

# Sustainable Growth Starts with Action

Annual  
Report  
2022



**Servis**

Service Global Footwear Limited

A close-up photograph of a person's hand wearing a dark, textured work glove. The hand is holding a white plastic cup and pouring small, white, spherical granules into a green, multi-cavity mold. The mold is part of a larger industrial machine with various metal components and a yellow safety bar. The background is slightly blurred, showing more of the machine and a wooden structure.

## Cover Story

As a business practice, sustainable growth seeks to make more of the world's people our customers—and to do so by developing markets that promote and sustain economic prosperity, social equity, and environmental integrity.

We pursue sustainable growth because it benefits our businesses and our shareholders. If one is looking for a new definition of corporate social responsibility, sustainable growth is it, and it is directly related to business self-interest.

# Contents

## Company Profile

- 02 Our History
- 04 Vision & Mission
- 06 Company Information
- 08 Geographical Presence
- 10 Corporate Social Responsibility
- 20 Board of Directors
- 21 Group Executive Committee

## Financial Statements

- 44 Auditor's Report to the Members
- 50 Statement of Financial Position
- 52 Statement of Profit or Loss
- 53 Statement of Comprehensive Income
- 54 Statement of Changes in Equity
- 55 Cash Flow Statement
- 56 Notes to the Financial Statements  
Proxy Form

## Stakeholders' Information

- 12 Notice of Annual General Meeting
- 22 Value Added & its Distribution
- 23 Wealth Generated and Distributed
- 24 Balance Sheet Composition
- 26 Analytical Review
- 28 Three Years at a Glance
- 30 Horizontal Analysis
- 31 Vertical Analysis
- 32 Chairman Review
- 34 Director's Report to the Shareholders
- 119 Pattern of Shareholding
- 135 Director's Report to the Shareholders (Urdu)

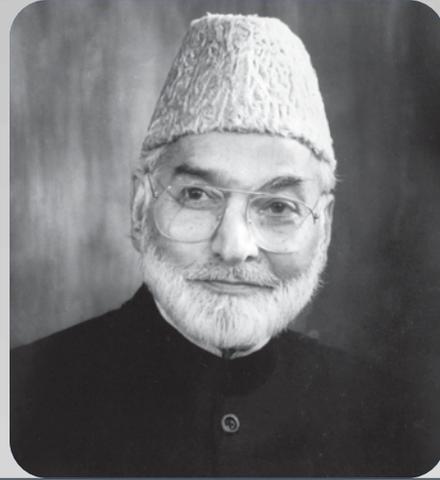
## Corporate Governance

- 40 Statement of Compliance
- 43 Review Report on The Statement of Compliance

# Our History



**Ch. Muhammad Hussain**



**Ch. Nazar Muhammad**

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 a small businesses of making Mosquito nets, minor steel products, leather chappals and eventually travel bags, hand bags and holdalls, made of canvas and leather largely for supply to the army. Their promising business, operating out of an apartment with four small rooms in Gawalmandi, Lahore, received a serious setback at the end of World War II when the army stopped purchases and again in 1947 when subcontinent was partitioned into Pakistan and India. Most of their market was lost as it was based in Indian Cities of Delhi, Bombay, Calcutta, Madras and Cawnpur. The money thus lost was never recovered. They were using a neutral name of

Service Limited for their products, not revealing any particular religious identity under intense competition from people of other faiths.

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

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

At Gujrat, they acquired large piece of land and established one of the biggest industrial complexes in Punjab, manufacturing leather and





**Ch. Muhammad Saeed**

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 in Punjab and one in Sindh.

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



# Our Vision and Mission

## VISION

To become the region's leading supply chain company by achieving consistent and sustained growth and delivering value to its business partners and its people.

## MISSION

Strive continuously to exceed customer expectations in quality, delivery and service by developing top talent in the company and in its supply chain.



To become the most trusted footwear atelier for our partners around the world through a culture of inclusivity, innovation, transparency and agility; and to deliver the highest value to our employees, shareholders and society.

To add value to our partners around the world by delivering the finest quality through continuous improvement.



# Company Information

## Board of Directors

### Mr. Arif Saeed

Chairman / Non-Executive Director

### Mr. Hassan Javed

Chief Executive Officer /  
Executive Director

### Chaudhry Ahmed Javed

Non-Executive Director

### Mr. Omar Saeed

Non-Executive Director

### Mr. Azmat Ali Ranjha

Independent Director

### Mr. Abdul Rashid Lone

Independent Director

### Ms. Maleeha Humayun Bangash

Independent Director

### Mr. Hassan Ehsan Cheema

Executive Director

### Mr. Qadeer Ahmed Vaseer

Executive Director

## Chief Financial Officer

Mr. Usman Liaqat

## Company Secretary

Mr. Waheed Ashraf

## Audit Committee

### Mr. Abdul Rashid Lone

Chairman

### Mr. Omar Saeed

Member

### Ms. Maleeha Humayun Bangash

Member

## Human Resource and Remuneration Committee

### Mr. Azmat Ali Ranjha

Chairman

### Mr. Hassan Javed

Member

### Mr. Omar Saeed

Member

## Bankers

MCB Bank Limited

Habib Bank Limited

Faysal Bank Limited

Soneri Bank Limited

Allied Bank Limited

Askari Bank Limited

Meezan Bank Limited

MCB Islamic Bank Limited

Habib Metropolitan Bank

Standard Chartered Bank (Pakistan)  
Limited

Samba Bank Limited

Bank Al Habib Limited

Dubai Islamic Bank Limited

Bank Islami Pakistan Limited

Bank of Punjab - Islamic

United Bank Limited

## Auditors

M/s. Riaz Ahmad & Company,  
Chartered Accountants

## Legal Advisor

Muhammad Ashfaq,  
Advocate High Court,  
of M/s. Bokhari Aziz & Karim  
2-A, Block-G, Gulberg-II, Lahore.

## Registered Office

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

## Shares Registrar

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

## Pakistan Stock Exchange Limited

Stock Exchange Symbol **SGF**

## Factory

10-KM Muridke, Sheikhpura Road,  
Muridke

## Web Presence

[www.serviceglobalfootwear.com](http://www.serviceglobalfootwear.com)

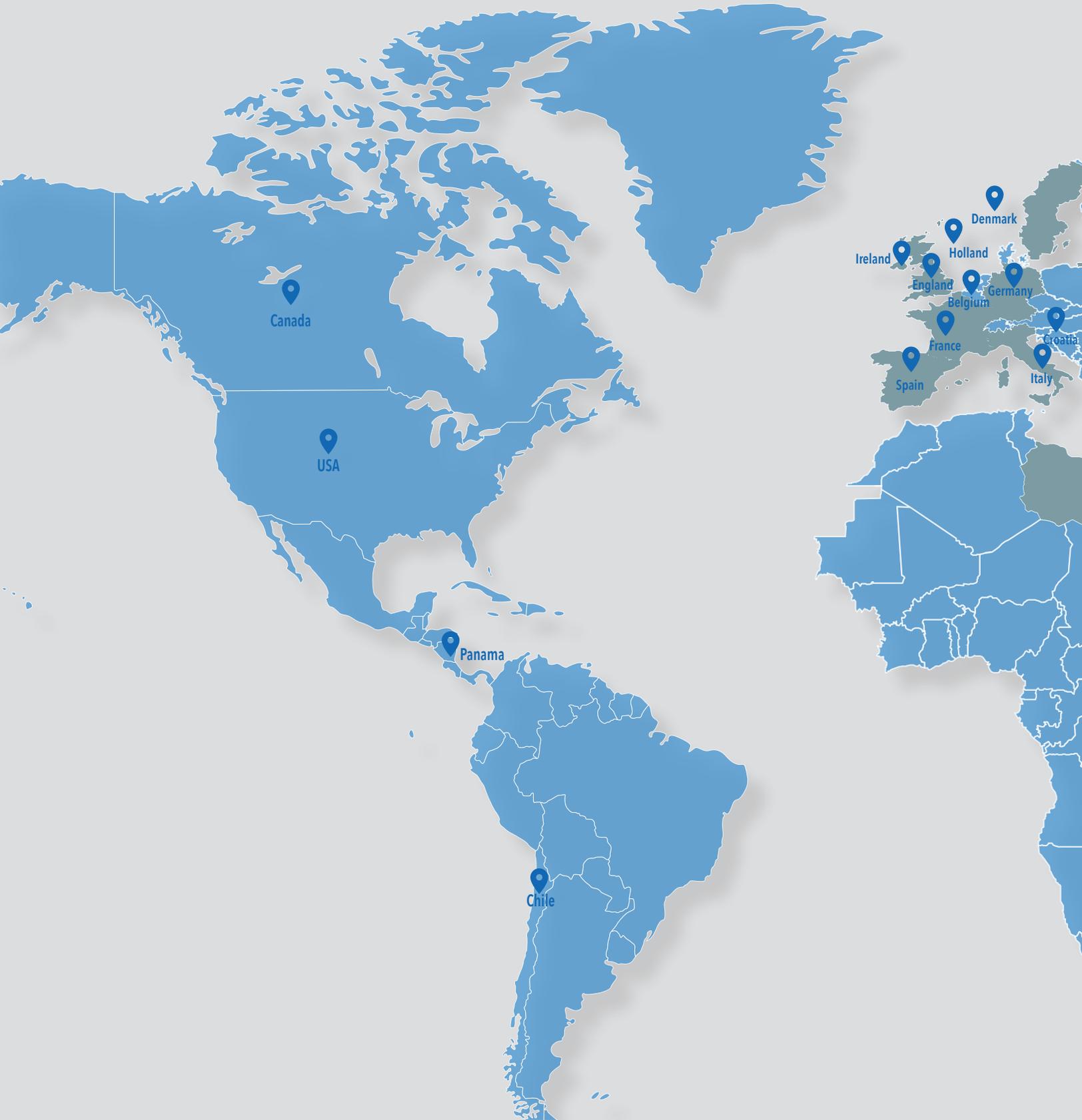
"Great works are  
performed, not by strength,  
but by perseverance "

