the Holding Company are Trustees	Yes	Yes	Nil
Kidney Centre Gujrat	Directors of the Company are member of Board of Governors	No	No	Nil
		No	Yes	Ni

42.2.1 As on 31 December 2021 and 31 December 2020, disclosures relating to subsidiary of Service Industries Capital (Private) Limited - subsidiary company of the Holding Company, incorporated outside Pakistan are as follows:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

43. PLANT CAPACITY

Footwear division

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

Technical rubber products

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

Tyre division

Installed capacity		Actual production	
2021	2020	2021	2020

Number of tyres	20,428,253	19,406,624	15,217,693	12,354,363
Number of tubes	60,092,733	54,933,036	49,603,093	41,485,131

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

44. NON-CONTROLLING INTEREST (NCI)

Set out below is summarized un-audited financial information for Service Shoes Lanka (Private) Limited - Subsidiary Company and audited financial information for Service Long March Tyres (Private) Limited - Subsidiary Company and 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	
2021	2020	2021	2020	2021	2020	2021	2020

Rupees in thousand

Summarized statement of financial position

Non-current assets	100,867	107,400	16,355,425	1,384,497	6,207,210	2,101,156	22,663,502	3,593,053
Current assets	176,845	145,880	3,818,378	1,938,198	6,354,713	8,420,362	10,349,936	10,504,440
Non-current liabilities	(10,005)	(7,386)	(9,025,525)	(187)	(369,214)	(495,547)	(9,404,744)	(503,120)
Current liabilities	(552,489)	(364,081)	(1,570,759)	(276,888)	(5,463,321)	(5,795,184)	(7,586,569)	(6,436,153)
Net assets	(284,782)	(118,187)	9,577,519	3,045,620	6,729,388	4,230,787	16,022,125	7,158,220
Accumulated non-controlling interest	(113,143)	(46,505)	4,712,160	1,498,004	1,064,613	-	5,663,630	1451,499

Service Shoes Lanka (Private) Limited		Service Long March Tyres (Private) Limited		Service Global Footwear Limited		Total	
2021	2020	2021	2020	2021	2020	2021	2020

Rupees in thousand

Summarized statement of comprehensive income

Revenue	212,421	223,255	187,746	59,107	7,040,157	6,894,711	7,440,324	282,362
(Loss) / profit for the year	(151,355)	(37,423)	62,796	34,542	403,221	708,795	314,662	705,914
Other comprehensive income	-	-	-	-	(1,492)	(2,312)	(1,492)	(2,312)
Total comprehensive (loss) / profit	(151,355)	(37,423)	62,796	34,542	401,729	706,483	313,170	703,602
(Loss) / profit allocated to non-controlling interest	(60,542)	(14,969)	33,144	16,926	80,644	-	53,246	1,957

Summarized statement of cash flows

Cash generated from / (used in) operating activities	821	21,459	(32,044)	25,193	343,836	682,090	312,613	728,742
Cash flows (used in) / from investing activities	(47,597)	2,350	(14,831,524)	(1,327,846)	(2,276,834)	(726,870)	(17,155,955)	(2,052,366)
Cash flows from / (used in) financing activities	52,840	(18,655)	16,111,372	3,011,078	1,612,002	1,292,612	17,776,214	4,285,035
Net increase / (decrease) in cash and cash equivalents	6,064	5,154	1,247,804	1,708,425	(320,996)	1,247,832	932,872	2,961,411

45 FINANCIAL RISK MANAGEMENT**45.1 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 evaluate 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.

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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) and Great Britain Pound (GBP). Currently, the Group's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities. The Group's exposure to currency risk was as follows:

	2021 Amount	2020 Amount
Cash at banks - USD	11,883	57,434
Cash at banks - EURO	51,596	2,693
Cash at banks - LKR	499,022	2,671,423
Trade debts - USD	5,011,168	3,660,782
Trade debts - EURO	992,629	2,749,504
Trade debts - GBP	5,348	47,506
Trade debts - LKR	5,569,398	5,889,015
Trade and other payables - USD	(4,586,889)	(2,198,557)
Trade and other payables - EURO	(408,671)	(180,619)
Trade and other payables - CNY	(432,823)	-
Trade and other payables - LKR	(15,116,950)	(243,226,962)
Net exposure - USD	436,162	1,519,659
Net exposure - EURO	635,554	2,571,578
Net exposure - GBP	5,348	47,506
Net exposure - CNY	(432,823)	-
Net exposure - LKR	(22,547,391)	(234,666,524)

The following significant exchange rates were applied during the period:

Rupees per US Dollar

Average rate	163.26	162.26
Reporting date rate	176.60	160.25

Rupees per EURO

Average rate	192.73	186.11
Reporting date rate	201.00	196.87

Rupees per GBP

Average rate	224.26	208.67
Reporting date rate	239.55	216.97

Rupees per CNY

Average rate	25.31	23.54
Reporting date rate	27.86	24.46

Rupees per LKR

Average rate	0.83	0.87
Reporting date rate	0.89	0.86

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP, CNY and LKR with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 46.623 million (2020: Rupees 27.777 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 othe comprehensive income (Fair value reserve FVTOCI investment)	
	2021 Amount	2020 Amount
	Rupees in thousand	
PSX 100 (5% increase)	3,098	4,571
PSX 100 (5% decrease)	(3,098)	(4,571)

(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 associates, 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:

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	2021 Amount	2020 Amount
	Rupees in thousand	
Fixed rate instruments		
Financial asset		
Term deposit receipts	3,370,014	3,156,623
Financial liabilities		
Long term financing	8,137,026	1,842,496
Lease liabilities	2,984,950	1,854,699
Short term borrowings	5,164,010	6,112,839
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	499,246	19,572
Short term investment	155,000	-
Loans to associates	30,000	50,000
Financial liabilities		
Long term financing	4,766,706	2,994,874
Short term borrowings	7,294,253	1,755,992

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 145.984 million (2020: Rupees 31.386 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:

	2021 Amount	2020 Amount
	Rupees in thousand	
Long term investment	91,373	91,410
Long term loans to employees	60,583	32,692
Security deposits	378,771	331,094
Trade debts	4,468,249	4,633,123
Loans and advances	45,183	73,178
Other receivables	54,051	27,145
Accrued interest	26,931	5,406
Short term investment	155,943	-
Bank balances	4,578,048	4,181,029
	9,859,132	9,375,077