- Samuel Johnson



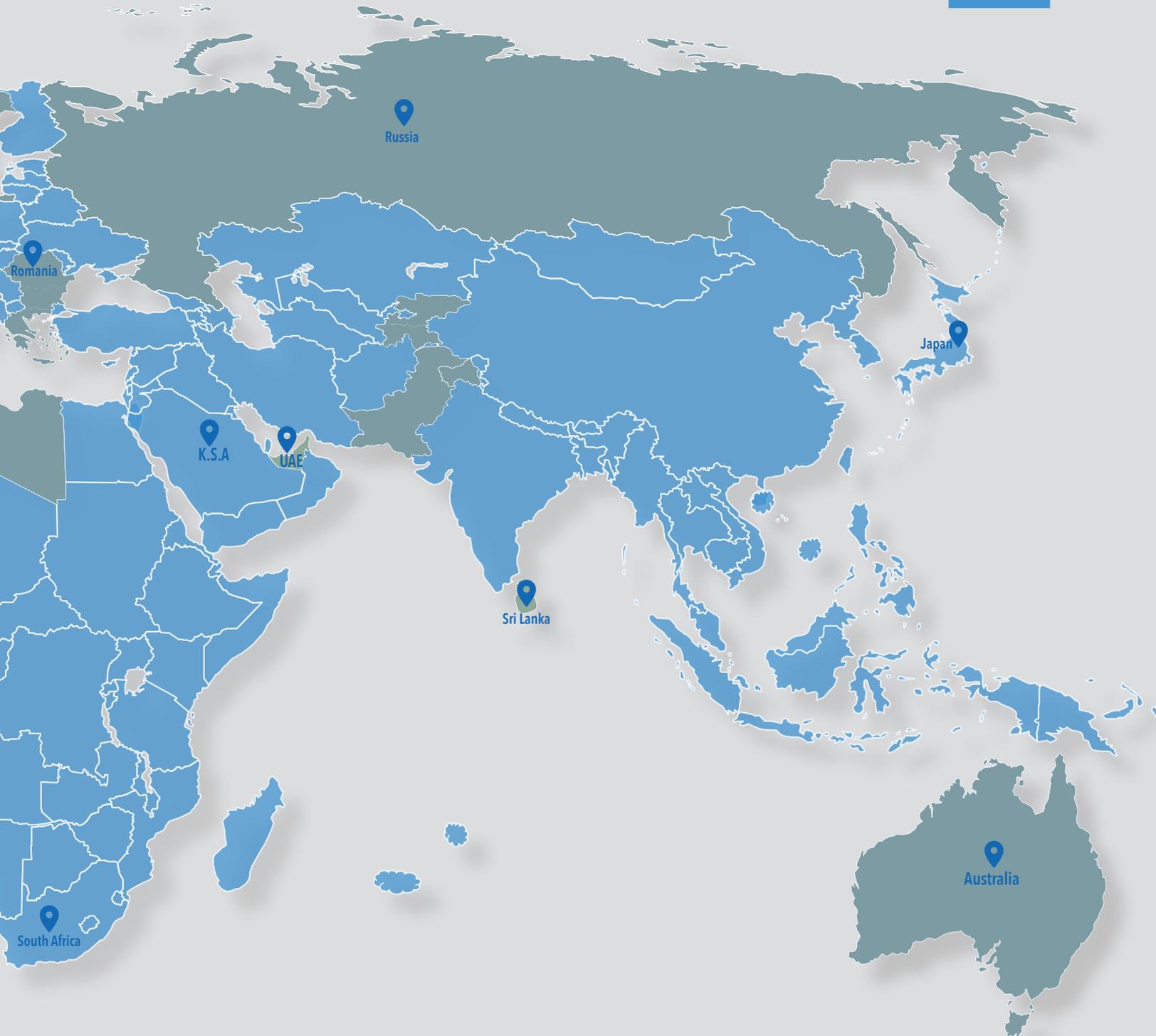
# Geographical Presence

Our products are available in more than twenty countries.



“Growth is never by mere chance; it is the result of forces working together ”

- James Cash Penney



# Corporate Social Responsibility (CSR)

## About Service Footwear Global Limited (SGFL)

SGFL has been formed with the vision to become a socially conscious business following its parent group's tradition of corporate giving. Over the last several decades, the Group has been involved in significant philanthropic undertakings in health and education. SGFL'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. In 2018, the Group (Service Industries Limited) decided to consolidate the delivery of this work by establishing an independent corporate foundation by the name of Servis Foundation (SF). SF, as the Group's philanthropic arm, aims to deliver its CSR goals through a programmatic and targeted mechanism. In the coming years, it is anticipated that SF will shoulder much SGFL's philanthropic efforts also. At the Group level, our portfolio of CSR & ethical business practices comprises internal initiatives, directly-owned projects and institutional contributions through Servis Foundation. For details on the CSR activities of the Group, refer to Service Industries Limited 2022 Annual 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 newly established SGFL envisions to take forward the Group's CSR activities within current factory catchment i.e. Muridke, Sheikhpura.

### Environment

SGFL houses Asia's first solar powered footwear manufacturing facility. The factory completed the installation of a 2MW Solar Power Park. It is spread over four acres of land, consisting of 5,699 solar panels with an annual power generation of 2,570 MWh, becoming the first solar powered footwear factory in Asia. The initiative is equivalent to planting 200 trees daily, reducing carbon dioxide emissions by 1,350 tons annually. This initial step on the road to go green gives SGFL's customers the benefit to market their products as eco-friendly in an increasingly environmentally conscious global population.

### Industrial Relations

SGFL is Business Social Compliance Initiative (BSCI) certified, promoting workplace conditions in accordance with human rights, ILO conventions and national labor law. Additionally, SGFL is a member of Sedex, ensuring our dedication to driving improvements in responsible and ethical business practices in the global supply chain, providing our family the best working conditions for increased productivity.

### Inclusion and diversity

SGFL is proud to be an equal opportunity employer and encourages the participation of females and persons with special needs in the workforce. SGFL has taken steps to create a work environment conducive to females by dedicating separate production lines employing ~171 females.

### Consumer protection measures

SGFL is endeavouring to ensuring a Quality Management System focused on consistently providing products that meet the requirements of customers and applicable statutory and regulatory rules. We have the following buyer-driven certifications of compliance: BSCI, Euro Centra, TCP- Scan, C-TPAT, Next, Jack & Jones, TCP-Social Compliance, Levis, Inditex-SLCP-Higg, and Rock Fall-Sedex.

### Contribution to national exchequer

SGFL has a multi-million Rupee annual contribution to the national exchequer on account of taxes, duties and levies. In 2022, SGFL contributed PKR 254 million to the government's nation building efforts.



# Notice of Annual General Meeting

Notice is hereby given that the 4th Annual General Meeting ("AGM") of Service Global Footwear Limited (the Company) will be held on **Friday, the April 28, 2023 at 10:00 a.m.** at Shalimar Tower Hotel, Adjacent Servis House, 2 - Main Gulberg, Lahore, to transact the following business:

## Ordinary Business:

1. To receive, consider and adopt the audited financial statements of Service Global Footwear Limited (the 'Company') for the year ended December 31, 2022, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To approve the final cash dividend of Rs. 1 per share i.e. 10% as recommended by the Board of Directors in addition to the interim cash dividend of Rs. 2.50 per share i.e. 25% already paid to the shareholders of the Company making a total cash dividend of Rs. 3.50 per share i.e. 35% for the year ended December 31, 2022.
3. To appoint Auditors and to fix their remuneration. The members are hereby given notice that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s. Riaz Ahmad & Company, Chartered Accountants for re-appointment as auditors of the Company.

## Special Business:

4. To consider and if deemed fit and pass with or without modification, a resolution as Special Resolution, as proposed in the Statement of Material Facts, pursuant to the provisions of Section 199 of the Companies Act, 2017 for renewal of the investment in the form of working capital loan of up to PKR 4.5 Billion (Rupees Four Billion Five Hundred Million Only) in Service Industries Limited, a holding / associated company approved by the shareholders vide special resolution dated April 28, 2022 and expiring on June 30, 2023 for a further period of one year till June 30, 2024 with all other terms and conditions of the investment to remain unchanged.
5. To approve the circulation of the annual audited financial statements to the members through QR enabled code and weblink by passing an ordinary resolution proposed in the statement of material facts.

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

Lahore  
April 07, 2023

By Order of the Board

**WAHEED ASHRAF**  
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from April 18, 2023 to April 28, 2023 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on April 17, 2023 will be considered in time for the purpose of entitlement of final cash dividend and to attend, speak 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](mailto:shareholders@servis.com).

# Notice of Annual General Meeting

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

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

5. In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to submit Electronic Credit Mandate 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
-------------------------	---------------------	------	--------------	--------------	-----------------------------

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

## 7. Procedure for E-Voting

- a. In accordance with the Companies (Postal Ballot) Regulation, 2018, (the "Regulations") the right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for, inter alia, all businesses classified as special business under the Companies Act, 2017 in the manner and subject to conditions contained in the Regulations.
- b. Detail of e-Voting facility will be shared through e-mail with those members of the company who have valid cell numbers / e-mail addresses (Registered e-mail ID) available in the Register of Members of the Company by the end of business on April 17, 2023. Members who intend to exercise their right of vote through E-voting shall provide their valid cell numbers and email addresses on or before April 17, 2023.
- c. Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.

- d. Members shall cast vote for agenda item No. 4 and 5 online from April 25, 2023 till April 27, 2023 5:00 p.m. Voting shall close on April 27, 2023, at 5:00 p.m. A vote once cast by a Member, shall not be allowed to be changed.

## 8. Procedure for Voting Through Postal Ballot

- a. Members may alternatively opt for voting through postal ballot. For convenience of the members, Ballot Paper is annexed to this notice and the same is also available on the Company's website [www.serviceglobalfootwear.com](http://www.serviceglobalfootwear.com) to download.
- b. The members must ensure that the duly filled and signed ballot paper, along with a copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post at the Company's registered address, Servis House, 2-Main Gulberg, Lahore, or email at [chairman@servis.com](mailto:chairman@servis.com) one day before the AGM, i.e., on April 27, 2023 before 5:00 p.m. A postal ballot received after this time / date shall not be considered for voting. The signature on the Ballot Paper shall match with signature on the CNIC.
- c. In accordance with the Regulation 11 of the Regulations, the Board of the Company has appointed M/s Riaz Ahmad & Company, Chartered Accountants, (a QCR rated audit firm) to act as the Scrutinizer of the Company for the special business to be transacted in the meeting and to undertake other responsibilities as defined in Regulation 11 of the Regulations.
9. A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.
10. The Company has placed the Annual Report containing Audited Annual Financial Statements for the year ended 31 December 2022, Auditors' and Directors' Reports thereon and Chairman's Review Report on its website: [www.serviceglobalfootwear.com](http://www.serviceglobalfootwear.com).
11. Shareholders have passed an Ordinary Resolution in the Annual General Meeting held on April 19, 2021 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 being 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.
12. 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](mailto:corplink786@gmail.com) and / or the Company: Mr. Tahir Maqsood, Phone No. 042-35751990, email address: [shareholders@servis.com](mailto:shareholders@servis.com).

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

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

### Item No. 4 of the Agenda - Renewal of investment in the form of working capital loan up to PKR 4.5 Billion (Rupees Four Billion Five Hundred Million Only) in Service Industries Limited, a holding / associated company

The members of Service Global Footwear Limited (SGFL) in their Annual General Meeting held on April 28, 2022 had renewed the investment in the form of working capital loan of up to PKR 4.5 Billion (Rupees Four Billion Five Hundred Million Only) in Service Industries Limited (SIL), a holding / associated company, as and when required by SIL, for a further period of one year till June 30, 2023 pursuant to the requirements of Section 199 of the Companies Act, 2017 at markup rate of 1 month KIBOR plus 5 bps, which shall not be less than the borrowing cost of the Company to be charged by SGFL on the amount of loan outstanding. An amount of PKR 377 Million is outstanding against this investment as on March 23, 2023.

# Notice of Annual General Meeting

The tenor of the working capital loan will be expiring on June 30, 2023. It is now proposed to renew the investment in the form of working capital loan of up to PKR 4.5 Billion for a further period of one year till June 30, 2024. All other terms and conditions of the investment will remain unchanged. The renewal of the working capital loan facility is subject to approval of the shareholders of SGFL in accordance with the requirements of Section 199 of the Companies Act, 2017.

Regulation No. 5(7) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 issued by SECP vide SRO 1240(I)/2017 dated December 06, 2017 requires that the Company shall not extend to an associated company or associated undertaking any loan or advance as running finance, revolving line of credit or any other similar facility for a period beyond one year provided that members may approve renewal of such loan or advance pursuant to section 199 of the Act. Further, Section 199(4) of the Companies Act, 2017 requires that no change in nature and terms and conditions of the investment shall be made except under the authority of a special resolution.

Accordingly, renewal of the working capital loan to Service Industries Limited is being presented to the members for approval through passing of special resolution to fulfill the requirements of the afore-mentioned law and regulations.

The Board of Directors of SGFL in their meeting held on March 30, 2023 has recommended the renewal of working capital loan of up to PKR 4.5 Billion for a further period of one year till June 30, 2024 subject to approval of special resolution by the shareholders.

None of the Directors, sponsors, majority shareholders of the Company and their relatives have any interest, directly or indirectly, in the proposed special resolution, except as stated below:

Service Global Footwear Limited do not hold any share in Service Industries Limited.

Chaudhry Ahmed Javed, Mr. Arif Saeed, Mr. Omar Saeed and Mr. Hassan Javed Directors of the Company, are also Directors of SIL.

Following are their present shareholdings in SIL:

Name of Director	Shareholding
Chaudhry Ahmed Javed	2,062,264
Mr. Arif Saeed and his spouse	5,136,666
Mr. Omar Saeed	4,765,824
Mr. Hassan Javed	9,064,524

Service Industries Limited (SIL), a holding / associated company, currently holds 79.75% shareholding in Service Global Footwear Limited. The shareholding of the Directors of Service Global Footwear Limited is as follows:

Name of Director	Shareholding
Chaudhry Ahmed Javed	1
Mr. Arif Saeed	782,001
Mr. Omar Saeed	1,455,501
Mr. Hassan Javed	1
Mr. Azmat Ali Ranjha	1
Mr. Abdul Rashid Lone	1
Ms. Maleeha Humayun Bangash	1
Mr. Hassan Ehsan Cheema	250,001
Mr. Qadeer Ahmed Vaseer	200,001

The Service Global Footwear Limited (SGFL) and its sponsors and directors have no interest, directly or indirectly in the Company except as stated above.

The following resolutions are proposed to be passed as special resolutions, with or without any modification.

**“Resolved that** pursuant to the requirements of Section 199 of the Companies Act, 2017, approval of the members of Service Global Footwear Limited (the “Company”) be and is hereby accorded and the Company be and is hereby authorized to renew the investment of up to PKR 4.5 Billion (Rupees Four Billion Five Hundred Million) in the form of working capital loan in Service Industries Limited, a holding / associated company, approved by the shareholders vide special resolution dated April 28, 2022 and expiring on June 30, 2023, for a further period of one year till June 30, 2024 with all other terms and conditions of the investment to remain unchanged.”

**Further resolved that** Mr. Hassan Javed, Chief Executive Officer and / or Mr. Arif Saeed, and / or Mr. Omar Saeed, Directors of the Company be and is hereby singly empowered and authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, deeds and things, that may be considered necessary or necessary for the purpose of implementing this resolution.”

**Item No. 5 of the Agenda - To approve the circulation of the annual audited financial statements to the members through QR enabled code and weblink by passing an ordinary resolution proposed in the statement of material facts**

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

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

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

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

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

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

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

# Notice of Annual General Meeting

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	Service Industries Limited
<b>Total Investment Approved</b>	Long term equity investment increased from Rs. 2,175,215,000 to up to Rs. 2,525,215,000 for purchase of 35,000,000 shares.	<ul style="list-style-type: none"> <li>- Working capital loan of up to Rs. 4.5 Billion for a period of one year till June 30, 2023.</li> <li>- Long-term loan of Rs. 2.5 Billion for a period of six years till June 30, 2027.</li> </ul>
<b>Amount of Investment made to date</b>	An investment of Rs. 2,423,316,500 has been made so far by the Company.	<ul style="list-style-type: none"> <li>- Investment made in the form of working capital loan amounting to Rs. 377 Million.</li> <li>- Investment made in the form of Long-term loan amounting to Rs. 2.25 Billion for a period of six years till June 30, 2027.</li> </ul>
<b>Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time</b>	No deviation. The validity of resolution for investment of up to Rs. 2,525,215,000 is three (3) years from April 28, 2022. The balance investment will be made as and when funds are required by the associated Company.	No deviation. The investment will be made as and when funds are required by the associated company.
<b>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</b>	<p>Investment was approved on December 30, 2020 and subsequently increased on April 28, 2022. The sponsors have injected Rs. 12,815,000,000 as equity and the associated company has commenced the commercial operations with effect from March 10, 2022.</p> <p>As per latest audited financial statements for the year ended June 30, 2022 the balance sheet size is Rs. 26.795 Billion, Loss after tax is Rs. 334,092,000 and Loss per share is Rs. 0.38.</p>	<p>There is no material change in the financial statements of the associated company since the date of passing of special resolution i.e., on June 30, 2021.</p> <p>As per latest audited financial statements for the year ended December 31, 2022 the balance sheet size is Rs. 40.250 Billion, Profit after tax is Rs. 354 Million and Earnings per share is Rs. 7.54.</p>



# Board of Directors



**Mr. Arif Saeed**  
Chairman / Non Executive Director



**Mr. Hassan Javed**  
Chief Executive Officer/ Executive Director



**Chaudhry Ahmed Javed**  
Non Executive Director



**Mr. Omar Saeed**  
Non Executive Director



**Mr. Azmat Ali Ranjha**  
Independent Director



**Mr. Abdul Rashid Lone**  
Independent Director



**Ms. Maleeha Humayun Bangash**  
Independent Director



**Mr. Qadeer Ahmed Vaseer**  
Executive Director



**Mr. Hassan Ehsan Cheema**  
Executive Director

## Group Executive Committee



**Mr. Hassan Javed**  
Chief Executive Officer

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



**Mr. Arif Saeed**  
Chairman / Director

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



**Mr. Omar Saeed**  
Director

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Long March Tyres (Private) Limited and Servis Foundation. Omar also serves as a Director on the Boards of Nestle Pakistan Limited, Systems Limited, Service Industries Limited, Service Global Footwear Limited and The Hunar Foundation. Omar has served as the Chief Executive Officer of Service Industries Limited (SIL) from 2011 to 2018. Under his stewardship, SIL won the highly prestigious Pakistan Stock Exchange Top 25 Companies Award for the years 2011, 2013, 2014 and 2015.