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

	Rating			2021	2020
	Short term	Long term	Agency	Amount	Amount
Banks	Rupees in thousand				
Allied Bank Limited	A1+	AAA	PACRA	1,276,675	6,130
Askari Bank Limited	A1+	AA+	PACRA	1,994	85
Bank Alfalah Limited	A1+	AA+	PACRA	40,196	13,800
Bank ALHabib Limited	A1+	AAA	PACRA	3,886	106,678
Faysal Bank Limited	A1+	AA	PACRA	544,796	399,266
Habib Bank Limited	A1+	AAA	VIS	346,898	740,209
MCB Bank Limited	A1+	AAA	PACRA	757,734	1,542,452
MCB Islamic Bank Limited	A1	A	PACRA	224	102
Meezan Bank Limited	A1+	AAA	VIS	10,228	1,225,220
National Bank of Pakistan	A1+	AAA	PACRA	37,387	1,064
Samba Bank Limited	A1	AA	VIS	68,207	68
Soneri Bank Limited	A1+	AA-	PACRA	1,414,905	24,581
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,498	8,673
Silk Bank Limited	A2	A-	VIS	288	2,840
United Bank Limited	A1+	AAA	VIS	70,763	83,302
Dubai Islamic Bank	A1+	AA	VIS	24	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	37	10
SME Bank Limited	B	CCC	PACRA	13	15,021
MCB Bank Limited - Sri lanka		[SL] A+	ICRA Lanka	2,295	11,548
				4,578,048	4,181,049
Investments					
TRG Pakistan Limited		Unknown		91,373	91,410
MCB Islamic Bank Limited	A1	A	PACRA	155,943	-
				4,825,364	4,272,459

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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 2021 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 identified the Gross Domestic Product, Unemployment, Interest, and the inflation Index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows:

	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			1,494,42	-			764,264	-
Gross trade debts			3,854,258	270,597			884,588	-

	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 2020								
Not past due	0.00%	0.00%	2,165,650	-	0.00%	0.00%	96,184	-
Up to 30 days	0.02%	0.94%	104,343	544	0.00%	0.00%	-	-
31 to 60 days	0.32%	21.99%	93,605	10,374	0.00%	0.00%	-	-
61 to 90 days	1.43%	58.01%	71,132	24,690	0.00%	0.00%	-	-
91 to 180 days	6.68%	71.70%	63,768	42,755	0.00%	0.00%	-	-
181 to 360 days	30.69%	81.99%	93,030	76,174	0.00%	0.00%	-	-
Above 360 days	100.00%	100.00%	98,365	98,365	100.00%	100.00%	-	-
			2,689,893	252,902			96,184	-
Trade debts which are not subject to risk of default			1,281,216	-			818,732	-
Gross trade debts			3,971,109	252,902			914,916	-

(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 2021, the Group had Rupees 12,200.190 million (2020: Rupees 7,272.043 million) available borrowing limits from financial institutions and Rupees 4,593.434 million (2020: Rupees 4,195.565 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:

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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
Short term borrowings	12,458,263	12,992,164	12,992,164	-	-	-
Trade and other payables	6,683,865	6,683,865	6,683,865	-	-	-
Unclaimed dividend	39,343	39,343	39,343	-	-	-
Accrued mark-up	296,284	296,284	296,284	-	-	-
	35,367,876	44,769,967	21,369,957	1,769,855	3,581,043	18,049,112

Contractual maturities of financial liabilities as at 31 December 2020:

	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	4,837,370	5,557,798	936,260	823,697	1,576,663	2,221,178
Long term deposits	1,740	1,740	-	-	-	1,740
Lease liabilities	1,854,699	2,786,964	134,793	148,816	318,495	2,184,860
Short term borrowings	7,868,831	8,152,964	8,010,395	142,569	-	-
Trade and other payables	4,695,184	4,695,184	4,695,184	-	-	-
Unclaimed dividend	37,897	37,897	37,897	-	-	-
Accrued mark-up	65,119	65,119	65,119	-	-	-
	19,360,840	21,297,666	13,879,648	1,115,082	1,895,158	4,407,778

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 financial statements.

45.2 Financial instruments by categories

Assets as per consolidated statement of financial position

	2021			2020	
	FVTPL	FVTOCI	Amortized cost	FVTOCI	Amortized cost
	Rupees in thousand				
Long term investment	-	91,373	-	91,410	-
Long term loans to employees	-	-	60,583	-	32,692
Security deposits	-	-	378,771	-	331,094
Trade debts	-	-	4,468,249	-	4,633,123
Loans and advances	-	-	45,183	-	73,178
Other receivables	1,613	-	52,438	-	27,145
Accrued interest	-	-	26,931	-	5,406
Short term investment	-	-	155,943	-	-
Cash and bank balances	-	-	4,593,434	-	4,195,565
	1,613	91,373	9,781,532	91,410	9,298,203

2021	2020
At amortized cost	
Rupees in thousand	

Liabilities as per statement of financial position

Long term financing	12,903,731	4,837,370
Long term deposits	1,440	1,740
Lease liabilities	2,984,950	1,854,699
Short term borrowings	12,458,263	7,868,831
Trade and other payables	6,683,865	4,695,184
Unclaimed dividend	39,343	37,897
Accrued mark-up	296,284	65,119
	35,367,876	19,360,840

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

	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	45,183	855,487	900,670
Other receivables	54,051	1,103,685	1,157,736
Accrued interest	26,931	-	26,931
Short term investment	155,943	-	155,943
Cash and bank balances	4,593,434	-	4,593,434
	9,874,518	2,566,299	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
Short term borrowings	12,458,263	-	12,458,263
Trade and other payables	6,683,865	870,893	7,554,758
Unclaimed dividend	39,343	-	39,343
Accrued mark-up	296,284	-	296,284
	35,367,876	870,893	36,238,769

	2020		
	Financial assets	Non-financial assets	Assets as per consolidated statement of financial position
	Rupees in thousand		
Long term investments	91,410	466,347	557,757
Long term loans to employees	32,692	-	32,692
Security deposits and prepayments	331,094	28,758	359,852
Trade debts	4,633,123	-	4,633,123
Loans and advances	73,178	802,703	875,881
Other receivables	27,145	1,099,518	1,126,663
Accrued interest	5,406	-	5,406
Cash and bank balances	4,195,565	-	4,195,565
	9,389,613	2,397,326	11,786,939

	2020		
	Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position
	Rupees in thousand		
Long term financing	4,837,370	-	4,837,370
Long term deposits	1,740	-	1,740
Lease liabilities	1,854,699	-	1,854,699
Short term borrowings	7,868,831	-	7,868,831
Trade and other payables	4,695,184	523,205	5,218,389
Unclaimed dividend	37,897	-	37,897
Accrued mark-up	65,119	-	65,119
	19,360,840	523,205	19,884,045

45.5 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.