Prior to that, Omar was responsible for building Servis into one of Pakistan's largest footwear retailer, with 500 stores nationwide. He founded Ovex Technologies (Private) Limited in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011.

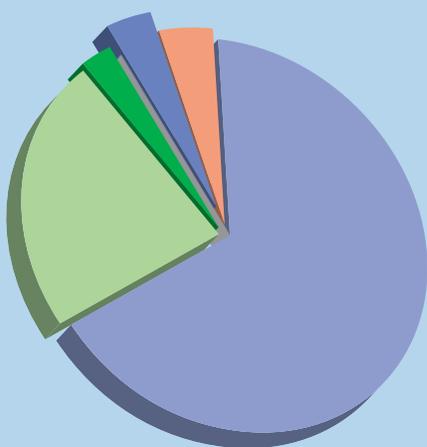
## Value Added and its Distribution

	2022		2021	
	(Rs in '000)	%	(Rs in '000)	%
<b>Wealth Generated</b>				
Sales	11,753,088		7,040,157	
Other Income	498,924		536,335	
Bought-in-material & Services	(8,031,958)		(4,621,583)	
	4,180,860	100%	2,954,909	100%
<b>Wealth Distributed</b>				
<b>To Employee</b>				
Remuneration , Benefits,and Facilities	2,820,602	67%	2,013,149	68%
<b>To Government</b>				
Taxation	345,891	8%	169,560	6%
Workers welfare fund	14,040	0%	11,689	0%
<b>To Society</b>				
Donation	4,226	0%	1,930	0%
<b>To Lenders</b>				
Dividend	-	0%	-	0%
Mark up & finance Cost	467,180	11%	184,057	6%
<b>Retained for Reinvestment &amp; Future Growth</b>				
Deperication	186,862	4%	171,371	6%
Retained Profit	342,059	8%	403,221	14%
Unappropriated profit,deperication & amortization	528,475	13%	574,592	19%
	4,180,860	100%	2,954,909	100%

# Wealth Generated and Distributed

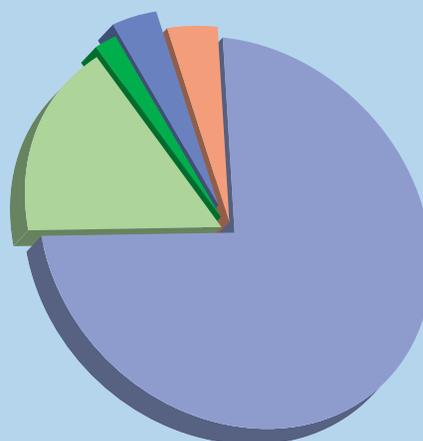
## 2022

	Amount	%
Bought in material & Services	8,031,958	65.77%
To Employees	2,820,602	23.10%
To Government	359,931	2.95%
To Society	4,226	0.03%
To Lenders	467,180	3.83%
Retained for reinvestment & Future Growth	528,921	4.33%
<b>Total</b>	<b>12,212,818</b>	<b>100%</b>



## 2021

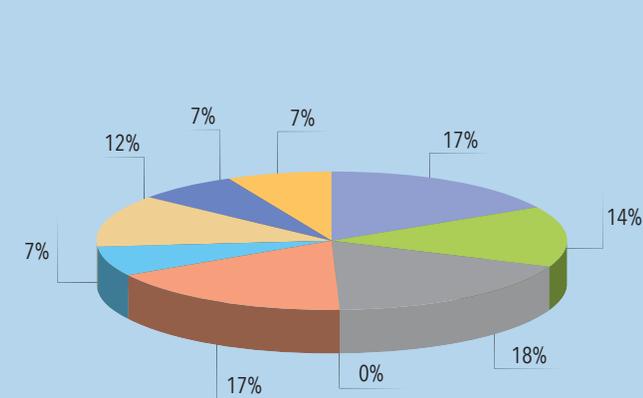
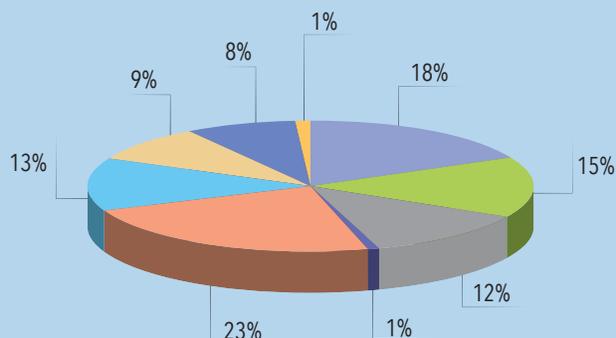
	Amount	%
Bought in material & Services	4,621,583	61.00%
To Employees	2,013,149	26.57%
To Government	181,249	2.39%
To Society	1,930	0.03%
To Lenders	184,057	2.43%
Retained for reinvestment & Future Growth	574,592	7.58%
<b>Total</b>	<b>7,576,560</b>	<b>100%</b>



# Balance Sheet Composition

## Fixed and Current Assets

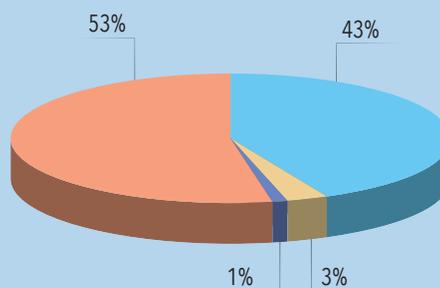
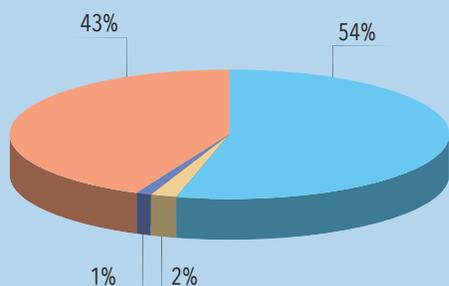
2022	
Fixed assets	18%
Long term investments	15%
Long term loans and deposits	12%
Stores and spares	1%
Stock in trade	23%
Trade debts - net	13%
Advances and prepayments	9%
Other receivables	8%
Cash and bank balances	1%



2021	
Fixed assets	17%
Long term investments	14%
Long term loans and deposits	18%
Stores and spares	0%
Stock in trade	17%
Trade debts - net	7%
Advances and prepayments	12%
Other receivables	7%
Cash and bank balances	7%

## Equities and Liabilities

2022	
Equity & Reserves	43%
Long term financing	3%
Non Current Liabilities	1%
Current liabilities	53%



2021	
Equity & Reserves	54%
Long term financing	2%
Non Current Liabilities	1%
Current liabilities	43%

"Growth and comfort  
do not coexist "