45.6 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.

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		2021 Amount	2020 Amount
		Rupees in thousand	
Borrowings	Rupees in thousand	25,361,994	12,706,201
Total equity of the Group	Rupees in thousand	15,353,906	9,839,024
Total capital employed	Rupees in thousand	40,715,900	22,545,225
Gearing ratio	Percentage	62.29%	56.36%

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

46 UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2021	2020	2021	2020
Rupees in thousand				
Total facilities	19,905,000	9,401,000	39,380,663	18,645,000
Utilized at the end of the year	5,337,170	2,509,000	27,180,473	11,372,957
Unutilized at the end of the year	12,707,269	6,892,000	12,200,190	7,272,043

47 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 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
Recurring fair value measurements At 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income	91,410	-	-	91,410
Total financial assets	91,410	-	-	91,410

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.

48. 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.

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

Footwear		Tyre		Technical rubber products		Total	Total
2021	2020	2021	2020	2021	2020	2021	2020

Rupees in thousand

Revenue	14,094,103	12,704,299	24,746,212	17,993,578	734,424	462,134	39,574,739	31,160,011
Profit before taxation and unallocated income and expenses	382,229	411,747	2,244,225	2,789,266	231,473	140,521	2,857,927	3,341,534
Unallocated income and expenses							(1,837,130)	(1,449,633)
Taxation							(436,063)	(567,469)
Profit after taxation							584,734	1,324,432

Footwear		Tyre		Technical rubber products		Total	Total
2021	2020	2021	2020	2021	2020	2021	2020

Rupees in thousand

48.1 Reconciliation of reportable segment assets and liabilities

Total assets for reportable segment	8,215,216	14,565,025	15,727,851	13,403,695	308,341	281,408	24,251,408	28,250,128
Unallocated assets							30,343,594	2,177,111
Total assets as per consolidated statement of financial position							54,595,002	30,427,239
Unallocated liabilities							39,241,096	20,588,215
Total liabilities as per consolidated statement of financial position							39,241,096	20,588,215

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Footwear		Tyre		Technical rubber products		Total	Total
2021	2020	2021	2020	2021	2020	2021	2020

Rupees in thousand

48.2 Geographical information

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

Europe	6,039,621	6,465,901	782,702	383,892	-	-	6,822,323	6,849,793
United States of America	1,134,940	835,122	1,082,581	98,116	-	-	2,217,521	933,238
Asia	614,064	847,908	857,509	715,049	-	-	1,471,573	1,562,957
Australia	12,447	20,407	-	-	-	-	12,447	20,407
Africa	10,916	12,410	46,796	304,321	-	-	57,712	316,731
Pakistan	6,228,816	4,347,718	21,976,624	16,492,200	734,424	462,134	28,939,864	21,302,052
Duty Drawback	53,299	174,833	-	-	-	-	53,299	174,833
	14,094,103	12,704,299	24,746,212	17,993,578	734,424	462,134	39,574,739	31,160,011

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

48.4 Revenue from major customers

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

49 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.

	2021	2020
50. NUMBER OF EMPLOYEES		
Number of employees as at 31 December	14,015	12,220
Average number of employees during the year	13,414	12,064

51. EVENTS AFTER THE REPORTING PERIOD

- 51.1** The Board of Directors of the Holding Company has proposed final cash dividend for the year ended 31 December 2021 of Rupees 7.5 per share (i.e.75%). 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.
- 51.2** On 10 February 2022, there was a fire outbreak at one of the rented finished goods godowns of the Holding Company. For these consolidated financial statements, fire outbreak and related impacts are considered non-adjusting events, consequently there is no impact on these consolidated financial statements. Estimated loss of destroyed stock-in-trade is secured against insurance.
- 51.3** On 09 February 2022, there was a fire outbreak at the factory premises of the Service Global Footwear - Subsidiary Company in Muridke. For these consolidated financial statements, fire outbreak and related impacts are considered non-adjusting events, consequently there is no impact on these consolidated financial statements. Estimated loss of destroyed stock-in-trade and warehouse building is secured against insurance.

52. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 31, 2022 by the Board of Directors of the Company.

53. 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, 2021

Number of Shareholders	Shareholding		Total Shares held
	From	To	
778	1	100	36,924
722	101	500	214,020
319	501	1,000	255,723
581	1,001	5,000	1,363,950
112	5,001	10,000	798,640
40	10,001	15,000	497,787
22	15,001	20,000	400,366
9	20,001	25,000	201,810
10	25,001	30,000	281,050
4	30,001	35,000	134,202
3	35,001	40,000	115,766
1	40,001	45,000	44,554
3	45,001	50,000	140,154
2	55,001	60,000	116,600
2	60,001	65,000	128,380
2	70,001	75,000	145,326
3	75,001	80,000	235,306
1	80,001	85,000	82,800
1	85,001	90,000	88,612
1	90,001	95,000	91,500
1	105,001	110,000	109,450
1	110,001	115,000	114,900
1	125,001	130,000	127,850
1	160,001	165,000	162,500
1	180,001	185,000	182,030
1	225,001	230,000	227,300
1	235,001	240,000	236,716
1	240,001	245,000	242,800
1	275,001	280,000	276,032
1	305,001	310,000	306,640
1	310,001	315,000	312,500
1	320,001	325,000	322,192
1	350,001	355,000	351,750
2	370,001	375,000	745,094
1	405,001	410,000	406,436
1	435,001	440,000	438,442
3	530,001	535,000	1,595,760
1	600,001	605,000	600,674
1	1,845,001	1,850,000	1,847,300
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	2,520,001	2,525,000	2,521,566
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
2,646			46,987,454

Pattern of Shareholding

As at December 31, 2021

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	6	6,318,522	13.4473
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,850,986	3.9393
Insurance Companies	1	18,392	0.0391
Modarabas and Mutual Funds	18	818,559	1.7421
General Public			
a. Local	2,535	12,825,947	27.2965
b. Foreign	4	384,600	0.8185
Others (to be specified)			
1- Joint Stock Companies	33	652,152	1.3879
2- Pension Funds	10	704,428	1.4992
3- Others	25	107,046	0.2278
	2,646	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 TRUST (CDC)	2,181,274	4.6422
M/S SERVICE CHARITABLE TRUST	45,254	0.0963
Mutual Funds		
CDC - TRUSTEE ABL STOCK FUND (CDC)	82,800	0.1762
CDC - TRUSTEE AKD INDEX TRACKER FUND (CDC)	4,430	0.0094
CDC - TRUSTEE APF-EQUITY SUB FUND (CDC)	36	0.0001
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	36	0.0001
CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	12,400	0.0264
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT (CDC)	4,400	0.0094
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND (CDC)	1	0.0000
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	11,003	0.0234
CDC - TRUSTEE NBP BALANCED FUND (CDC)	18,400	0.0392
CDC - TRUSTEE NBP SARMAZA IZAFAT FUND (CDC)	16,400	0.0349
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND (CDC)	13	0.0000
CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	16,674	0.0355
CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	2,274	0.0048
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	88,612	0.1886
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	351,750	0.7486
CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	36,300	0.0773
MC FSL - TRUSTEE JS GROWTH FUND (CDC)	109,450	0.2329
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**

2,637,386 5.6130

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)	2,521,566	5.3665

Trade in shares of the Company by Directors, Executives and their spouses and minor children

Name	Purchase	Sale	Bonus
Mr. Arif Saeed - Director	-	-	2,382,911
Mr. Omar Saeed - Director	-	-	2,382,912
Chaudhry Ahmed Javed - Director	-	-	1,031,132
Mr. Hassan Javed - Director	-	-	4,532,262
Mr. Osman Saifullah Khan - Director	-	-	195
Mr. Riaz Ahmed - Director	5,000	4,000	4,000
Mr. Muhammad Naeem Khan - Director	-	-	500
Mrs. Ayesha Naweed - Director	-	-	1
Mrs. Fatima Saeed - Spouse of Director	-	-	185,422

Form of Proxy

65th 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 65th Annual General Meeting to be held on April 28, 2022 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 _____ 2022
in the presence of _____

Signed this _____ day of _____ 2022

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

پینسٹھواں سالانہ اجلاس عام

میں اہم _____ سروس انڈسٹریز لمیٹڈ کے ممبر کی حیثیت سے اور حال _____
عمومی حصص، محترم / محترمہ _____ کو یا اُن کی غیر حاضری کی صورت میں محترم / محترمہ _____
کو اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے 65 ویں سالانہ اجلاس عام جو کہ مورخہ 28 اپریل 2022
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	
	اکاؤنٹ نمبر	پارٹیسپنٹ آئی ڈی
پچاس روپے مالیت کی ریونیولنگ 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 گھنٹے قبل کمپنی کو موصول ہوں۔ پراکسی کمپنی کے ممبرز میں سے ہی ہونا چاہیئے۔
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 ڈومینی 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 ڈومینی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی اپنے ہمراہ لے کر آئیں۔
- کارپوریٹ ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمعہ دستخط کا نمونہ پراکسی فارم کے ساتھ جمع کروانا ضروری ہوگا۔



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POSTAGE

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

مختاب پورڈ



عمر سعید
ڈائریکٹر



عارف سعید
چیف ایگزیکٹو

مورخہ 31 مارچ 2022
لاہور

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز 31 دسمبر 2021 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 کیمپنیل (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا مکمل ملکیتی ذیلی ادارہ ہے، سروس گلوبل فٹ ویئر لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا جزوی ملکیتی ذیلی ادارہ ہے، سروس لائنگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز لمیٹڈ کا جزوی ملکیتی ذیلی ادارہ ہے اور سروس شووز لاکا (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز کیمپنیل (پرائیویٹ) لمیٹڈ کا جزوی ملکیتی ذیلی ادارہ ہے، پر مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

31 دسمبر 2021 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 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 کیمپنیل پرائیویٹ لمیٹڈ

سروس انڈسٹریز کیمپنیل (پرائیویٹ) لمیٹڈ، سروس انڈسٹریز لمیٹڈ کا مکمل ملکیتی ماتحت ادارہ ہے۔ سروس انڈسٹریز کیمپنیل (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 کیمپنیل (پرائیویٹ) لمیٹڈ کارجسٹرز آف سروس ہاؤس 2، مین گلبرگ، ملاہور واقع ہے۔ سروس انڈسٹریز کیمپنیل (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 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، چمڑے اور متعلقہ مصنوعات کی تیاری، فروخت، مارکیٹنگ، درآمد اور برآمد ہے۔ سروس گلوبل فٹ ویئر لمیٹڈ میں سروس انڈسٹریز لمیٹڈ کے 80% (2020:100%) حصص ہیں۔ 31 دسمبر 2021 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 لائنگ مارچ ٹائرز پرائیویٹ لمیٹڈ

سروس لائنگ 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 کارجسٹرز آف سروس ہاؤس 2، مین گلبرگ، ملاہور میں واقع ہے۔ کمپنی کا بنیادی کاروبار سٹیل ریڈیل ٹرک اور بس ٹائروں کی تیاری، فروخت، مارکیٹنگ کی درآمد اور برآمد ہے۔ سروس لائنگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سروس انڈسٹریز لمیٹڈ کے 32.09% (2020:51%) حصص ہیں اور سروس لائنگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سروس گلوبل فٹ ویئر لمیٹڈ کی حصص 18.91% (2020: صفر) ہے۔ سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ - ذیلی کمپنی کے پاس مجموعی طور پر سروس لائنگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ کے حصص کا 51% حصہ ہے اور سروس لائنگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ کے بورڈ کی تشکیل کو مجاز ہے۔

سروس شووز لاکا پرائیویٹ لمیٹڈ

سروس شووز لاکا (پرائیویٹ) لمیٹڈ، سروس انڈسٹریز کیمپنیل (پرائیویٹ) لمیٹڈ کا ایک ذیلی ادارہ ہے، جو کہ سروس انڈسٹریز لمیٹڈ کا مکمل ملکیتی ماتحت ادارہ ہے۔ سروس شووز لاکا (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 کارجسٹرز آف سروس نمبر 143/17 سری وکرما ملاوٹھا کو لمبو 15 پر واقع ہے اور اس کا کاروباری مرکز کاتونکے میں واقع ہے۔

آڈٹ رپورٹ میں اہلیت کی وضاحت

ممبران کو اپنی رپورٹ میں، آڈٹرز نے مطلع کیا ہے کہ سروس انڈسٹریز لمیٹڈ کے مجموعی مالیاتی گوشواروں میں سروس شووز لاکا (پرائیویٹ) لمیٹڈ جو کہ سروس انڈسٹریز کیمپنیل (پرائیویٹ) لمیٹڈ کا ذیلی ادارہ ہے، سے متعلق غیر آڈٹ شدہ اعداد و شمار شامل ہیں۔ سروس شووز لاکا (پرائیویٹ) لمیٹڈ کا آڈٹ جاری ہے چنانچہ، ہم نے سروس شووز لاکا (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۔