- Ginni Rometty

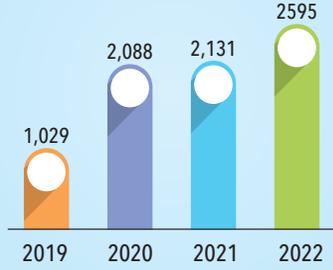


# Analytical Review

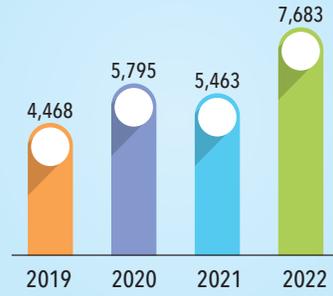
**Current Assets**



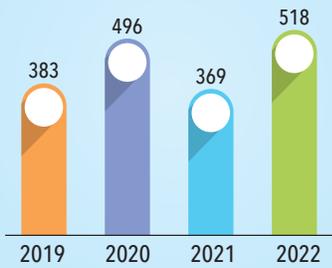
**Fixed Assets**



**Current Liabilities**



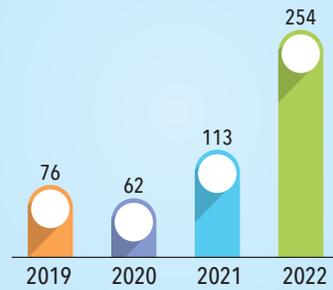
**Long Term Liabilities**



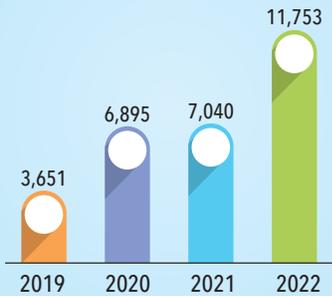
**Reserve**



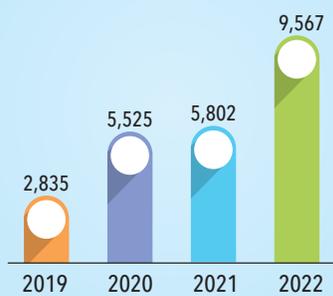
**Contribution to Exchequer**



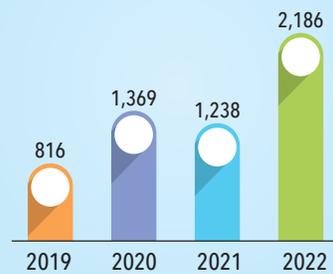
**Net Sales**



**Cost of Sales**



**Gross Profit**



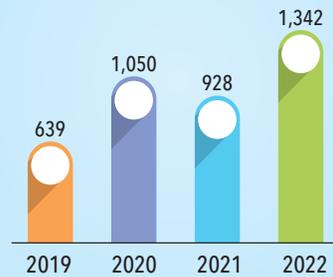
**Operating Profit**



**Net Profit**



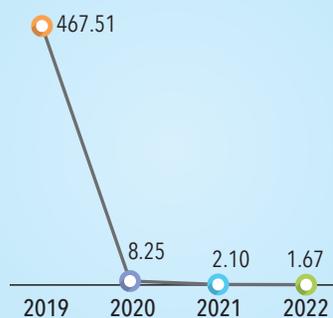
**EBITDA**



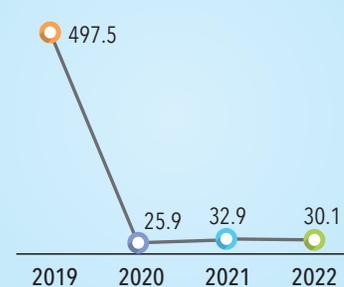
EBITDA Margins to Sales



Earning per share



Breakup Value



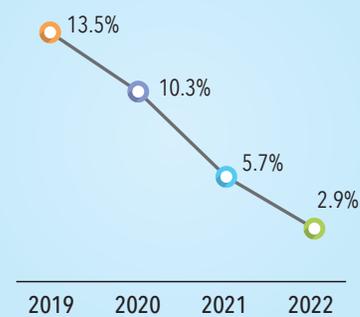
Gross Profit Margin



Return on Capital Employed



Net Profit Margin



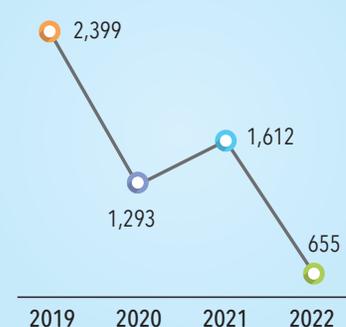
Cash Flows from Operating Activities



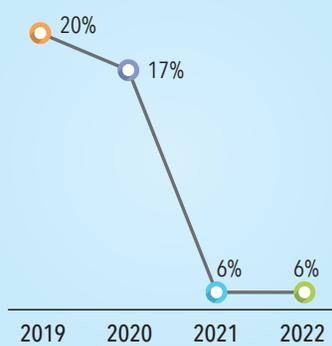
Cash Flows from Investing Activities



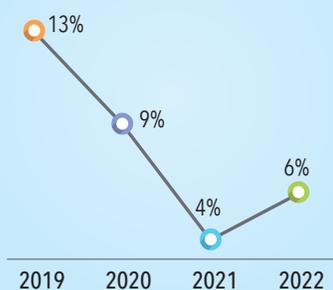
Cash Flows from Financing Activities



Return on Equity



Debt to Equity Ratio



## Three Years at a Glance

Description	2022	2021	2020
Sales	11,753	7,040	6,895
Gross profit	2,186	1,238	1,369
Operational profit	1,379	749	918
Profit before tax	688	573	777
Profit after tax	342	403	709
Share capital	205.09	204.44	163.55
Share holder's equity	6,165	6,729	4,231
Property, plant & equipment	2,595	2,131	2,088
Total assets	14,365	12,562	10,522
Net current assets	96	892	2,625
Market Value Per Share (Rs.)	33	46	-
<b>Dividend (%)</b>			
Cash - Interim	25	-	-
Cash - Final	10	20	-
Bonus Shares	-	-	-
<b>Profitability (%)</b>			
Gross Profit	18.60	17.58	19.86
Operational profit	0.12	0.11	0.13
Profit Before Tax	5.85	8.14	11.28
Profit After Tax	2.91	5.73	10.28
<b>Return to Shareholders</b>			
R.O.E - Before Tax (%)	11.16	8.51	18.38
R.O.E - After Tax (%)	5.54	5.99	16.75
E.P.S-After Tax (Rs.)	1.67	2.10	8.25
Price Earning Ratio	19.86	22.08	-
<b>Activity (Times)</b>			
Sales To Total Assets	0.82	0.56	0.66
Sales To Fixed Assets	4.53	3.30	3.30
Inventory Turnover Ratio	1.80	1.65	1.19
Interest Coverage Ratio	1.73	2.18	2.84
<b>Liquidity/Leverage</b>			
Current Ratio	1.01	1.16	1.45
Break-up Value per Share	30.06	32.92	25.87
Total Liabilities To Equity	1.33	0.87	1.49
Debt Equity Ratio	06:94	04:96	09:91



“There can be no sustainable development without sustainable energy development”

- Margot wallstorn

# Horizontal Analysis

	2022		2021		2020	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%
<b>Balance Sheet</b>						
Equity & Reserve	6,164,524	-8%	6,729,388	59.1%	4,230,787	68.4%
Long term financing facilities	360,852	43%	252,589	-35.8%	393,429	23.1%
Non Current Liability	157,391	35%	116,625	14.2%	102,118	60.0%
Current Liabilities	7,682,519	41%	5,463,321	-5.7%	5,795,184	29.7%
	<b>14,365,286</b>	<b>14%</b>	<b>12,561,923</b>	<b>19.4%</b>	<b>10,521,518</b>	<b>42.9%</b>

## Non-Current Asset

Property Plant and Equipment	2,594,578	22%	2,131,404	2.1%	2,087,874	102.9%
long term investment	2,217,650	23%	1,805,402	0.0%	-	0.0%
long term loan & deposit	1,774,206	-22%	2,270,404	16993.8%	13,282	-18.6%

## Current Asset

Stores and spares	81,956	90%	43,061	-1.1%	43,535	-12.5%
Stock in-trade	3,360,359	61%	2,093,095	51.6%	1,381,029	42.0%
Trade Debts	1,839,720	125%	817,714	-12.6%	936,041	32.2%
Loans & Advances	1,230,354	-21%	1,557,662	-50.5%	3,149,790	110.6%
Trade Deposits and Prepayments	12,988	98%	6,564	0.3%	6,546	-0.2%
Other receivables	1,091,855	21%	901,200	-45.3%	1,647,008	14541.8%
Cash and Balance	161,620	-83%	935,417	-25.5%	1,256,413	-83%
	<b>14,365,286</b>	<b>14%</b>	<b>12,561,923</b>	<b>19.4%</b>	<b>10,521,518</b>	<b>42.9%</b>

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

## Profit & Loss

Net Sales	11,753,088	66.9%	7,040,157	2.1%	6,894,711	88.9%
Cost of Sales	9,567,437	64.9%	5,802,423	5.0%	5,525,411	94.9%
Gross Profit	2,185,651	76.6%	1,237,734	-9.6%	1,369,300	67.9%
Administration and selling expenses	1,490,251	50.4%	1,017,231	17.3%	867,498	77.4%
Other income	683,804	36.9%	528,133	13.8%	464,069	87.5%
Operating profit	1,379,204	84.2%	748,636	-22.5%	965,871	68.3%
Financial charges	467,180	153.8%	184,057	31.2%	140,320	123.9%
Share of profit	(224,074)	-2831.9%	8,202	-117.0%	(48,110)	-337.6%
Profit before taxation	687,950	20.1%	572,781	-26.3%	777,441	46.2%
Provision for taxation	345,891	104.3%	169,560	147.0%	68,646	79.8%
Profit after taxation	342,059	-15.2%	403,221	-43.1%	708,795	43.6%

## Vertical Analysis

	2022		2021		2020		2019	
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
	Rs '000	%						
<b>Balance Sheet</b>								
Equity & Reserve	6,164,524	42.9%	6,729,388	53.6%	4,230,787	40.2%	2,512,143	34.1%
Long term financing facilities	360,852	2.5%	252,589	2.0%	393,429	3.7%	319,484	4.3%
Non Current Liability	157,391	1.1%	116,625	0.9%	102,118	1.0%	63,817	0.9%
Current Liabilities	7,682,519	53.5%	5,463,321	43.5%	5,795,184	55.1%	4,468,062	60.7%
	<b>14,365,286</b>	<b>100.0%</b>	<b>12,561,923</b>	<b>100.0%</b>	<b>10,521,518</b>	<b>100.0%</b>	<b>7,363,506</b>	<b>100.0%</b>

### Non-Current Asset

Property Plant and Equipment	2,594,578	18.1%	2,131,404	17.0%	2,087,874	19.8%	1,029,030	14.0%
long term investment	2,217,650	15.4%	1,805,402	14.4%	-	0.0%	-	0.0%
long term loan & deposit	1,774,206	12.4%	2,270,404	18.1%	13,282	0.1%	16,318	0.2%

### Current Asset

Stores and spares	81,956	0.6%	43,061	0.3%	43,535	0.4%	36,112	0.5%
Stock in-trade	3,360,359	23.4%	2,093,095	16.7%	1,381,029	13.1%	1,577,779	21.4%
Trade Debts	1,839,720	12.8%	817,714	6.5%	936,041	8.9%	659,099	9.0%
Loans & Advances	1,230,354	8.6%	1,557,662	12.4%	3,149,790	29.9%	2,382,786	32.4%
Trade Deposits and Prepayments	12,988	0.1%	6,564	0.1%	6,546	0.1%	3,108	0.0%
Other receivables	1,091,409	7.6%	901,200	7.2%	1,647,008	15.7%	1,650,692	22.4%
Cash and Balance	161,620	1.1%	935,417	7.4%	1,256,413	11.9%	8,582	0.1%
	<b>14,365,286</b>	<b>100.0%</b>	<b>12,561,923</b>	<b>100.0%</b>	<b>10,521,518</b>	<b>100.0%</b>	<b>7,363,506</b>	<b>100.0%</b>

	2022		2021		2020		2019	
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
	Rs '000	%						

### Profit & Loss

Net Sales	11,753,088	100.0%	7,040,157	100.0%	6,894,711	100.0%	3,650,875	100.0%
Cost of Sales	9,567,437	81.4%	5,802,423	82.4%	5,525,411	80.1%	2,835,367	77.7%
Gross Profit	2,185,651	18.6%	1,237,734	17.6%	1,369,300	19.9%	815,508	22.3%
Administration and selling expenses	1,490,251	13.0%	1,017,231	14.4%	867,498	12.6%	488,983	13.4%
Other income	683,804	6.2%	528,133	7.5%	464,069	6.7%	247,517	6.8%
Operating profit	1,379,204	11.7%	748,636	10.6%	965,871	14.0%	574,042	15.7%
Financial charges	467,180	4.0%	184,057	2.6%	140,320	2.0%	62,678	1.7%
Share of profit	(224,074)	-1.9%	8,202	0.1%	(48,110)	-0.7%	20,248	0.6%
Profit before taxation	687,950	5.9%	572,781	8.1%	777,441	11.3%	531,612	14.6%
Provision for taxation	345,891	2.9%	169,560	2.4%	68,646	1.0%	38,185	1.0%
Profit after taxation	342,059	-2.9%	403,221	5.7%	708,795	10.3%	493,427	13.5%

## Chairman's Review

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of Service Global Footwear Limited ("the Company") showing overall performance of the Company and effectiveness of the leadership in attaining the Company's aims and objectives for the year ended December 31, 2022.

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

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

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

During the financial year 2022, the Board successfully achieved targets and objectives set for the growth of the Company by performing the following functions:

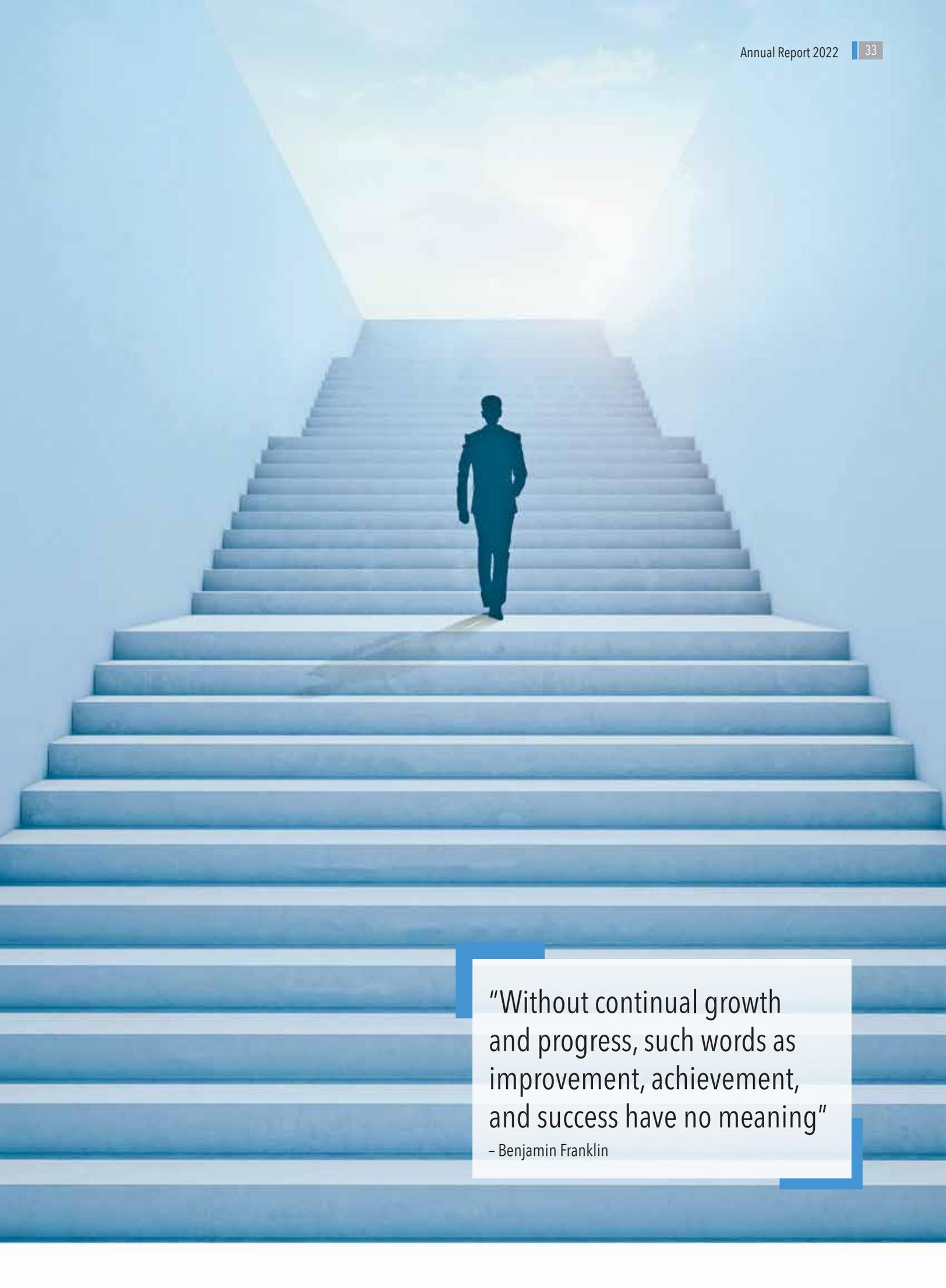
- Ensured effective and robust oversight.
- Supervised overall corporate strategy, key financial performance indicators and other budgetary targets.
- Ensured the quality and appropriateness of financial reporting and the transparency of disclosures.
- Carried out risk assessment especially relating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

The Board of the company is fully committed to add value to the shareholders' wealth. Consistent with our commitment to provide steady returns to our shareholders, the Board is pleased to propose a final dividend of Rs. 1/- per share.



**Arif Saeed**  
Chairman

March 30, 2023  
Lahore



“Without continual growth and progress, such words as improvement, achievement, and success have no meaning”

– Benjamin Franklin

## Directors' Report to the Shareholders

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

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017. This report is to be submitted to the members at the Annual General Meeting of the Company to be held on April 28, 2023.

SGFL has been in the footwear business, with manufacturing facilities fully focused on production of footwear products for export markets. SGFL is the largest exporter of footwear from Pakistan. Its primary target market is the comfort shoe category and also its key revenue driver. The Company's registered Head Office is located at Servis House 2 Main Gulberg, Lahore.

### KEY PERFORMANCE INDICATORS (KPIs) FOR FY 2022 V/S FY 2021

Please find below key performance indicators of Service Global Footwear Limited (SGFL) for the year ended December 31, 2022 compared against financial results year ended December 31, 2021.

PARTICULARS	2022		2021		%
	Amount In Thousands	Percentage To Sales	Amount In Thousands	Percentage To Sales	
Net Sales	11,753,088		7,040,157		67%
Gross Profit	2,185,651	19%	1,237,734	18%	77%
Operating Profit	1,379,204	12%	748,636	11%	84%
Profit before tax	687,950	6%	572,781	8%	20%
Net profit after tax	342,059	3%	403,221	6%	-15%
Earning Per Share (EPS)	1.67		2.10		-20%

SGFL has recorded exceptional sales of Rs.11.75 billion in year 2022 which are 66.94% higher than last year. In spite of local challenges, increase in wages and massive inflation, SGFL has been able to achieve growth of 84% in its operational profit over last year from Rs. 748 million in 2021 to Rs. 1.38 billion in 2022.

SGFL investment in SLM has caused a loss of 224 million which has brought the profit before tax to 687 million which is 20% higher than last year. However, in this year, we are hopeful that SLM will start delivering a positive bottom line which will positively contribute to profit of SGFL.

SGFL is poised to leverage its structured approach towards growth and holds firm on its commitment to add great value for its shareholders.

### EARNING PER SHARE (EPS)

The earnings per share of the Company stood at PKR 1.67 during the year ended 31st December 2022 as compared to PKR 2.10 during last year reflecting a decrease of 20%. The main reasons for reduction in EPS escalated input material prices, higher international freight costs and increase in minimum wage. The management is making every possible effort to improve the profitability of the company.

### KEY OPERATING AND FINANCIAL DATA OF PREVIOUS YEARS

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

### EVALUATION OF COMPANY PERFORMANCE

The Board has developed a mechanism of regular performance evaluation. Every member of the Board ensures their active participation in 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.

The management ensures that the Company adopts the best practices of corporate governance. The management also reviews performance of business at each quarter with an aim to improve performance against budget and last year. Moreover, the company has not defaulted in payment of any debts during the year.

### 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. Based on 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)

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

##### a) Asia's First Solar Powered Footwear Factory

In September 2017, SGFL completed the installation of a 1MW Solar Power Park and enhanced the capacity to 2MW in September 2019, becoming the first solar powered footwear factory in Asia. SGFL was the first company to represent Pakistan on Green Initiative on WTO forum Geneva earlier this year.