10 فروری 2022 کو، کمپنی کے کرائے کے تیار سامان کے گوداموں میں سے ایک میں آگ لگ گئی۔ کمپنی کے 31 دسمبر 2021 کے مالی بیانات میں آگ لگنے اور متعلقہ اثرات کو ان بیانات میں ایڈجسٹ نہ کرنے والے واقعات تصور کیا جاتا ہے، نتیجتاً ان مالی بیانات پر کوئی اثر نہیں ہوگا۔ تباہ شدہ تیار مال کا نقصان انشورنس کے ذریعہ پورا کیا جائے گا۔

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 شکر یہ 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 31 مارچ 2022

لاہور

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 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹر کے طور پر ان کی دوبارہ تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کرتے ہیں۔

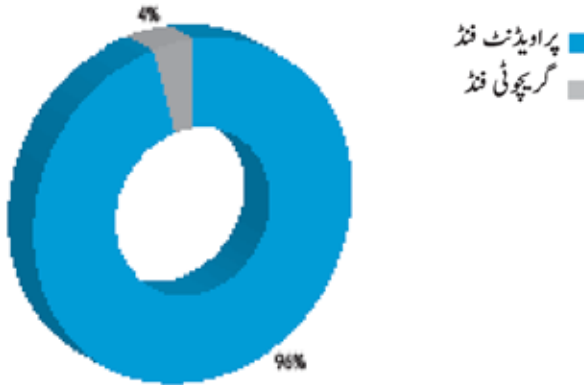
ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

کمپنی اپنے ملازمین کے لیے ریٹائرمنٹ کی سہولیات کی منصوبہ بندی رکھتی ہے جو کہ متعلقہ بورڈ آف ڈائریکٹرز کے مطابق ہے۔ اس سرمایہ کاری کی تفصیل متعلقہ مالی گوشواروں کے مطابق درج ذیل ہے۔

31 دسمبر 2020	31 دسمبر 2021
روپے ملین میں	روپے ملین میں
1523	1790
64	71

پروویڈنٹ فنڈ
گریجویٹ فنڈ

سرمایہ کاری کی قدر



حصص یافتگان کی تفصیل

کارپوریٹ گورننس کے ضابطہ اخلاق کے مطابق 31 دسمبر 2021 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، اندرونی آڈٹ کے سربراہان 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 2021 سے لے کر 31 مارچ 2021 تک اس سالانہ رپورٹ میں کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو سوائے:

اعلانہ رائے حتمی ڈیویڈنڈ 7.50 روپے (یعنی 75 فیصد) جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔ اور جیسا کہ 31 دسمبر 2021 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی بیانات میں درج کیا گیا ہے۔

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 ایگزیکٹو کے معاونے، ان کی کارکردگی کے جائزے اور جانشینی 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:

ممبران	حاضری
محترمہ عائشہ نوید - چیئر پرسن	2/2
جناب عارف سعید ممبر	2/1
جناب ریاض احمد - ممبر	2/2

بورڈ آف ڈائریکٹرز کے اجلاس

اس سال 5 بورڈ میٹنگز ہوئیں۔ ممبران کی حاضری مندرجہ ذیل ہے۔

ڈائریکٹرز	حاضری
جناب احمد جاوید	0/6
جناب عارف سعید	6/6
جناب عمر سعید	6/6
جناب حسن جاوید	6/6
جناب عثمان سیف اللہ خان	2/6
جناب محمد نعیم خان	5/5
جناب ریاض احمد	6/6
محترمہ عائشہ نوید	6/6
محترمہ عائشہ نوید	6/6
جناب شاہد حسین جتوئی	6/6

31 مارچ 2021 کو جناب محمد امین (مرحوم) کی جگہ پر مقرر کیا گیا۔

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 سینئر اراکین پر مشتمل ہے جو کہ میٹنگ میں اہم کاروباری منصوبے، مسائل اور اپنے اپنے شعبے کی تازہ ترین صورتحال پر بحث کرتے ہیں۔ کارپوریٹ گورننس کی ضابطہ اخلاق کے مطابق بورڈ کی منظوری کے لیے پیش کئے جانے والے اہم معاملات بھی زیر بحث لائے جاتے ہیں۔

ڈائریکٹرز کا معاوضہ

ڈائریکٹرز نے بورڈ کے ڈائریکٹرز کے معاوضہ کے لئے ایک پالیسی منظور کی ہے۔ اس پالیسی کے اہم نکات درج ذیل ہیں:

کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز کو کوئی معاوضہ نہیں دے کرے گی، ماسوائے اس کے کہ وہ کسی بورڈ یا کمیٹی اجلاس میں شامل ہوں۔

کمپنی بورڈ یا کمیٹی اجلاس میں شامل ہونے سے متعلق سفری اور رہائشی اخراجات دے کرے گی۔

ڈائریکٹرز کے معاوضہ کی پالیسی پر وقتاً فوقتاً نظر ثانی کی جائے گی اور اس کی منظوری دی جائے گی۔

1 دسمبر 2021 کو ختم ہونے والے سال کے دوران، معاوضے کے لیے مالیاتی گوشواروں میں درج ذیل رقم وصول کی گئی جن میں چیف ایگزیکٹو آفیسر اور ایگزیکٹو ڈائریکٹرز کی دیگر مراعات شامل ہیں:

73,222 ملین روپے (2020: 63,712 ملین روپے) چیف ایگزیکٹو آفیسر کو دیا گیا ہے۔
گئے۔ (تفصیلات نوٹ 40 میں آڈٹ شدہ مالیاتی بیانات میں دی گئی ہیں)۔

ایگزیکٹو ڈائریکٹرز کو 71,747 ملین روپے (2020: 62,605 ملین) دیا گیا ہے۔
گئے۔ (تفصیلات نوٹ 40 میں آڈٹ شدہ مالیاتی بیانات میں دی گئی ہیں)۔

بورڈ اور کمیٹیوں کی ساخت

لسٹڈ 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 چیئر مین 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۔

کمیٹی کی اس سال 4 مینٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	حاضری
جناب محمد نعیم خان چیئر مین	3/3
جناب عثمان سیف اللہ خان - ممبر	3/4
جناب یاض احمد - ممبر	4/4

استعمال جاری رکھے ہوئے 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 سیکورٹیز اور ایکسچینج کمیشن آف پاکستان نے جاری کیے ہیں۔ اسے اس رپورٹ میں لسٹڈ کمپنیوں کے کمپلائنس (کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن 2019) کے بیان کی شکل میں مختصر اور درج کیا گیا ہے جس کا جائزہ بیرونی 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 فلو اور ایجوٹی میں تبدیلی کو احسن طریقے سے پیش کرتے ہیں۔