##### b) Industrial Relations

SGFL is Business Social Compliance Initiative (BSCI) certified, promoting workplace conditions in accordance with human



# Directors' Report to the Shareholders

rights, ILO conventions and national labor law. Additionally, SGFL has been a member of SEDEX Global since 2015, ensuring our dedication to driving improvements in responsible and ethical business practices in the global supply chain and providing over 10,000 employees the best working conditions for increased productivity.

## c) Employment of females and persons with disability

SGFL is proud to be an equal opportunity employer and encourages the participation of females and persons with special needs in the workforce. SGFL has taken steps to create a work environment conducive to females by dedicating separate production lines in Muridke Footwear factories, employing over 171 females currently.

## d) International Standards and qualifications.

SGFL has gone through an extensive project of Integrated Management system(IMS) and has qualified and certified now on three international standards in February 2022.

- ISO 9001:2015            Quality Management
- ISO 14001:2015        Environmental Management
- ISO 45001:2018        Occupational Safety

In addition to this, SGFL has also become the first shoe company in the country to have its inhouse laboratory certified under following standard.

- ISO 17025/2017        Laboratory Management System

In continuity of our commitments to remain one of the most complaint companies on international standards, we have taken some further standards to qualify this year.

## e) Consumer Protection Measures

SGFL is also a member of SATRA Technologies since 2010 who conduct research and tests on footwear and leather products to ensure that the product is comfortable, safe, performs well and is durable.

## f) Business Ethics and Anti-Corruption Measures

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

## g) Contribution to National Exchequer

SGFL has a significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2022, SGFL contributed PKR 254 million on this account.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

SGFL has been formed with the vision to become a socially conscious business entity following its parent group's tradition of corporate giving. Over the last several decades, the Group has been involved in significant philanthropic undertakings in health and education. SGFL'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.

During the year, the Company contributed PKR 4.226 million on account of CSR activities.

## FUTURE OUTLOOK

Year-2022 witnessed exceptional growth which was ever highest in the history of SGFL. This growth came with spirited sales and product development efforts which were thoroughly supported by rapid expansion in capacity.

One of the highlights of 2022 is forming a strategic alliance with one of the biggest footwear companies in the United States. It carries a tremendous potential of expansion and growth in coming years. We have added dedicated production lines under this agreement.

We are also in discussions with one of the most renowned European brands to start its sourcing from SGFL in near future. Initial steps are completed and we will start its production in 2nd quarter of 2023. This will add a great value to our customer portfolio, and consequently it will inspire our growth efforts.

Our investment towards safety footwear development has matured into a solid product line. Now we have multiple current era (CE) marked products to sell in Europe in year-2023 and beyond.

Our operations in China have been augmented through the incorporation of a Chinese subsidiary named, "Dongguan Service Global Limited". Now we have our own development center, sales office, and procurement setup in the hub of global footwear sourcing. This provides us a great competitive edge against other regional manufacturers on various fronts that includes technology, development efficiency, cost control, and sales drive.

In spite of local challenges in our country, SGFL is well structured to continue its growth momentum and holds its commitment to add great value to its shareholders.

## ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is determined to meet and wherever possible, exceed in all legal and ethical requirements and to conduct all businesses according to the highest professional and ethical standards and practices. The Board defines a path of continuous improvement constantly challenging existing processes. It also requires the Company to embrace change so that the Company is in the right

place when new opportunities open. This also means attracting the best talent in the marketplace and giving them the skills and opportunities, they need to become high achievers. The Company constantly reviews its portfolio to provide answers to society's most vital challenges, enabling it to create sustainable value for its shareholders.

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

#### STATEMENT OF COMPLIANCE

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

#### DIRECTORS' STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained by the Company.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements.
- e. The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. The Key operating and financial data for the last two 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.

#### DIRECTORS' REMUNERATION

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

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

During the year ended December 31, 2022, the following amounts were charged in the financial statements for remuneration including benefits to Chief Executive Officer and Executive Directors:

- a) Rs. 72.312 million (2021: 64.730 million) was paid to the Chief Executive Officer.
- b) Rs. 49.723 million (2021: 32.657 million) was paid to two Executive Directors.

#### MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, four (4) meetings of the Board of Directors of the Company were held, and the attendance position is as follows:

NAME	DESIGNATION	ATTENDEES
Mr. Arif Saeed	Chairman	4/4
Mr. Hassan Javed	Chief Executive Officer	4/4
Chaudhry Ahmed Javed	Director	0/4
Mr. Omar Saeed	Director	3/4
Mr. Azmat Ali Ranjha	Director	4/4
Mr. Abdul Rashid Lone	Director	3/4
Ms. Maleeha Humayun Bangash	Director	4/4
Mr. Hassan Ehsan Cheema	Director	4/4
Mr. Qadeer Ahmed Vaseer	Director	4/4

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

The Board has constituted two (02) Committees i.e. Audit Committee and Human Resource and Remuneration Committee. The Committees comprised of following members:



### AUDIT COMMITTEE

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

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

NAME	DESIGNATION	ATTENDEES
Mr. Abdul Rashid Lone	Chairman / Independent Director	3/4
Mr. Omar Saeed	Member / Non-Executive Director	4/4
Ms. Maleeha Humayun Bangash	Member / Independent Director	3/4

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resource & Remuneration Committee comprises of three members one of whom is Independent Director, one is Non-Executive Director and one is Executive Director. The chairman of the Committee is an Independent Director. The Committee is involved in making recommendations to the Board regarding executives' remuneration, performance evaluation and succession planning etc. The Committee held three (3) meetings during the year. Attendance by each member was as follows:

NAME	DESIGNATION	ATTENDEES
Mr. Azmat Ali Ranjha	Chairman / Independent Director	3/3
Mr. Hassan Javed	Member / Executive Director	3/3
Mr. Omar Saeed	Member / Non-Executive Director	3/3

### PATTERN OF SHAREHOLDING

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

### EXTERNAL AUDITORS

The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offered themselves for re-appointment. The Board of Directors recommended their re-appointment as auditors of the Company for the financial year ending December 31, 2023.

### INVESTMENTS IN RETIREMENT BENEFITS

The Company maintains retirement benefits plans for its employees which are regulated through the respective Board of trustees.

### POST BALANCE SHEET EVENT

No material changes and commitments affecting the financial position of the Company occurred between 31 December 2022 and March 30, 2023 except for the declaration of the final cash dividend of Rupees 1 per share (i.e. 10%) for the year ended 31 December 2022 which is subject to the approval of members in the forthcoming annual general meeting and as disclosed in the accompany audited financial statements of the company for the year ended 31 December 2022 more specifically in Note 47.

### ACKNOWLEDGEMENT

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**  
CHAIRMAN



**Hassan Javed**  
CHIEF EXECUTIVE OFFICER

March 30, 2023  
Lahore

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

**Name of Company:** Service Global Footwear Limited  
**Year ended:** 31 December 2022

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

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

- a. Male: 8
- b. Female: 1

2. The composition of the Board is as follows:

Category	Names
Independent Directors	Mr. Azmat Ali Ranjha Mr. Abdul Rashid Lone Ms. Maleeha Humayun Bangash (Female Director)
Non-Executive Directors	Mr. Arif Saeed Chaudhry Ahmed Javed Mr. Omar Saeed
Executive Directors	Mr. Hassan Javed Mr. Hassan Ehsan Cheema Mr. Qadeer Ahmed Vaseer

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

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

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

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;

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

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

9. Following Directors have attained the directors training program certification:

Names of Directors
Mr. Omar Saeed
Mr. Hassan Javed
Mr. Azmat Ali Ranjha
Ms. Maleeha Humayun Bangash

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

Name of Director
Mr. Arif Saeed

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. Abdul Rashid Lone	Chairman
Mr. Omar Saeed	Member
Ms. Maleeha Humayun Bangash	Member

**b) HR and Remuneration Committee**

Names	Designation held
Mr. Azmat Ali Ranjha	Chairman
Mr. Hassan Javed	Member
Mr. Omar Saeed	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 year ended 31 December 2022.

**b) HR and Remuneration Committee**

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

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

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:



Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	<b>Responsibilities of the Board and its members</b> 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	<b>Directors' Training</b> It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	4 out of 9 directors of the Company have acquired Directors' Training Program certification. One director is exempt from Directors' Training Program. The Company has planned to arrange Directors' Training Program certification for remaining 4 directors by end of next financial year.	19(1)
3	<b>Directors' Training</b> Companies are encouraged to arrange training for at least one head of department every year under the Directors' Training program from July 2022.	The Company has planned to arrange Directors' Training Program certification for head of departments over the next few years.	19(3)
4	<b>Nomination Committee</b> 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
5	<b>Risk Management Committee</b> 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
6	<b>Disclosure of significant policies on website</b> 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**  
Chairman



**Hassan Javed**  
Chief Executive

March 30, 2023  
Lahore

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

To the members of Service Global Footwear Limited

### Report on the Audit of the Financial Statements

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 Global Footwear Limited (the Company) for the year ended 31 December 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2022.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Lahore.