2۔ کمپنی نے اچھی طرح سے اکاؤنٹس کے کھاتے تیار کر رکھے ہیں۔

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 میعادت 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 اگلا سال چلنے میں کسی قسم کا کوئی شک نہیں ہے۔

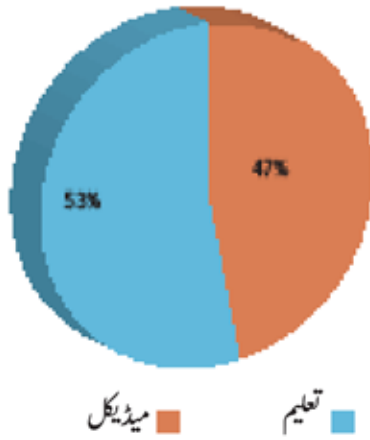
7۔ کارپوریٹ گورننس کے بہترین طریقوں سے بٹنے کے کوئی شواہد نہیں ہے۔

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۔

کارپوریٹ سوشل ذمہ داری میں کنٹریبیوشن



مستقبل پر ایک نظر:

ہمیں امید ہے کہ کمپنی کا موجودہ سال کے دوران پیداواری صلاحیتوں، ریٹیل نیٹ ورک اور آمدن فروخت کو بڑھانے میں سرمایہ کاری کرنے کے فیصلے سے کمپنی کو سال 2022 میں بہترین منافع حاصل کرنے میں مدد ملے گی۔ علاوہ ازیں، ہمارے برانڈ کی مضبوطی اور ہماری صلاحیتوں کی بدولت ہم لگاتار جو توجہ اور ٹائز دونوں شعبوں میں سب سے آگے ہیں۔

سال 2022 کمپنی کے لیے مزید قیمتوں میں اضافے کا سال ہے۔ سروس انڈسٹریز لمیٹڈ کی منسلک پاکستان کی پمپنگ سٹیشن اور ریڈیل ٹائز بنانے والی کمپنی، سروس لانگس مارچ ٹائز (پرائیویٹ) لمیٹڈ نے 10 مارچ 2022 سے اپنی تجارتی پیداوار شروع کر دی ہے۔ انتظامیہ مستقبل میں بہتر منافع حاصل کرنے کیلئے پر اعتماد ہے۔ یہ سرمایہ کاری حصص یافتگان کی مالیت کو مزید مستحکم کرے گی۔

کمپنی کا ٹائز بنانے والا شعبہ مزید توسیع کی راہ پر گامزن ہے اور سال 2022 میں بڑے پیمانے پر پیداواری صلاحیتوں میں اضافہ کیا جا رہا ہے۔ مزید برآں، کمپنی موٹر سائیکلوں کی چین کنکشن کی تیاری کے لیے پیداواری سہولت قائم کرنے کے عمل میں ہے، جس کے لیے زمین اور عمارت پہلے ہی خرید لی گئی ہے اور مشینری کی تنصیب جاری ہے۔

کمپنی اپنے ریٹیل نیٹ ورک کو بھی وسعت دے رہی ہے اور سال 2022 میں مزید 50 ریٹیل آؤٹ لیٹس کھولنے کا منصوبہ بنا رہی ہے۔

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 لیے آڈیٹ اور ان کی خدمات کا

3 پیشہ ورانہ حفاظت اور صحت

ہمارے کام کرنے کے طریقے اور ہمارے ملازمین کو محفوظ صاف ستھرے چوٹ اور بیماری سے ہمراہ ماحول فراہم کرتے ہیں۔ سروس انڈسٹریز لمیٹڈ 2007:1800 OHSAS 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۔

4 صارفین کے تحفظ کے اقدامات

سروس انڈسٹریز لمیٹڈ ISO 9001:2008 سے تصدیق شدہ ہے۔ یہ اس بات کو یقینی بناتا ہے کہ بہترین کوالٹی کی مصنوعات صارفین کو لگا تار ملتی رہیں جو کہ تمام قانونی تقاضے بھی پوری کرتی ہوں۔ سروس انڈسٹریز لمیٹڈ سائبر ایفیکٹس کا بھی 2010 سے رکن ہے یہ ادارہ جو توجہ اور چمڑے کی مصنوعات کو ٹیسٹ کرتا ہے اور تحقیق کرتا ہے کہ وہ آرم وہ، محفوظ اور پائیدار ہیں۔

5 کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات

ہم کاروبار کو پوری دیانتداری اور متعلقہ قوانین کی پاسداری کے ساتھ کرنے کے لیے پرعزم ہیں۔ ہمارے 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 قدر کے مطابق چلائیں تمام قانونی ضابطوں کی تعمیل کریں اور اداروں کے لیے بنائے گئے بہترین معیارات کے مطابق ہوں۔“

6 قومی محصولات میں ہمارا حصہ

سروس انڈسٹریز لمیٹڈ مختلف محصولات کی مدد میں سالانہ کروڑوں روپے حکومت کو ادا کرتا ہے۔ 2021 میں سروس انڈسٹریز لمیٹڈ نے 1,737 ملین روپے اس مدت میں ادا کئے۔

کمپنی کی سماجی ذمہ داری

سروس انڈسٹریز لمیٹڈ معاشرتی طور پر ایک باشعور ادارہ ہے۔ ہمارے ہاں خیرات کرنے کی روایت اتنی ہی پرانی ہے جتنا کہ خود کمپنی۔ گزشتہ 6 دہائیوں میں سروس انڈسٹریز لمیٹڈ صحت اور تعلیم کے قابل ذکر خیراتی منصوبوں میں حصہ ڈالتی رہی ہے۔

سال 2019 کے اختتام میں سروس انڈسٹریز لمیٹڈ نے اپنے رفاهی سرگرمیوں کو مستحکم بنیاد پر چلانے کے لئے سروس فاؤنڈیشن کے نام سے ایک خود مختار ادارہ قائم کیا۔ 2020 کے دوران اس نے کام کرنا شروع کر دیا اور کمپنی کی رفاهی معاملات کا نگران اور نفاذ کنندہ بن گیا۔ سروس فاؤنڈیشن، سروس انڈسٹریز لمیٹڈ کی سماجی ذمہ داری کے اہداف کو منظم طریقے سے حاصل کرنا جاری رکھتی ہے۔

سال کے دوران، کمپنی نے مختلف شعبوں میں کمپنی کی سماجی ذمہ داری سرگرمیوں کی مدد میں 50.735 ملین روپے کا عطیہ کیا

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 کارکردگی والے شعبوں کو بہتر کرنا اور منافع بخش شعبوں میں شرح نمو کے اضافے کے مواقع پر زور دینا ہے۔

کیش فلوز اور کیپیکل ایکسپنڈیچر

کمپنی کی بڑے سرمایہ کی ضرورت بنیادی طور پر اندرونی وسائل، ذیلی کمپنی سے قرض لے کر اور کچھ مالی اداروں کی مدد سے پوری کی جاتی ہے۔ کثیر اخراجات کے لیے، بینکوں اور مالیاتی اداروں سے مدد لی جاتی ہے۔ کیش فلوز اور سرمایہ کی ضرورت کی مستقل نگرانی کی جاتی ہے۔ کمپنی طویل المیعاد نمو کیلئے لگاتار سرمایہ کاری جاری رکھتی ہے۔ سال 2021 میں کمپنی میں 2,474 ملین روپے کی سرمایہ کاری کی جو کہ 2020 میں 553 ملین روپے تھی جو کہ بنیادی طور پر زرعی ٹائر اور خوردہ فروخت کے سٹورز میں بھاری توسیع کیلئے استعمال ہوا ہے۔

رسک، غیر ممکنات اور ان سے بچاؤ

کمپنی کا رسک مینجمنٹ پروگرام کمپنی کی کارکردگی پر مکمل کنٹرول کے تحت کم کرنے پر مرکوز رہتا ہے۔ کمپنی کی سینئر انتظامیہ رسک مینجمنٹ کا کام سرانجام دیتی ہے اور اپنے نتائج بورڈ آف ڈائریکٹرز کے سامنے رکھتی ہے۔ اس کارروائی میں حکمت عملی سے متعلقہ مالی، کمرشل اور آپریشنل رسک کی شناخت، جائزہ اور اسکے حل شامل ہیں۔

سینئر انتظامیہ کی ٹیم ایک انتہائی تفصیلی، بچھٹک 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 المیعاد اہداف حاصل کئے جاسکیں۔

ماحول، صحت اور سیفٹی

سروس انڈسٹریز لمیٹڈ نے اپنے اندرونی سٹیک 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۔

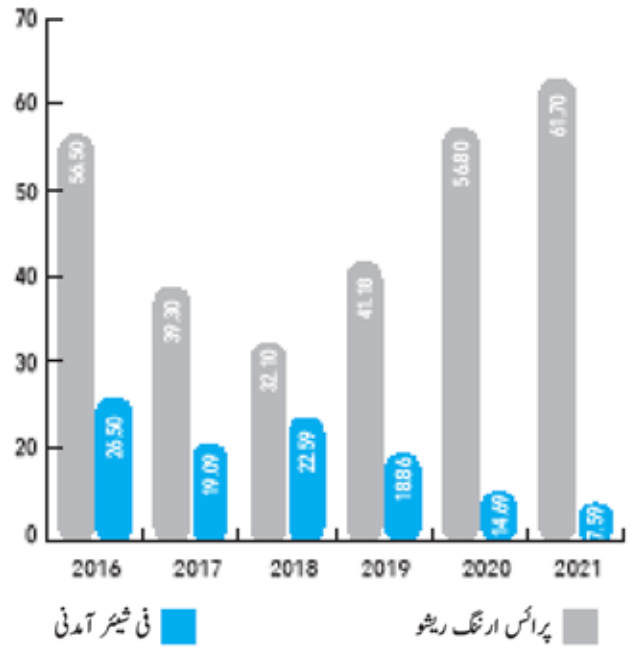
(1) صنعتی قواعد کی پاسداری

سروس انڈسٹریز لمیٹڈ بزنس سوشل کمپلائنس اینڈ ایسیٹس 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 منسلک ہے جو کہ اس بات کی عکاسی کرتا ہے کہ ہم عالمی 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۔

(2) 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 170 سے زیادہ خواتین کام کر رہی ہیں۔

پرائس ارتگ ریشو اور فی شیئر آمدنی



• مالی سال 2021 میں بونس شیئر جاری کرنے کی وجہ سے EPS پر اثر پڑا ہے۔

تصرف

مالیاتی سال 2021 کا تصرف مختصر امداد درج ذیل ہے۔ روپے ملین میں
 یکم جنوری 2021 پر کل جمع شدہ ایکویٹی 7,282
 مالیاتی سال 2021 کی آمدنی 378
 2020 کے مالیاتی سال کا 15 روپے فی شیئر حتمی ڈیویڈنڈ (352)
 31 دسمبر 2021 پر کل جمع شدہ ایکویٹی 7,308

کمپنی کے بورڈ آف ڈائریکٹرز نے 31 مارچ 2022 کو منعقدہ اپنی میٹنگ میں 7.50 روپے فی شیئر (2020: 15 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 کو ان 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۔ بجٹ بنایا جاتا ہے اور اصل کارکردگی کا بجٹ 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۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2021 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

سے اضافہ اور رسد کی کمی نے ہمارے پیداواری اہداف کو متاثر کیا ہے۔ تاہم، ان مشکلات کے باوجود، ہماری ٹائریڈیشن کی انتظامیہ اپنی سادگی پر انحصار کرتے ہوئے اپنے کاروباری تناسب کو قائم رکھنے کے لئے پرعزم ہے۔

زرعی ٹائریڈیشن کی پیداوار کا آغاز گزشتہ سال ہوا، ہماری مصنوعات کو مارکیٹ میں بہت پذیرائی ملی ہے۔ انتظامیہ ٹیم پورے ملک میں تشہیر کی سرگرمیاں، آگاہی مہم، علاقائی ڈیلر سے میٹنگز اور اپنی سادگی کو استعمال کرتے ہوئے مارکیٹ میں اپنی پوزیشن کو مضبوط بنانے پر کام کر رہی ہے۔ انتظامیہ نے اس عرصے میں پیداواری استعداد بڑھانے میں سرمایہ کاری کی ہے جس کے نتیجے میں اگلے سال کم پیداواری لاگت کے ساتھ فروخت میں اضافہ ہوگا۔

فٹ وئیر ڈویژن

جو توں کی آمدن فروخت میں گزشتہ سال کے مقابلے میں 21 فیصد کا صحت مند اضافہ ہوا جو توں کے مقامی کاروبار کا منافع جو اب جو تے کی فروخت کا اہم حصہ ہے، کو سخت مشکلات کا سامنا کرنا پڑ رہا ہے کیونکہ ملک میں خوردہ مارکیٹ دباؤ کا شکار ہے۔ اس مشکل صورت حال میں، کم منافع کے باوجود دستیاب پیداواری استعداد کو بروئے کار لانے کے لیے کمپنی نے اداروں سے کاروبار مزید بڑھایا۔

خوردہ کاروبار 2020 میں 960 ملین روپے سے دگنا ہو کر 2021 میں 2,251 ملین روپے ہو گیا۔ یہ نمو بنیادی طور پر سٹورز کی تعداد میں تیزی سے اضافہ (2020 میں 48 سٹورز سے 2021 میں 91 سٹورز) اور 2021 میں کروٹوں کی کمپائمنڈیوں کی وجہ سے ہوئی ہے۔ یہ زبردست اضافہ گزشتہ سال کی گئی ان اصلاحات کی بنیاد پر مبنی ہے جس کے نتیجے میں علاقے کی مناسبت سے مصنوعات فروخت کرنا فروخت پر مناسب رعایت، جو توں کا مناسب سٹاک رکھنا اور بہتر ٹیلی مصنوعات کے ذریعے مجموعی مارجن میں بہتری آئی۔ 2022 میں مزید 50 سٹورز کے توسیعی منصوبے کے ساتھ کاروبار ترقی کی راہ پر گامزن ہے۔

ربڑ کی تکنیکی مصنوعات

ربڑ کی تکنیکی مصنوعات کی مد میں بھی اداروں کو فروخت میں نمو و شو و نماداری ہے۔ سال کے دوران مجموعی طور پر آمدن فروخت 2020 میں 462.134 ملین روپے کے مقابلے میں 2021 میں 734.424 ملین روپے ہوئی جو کہ 59% کی بہتری ظاہر کرتی ہے۔ اس ڈویژن کے مستقبل کے امکانات کافی امید افزا ہیں بہت سے آرڈرز وصول ہو چکے ہیں اور مزید متوقع ہیں۔ ہم توقع کرتے ہیں کہ آنے والے سالوں میں کمپنی کی آمدنی میں ربڑ کی تکنیکی مصنوعات کے شعبے کا حصہ مزید بڑھے گا۔

فی شیئر آمدنی

اس سال فی شیئر آمدنی 7.59 روپے رہی جو پچھلے سال 14.69 روپے تھی، یہ 48 فیصد کی ظاہر کرتی ہے۔

مارجن میں کمی کی بنیادی وجوہات خام مال کی بڑھتی ہوئی قیمتیں، بڑھتے ہوئے بین الاقوامی مال برداری کے اخراجات، اداروں کو جو توں کی فروخت میں منافع کا کم تناسب اور زرمبادلہ میں اتار چڑھاؤ ہیں۔ تاہم، انتظامیہ ان عوامل کے منفی اثرات کو کم کرنے کی ہر ممکن کوشش کر رہی ہے، اور امید ہے کہ آنے والے سال 2022 میں، آمدن فروخت بڑھنے کے ساتھ ساتھ منافع بھی بحال ہو جائے گا۔

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 2022 کو منعقد ہو گا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

کروٹاکی و باجو کہ 2020 میں تیزی سے نمودار ہوئی وہ زندگی کا حصہ بن چکی ہے اور لوگوں نے اس کے ساتھ زندگی گزارنا سیکھ لیا ہے۔ عالمی سطح پر بڑے پیمانے میں کی جانے والے ویکسینیشن کی وجہ سے اس کا مجموعی پیچھے ملاؤ پر قابو پایا گیا ہے اس وبائے مقامی اور عالمی معیشت پر انتہائی منفی اثرات مرتب ہوئے تاہم، بحالی اب واضح طور پر نظر آرہی ہے اور عالمی معیشت ترقی اور نمو کے راستے پر واپس آگئی ہے۔ کمپنی کی انتظامیہ نے کردہ نڈ باکی وجہ سے بدلتے حالات پر گہری نظر رکھی اور اس کے بعد کی صورت حال سے انتہائی تشدد آری سے نمٹنا معیشت کی بحالی کے ساتھ، انتظامیہ نے نمو کے رجحان سے فائدہ اٹھانے کے لیے پیداواری صلاحیتوں کو بڑھانے میں سرمایہ کاری کی طرف توجہ دی۔ کروٹا کی دوران طبعی آمد اور مالی تعاون کے ذریعے اپنے ملازمین کی صحت اور حفاظت کو یقینی بنانے کے لیے بھی اقدامات کیے گئے۔

مالی سال 2020 اور 2021 کی کارکردگی کا موازنہ

31 دسمبر 2021 کو ختم ہونے والے مالی سال کے سروس انڈسٹریز لمیٹڈ کے انفر وائی مالی نتائج درج ذیل ہے۔

تفصیلات	مالیاتی سال 2021 روپے ہزار میں	مالیاتی سال 2020 روپے ہزار میں	فیصد تبدیلی
خاص فروخت	32,724,924	24,442,492	34%
آپریٹنگ منافع	1,850,571	2,293,921	(19%)
منافع قبل از ٹیکس	570,842	1,161,184	(51%)
منافع بعد از ٹیکس	356,826	690,024	(48%)

سروس انڈسٹریز لمیٹڈ نے سال 2021 میں اپنے مالیاتی گوشواروں کے مطابق 32.72 ارب روپے کی آمدن فروخت حاصل کی ہے جو کہ گزشتہ سال کے مقابلے میں 34% زیادہ ہے۔ بعد از ٹیکس خاص منافع 356.83 ملین روپے رہا جبکہ گزشتہ سال کا بعد از ٹیکس منافع 690.04 ملین روپے تھا۔ فروخت میں نمایاں اضافہ بنیادی طور پر کمپنی کے ٹائریڈیشن کی فروخت میں نمو کی وجہ سے ہے، جس میں جو توں کا شعبہ بھی آمدن فروخت میں اپنا حصہ ڈال رہا ہے۔ عالمی سطح پر خام مال کی قیمتوں میں اضافہ، پاکستانی روپے کی قدر میں کمی، توانائی کی لاگت میں اضافہ اور ترسیل کے بڑھتے ہوئے اخراجات کمپنی کے منافع میں کمی کا باعث بنے۔

ٹائریڈ ویشن

ٹائریڈ ویشن سروس انڈسٹریز لمیٹڈ کی آمدنی کا ایک بڑا ذریعہ ہے۔ ٹائریڈ ویشن نے تقریباً 6.75 ارب روپے یعنی 2021 میں پچھلے سال کے مقابلے میں 38% کی آمدن فروخت میں نمو حاصل کی ہے۔ آمدن فروخت میں یہ اضافہ ٹیم ورک، مصنوعات کے مسلسل اعلیٰ معیار و رسد کے اخراجات پر موزوں طور پر قابو پا کر اور نت نئے طریقوں کے استعمال کا نتیجہ ہے۔ خام مال کی قیمتوں میں تیزی

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