Date: March 30, 2023

**UDIN: CR202210158GrBdIWvXO**

# INDEPENDENT AUDITOR'S REPORT

## To the members of Service Global Footwear Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Service Global Footwear Limited (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Revenue recognition</b></p> <p>The Company recognized net revenue of Rupees 11,753.088 million for the year ended 31 December 2022.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator 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"> <li>- Summary of significant accounting policies, Revenue recognition note 2.24 to the financial statements.</li> <li>- Revenue note 27 to the financial statements.</li> </ul>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• 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 period;</li> <li>• Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers';</li> <li>• We also considered the appropriateness of disclosures in the financial statements.</li> </ul>
2	<p><b>Stock-in-trade</b></p> <p>As at 31 December 2022, stock-in-trade is stated at Rupees 3,360.359 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 23.39% of total assets of the Company as at 31 December 2022, and the judgement involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> <li>• Summary of significant accounting policies, Stock-in-trade note 2.21 to the financial statements.</li> <li>• Stock-in-trade note 19 to the financial statements.</li> </ul>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values;</li> <li>• Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data;</li> <li>• 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 period;</li> <li>• 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</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

Sr.No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> <li>• Assessing accuracy of inventory ageing reports and adequacy of provisions;</li> <li>• 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;</li> </ul>

### 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 year 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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 30, 2022

**UDIN : AR2022101585qI9M07wm**



# Financial Statements



# Statement of Financial Position

As at December 31, 2022

	Note	2022 Amount Rupees in thousand	2021 Amount
<b>Equity and liabilities</b>			
<b>Share capital and reserves</b>			
Authorized share capital 250,000,000 (2021: 250,000,000) ordinary shares of Rupees 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up share capital	3	2,050,875	2,044,375
Reserves	4	4,113,649	4,685,013
<b>Total equity</b>		<b>6,164,524</b>	<b>6,729,388</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	5	360,852	252,589
Employees' retirement benefit	6	157,391	113,864
Deferred liabilities	7	-	2,761
		<b>518,243</b>	<b>369,214</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,972,206	1,359,804
Accrued mark-up	9	176,187	31,064
Short term borrowings	10	5,488,314	3,924,075
Current portion of non-current liabilities	11	40,962	148,378
Unclaimed dividend		4,850	-
		<b>7,682,519</b>	<b>5,463,321</b>
<b>Total liabilities</b>		<b>8,200,762</b>	<b>5,832,535</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,365,286</b>	<b>12,561,923</b>

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

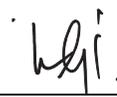


Hassan Javed  
(Chief Executive)

		<b>2022</b>	2021
	Note	<b>Amount</b>	Amount
		Rupees in thousand	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	<b>2,594,578</b>	2,131,404
Long term security deposits	14	<b>10,572</b>	11,116
Long term loans to employees	15	<b>13,634</b>	9,288
Long term investment	16	<b>2,217,650</b>	1,805,402
Long term loan to Holding Company	17	<b>1,750,000</b>	2,250,000
		<b>6,586,434</b>	6,207,210
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	18	<b>81,956</b>	43,061
Stock-in-trade	19	<b>3,360,359</b>	2,093,095
Trade debts	20	<b>1,839,720</b>	817,714
Loans and advances	21	<b>1,230,354</b>	1,557,662
Accrued mark-up	22	-	57,837
Short term deposits and prepayments	23	<b>12,988</b>	6,564
Other receivables	24	<b>871,505</b>	496,022
Advance income tax - net	25	<b>220,350</b>	347,341
Cash and bank balances	26	<b>161,620</b>	935,417
		<b>7,778,852</b>	6,354,713
<b>TOTAL ASSETS</b>		<b>14,365,286</b>	12,561,923



Arif Saeed  
(Director)



Usman Liaqat  
(Chief Financial Officer)

# Statement of Profit or Loss

For the year ended December 31, 2022

	Note	2022 Amount Rupees in thousand	2021 Amount
Revenue	27	<b>11,753,088</b>	7,040,157
Cost of sales	28	<b>(9,567,437)</b>	(5,802,423)
<b>Gross profit</b>		<b>2,185,651</b>	1,237,734
Distribution cost	29	<b>(920,784)</b>	(562,260)
Administrative expenses	30	<b>(523,342)</b>	(419,766)
Other expenses	31	<b>(46,125)</b>	(35,205)
		<b>(1,490,251)</b>	(1,017,231)
Other income	32	<b>695,400</b>	220,503
Profit from operations		<b>683,804</b>	528,133
Finance cost	33	<b>(467,180)</b>	(184,057)
		<b>912,024</b>	564,579
Share of (loss) / profit of equity accounted investee - net of taxation		<b>(224,074)</b>	8,202
Profit before taxation		<b>687,950</b>	572,781
Taxation	34	<b>(345,891)</b>	(169,560)
Profit after taxation		<b>342,059</b>	403,221
Earnings per share - basic (rupees)	35	<b>1.67</b>	2.10
<b>EARNINGS PER SHARE - DILUTED (RUPEES)</b>	35	<b>1.67</b>	2.10

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



Hassan Javed  
(Chief Executive)



Arif Saeed  
(Director)



Usman Liaqat  
(Chief Financial Officer)

# Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>Profit after taxation</b>	<b>342,059</b>	403,221
<b>Other comprehensive loss</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurements of employees' retirement benefit obligation income - net of tax	(16,860)	(1,492)
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-
<b>Other comprehensive loss for the year - net of tax</b>	<b>(16,860)</b>	(1,492)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>325,199</b>	401,729

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



Hassan Javed  
(Chief Executive)



Arif Saeed  
(Director)



Usman Liaqat  
(Chief Financial Officer)

# Statement of Changes in Equity

For the year ended December 31, 2022

	Reserves						Total equity
	Capital reserves			Revenue Reserve		Total	
	Reserve for issuance of bonus shares	Share premium	Share options reserve	Un-appropriated profit			
<b>Balance as at 31 December 2020</b>	1,635,500	1,390,684	-	1,204,603	2,595,287	4,230,787	
<b>Transactions with owners:</b>							
Issue of ordinary shares fully paid-up in cash	408,875	-	1,766,340	-	-	1,766,340	2,175,215
Share issuance costs	-	-	(97,066)	-	-	(97,066)	(97,066)
Recognition of share options reserve	-	-	-	18,723	-	18,723	18,723
Profit for the year	408,875	-	1,669,274	18,723	-	1,687,997	2,096,872
Other comprehensive loss for the year	-	-	-	403,221	403,221	403,221	403,221
Total comprehensive income for the year	-	-	-	(1,492)	401,729	(1,492)	(1,492)
	-	-	-	-	401,729	401,729	401,729
<b>Balance as at 31 December 2021</b>	2,044,375	1,390,684	1,669,274	18,723	1,606,332	4,685,013	6,729,388
<b>Transactions with owners:</b>							
Final dividend for the year ended 31 December 2021 @ Rupees 2 per share	-	-	-	-	(408,875)	(408,875)	(408,875)
Interim dividend for the year ended 31 December 2022 @ Rupees 2.5 per share	-	-	-	-	(512,719)	(512,719)	(512,719)
Ordinary shares issued under Employees Stock Option Scheme	6,500	-	18,723	(18,723)	-	-	6,500
Recognition of share options reserve	-	-	-	25,031	-	25,031	25,031
Profit for the year	6,500	-	18,723	6,308	(921,594)	(896,563)	(890,063)
Other comprehensive loss for the year	-	-	-	-	342,059	342,059	342,059
Total comprehensive income for the year	-	-	-	-	(16,860)	(16,860)	(16,860)
	-	-	-	-	325,199	325,199	325,199
<b>Balance as at 31 December 2022</b>	2,050,875	1,390,684	1,687,997	25,031	1,009,937	4,113,649	6,164,524

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



Hassan Javed  
(Chief Executive)



Arif Saeed  
(Director)



Usman Liaqat  
(Chief Financial Officer)

# Statement of Cash Flows

For the year ended December 31, 2022

	Note	2022 Amount Rupees in thousand	2021 Amount
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH (USED IN) / GENERATED FROM OPERATIONS</b>	36	<b>(1,929,900)</b>	670,909
Finance cost paid		(317,080)	(166,584)
Income tax paid		(221,661)	(103,321)
Workers' profit participation fund paid		(18,300)	(30,104)
Workers' welfare fund paid		(11,455)	(15,866)
Employees' retirement benefit paid		(2,978)	(3,691)
Net decrease in long term loans to employees		(6,579)	(2,556)
Net decrease / (increase) in security deposits		796	(4,951)
Insurance claim received against loss of assets due to fire and business interruption loss		477,492	-
<b>NET CASH (USED IN) / GENERATED FROM OPERATIONS</b>		<b>(2,029,665)</b>	343,836
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on fixed assets		(684,225)	(214,979)
Interest on term deposit receipts and saving accounts received		28,115	32,070
Loans given to Holding Company		(9,886,995)	(3,008,311)
Loans repaid by Holding Company		11,156,097	2,403,500
Interest on loans to Holding Company received		599,986	297,793
Investment made		(636,322)	(1,786,995)
Insurance claim received against loss on operating fixed assets and capital work-in-progress due to fire		18,101	-
Proceeds from disposal of operating fixed assets		6,270	88
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>601,027</b>	(2,276,834)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital - net of share issuance costs		-	2,078,149
Proceeds from exercise of share options		6,500	-
Proceeds from long term financing		149,306	5,303
Repayment of long term financing		(148,460)	(137,568)
Short term borrowings - net		1,564,239	(333,882)
Dividends paid		(916,744)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>654,841</b>	1,612,002
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(773,797)</b>	(320,996)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>935,417</b>	1,256,413
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>161,620</b>	935,417

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



Hassan Javed  
(Chief Executive)



Arif Saeed  
(Director)



Usman Liaquat  
(Chief Financial Officer)

# Notes to the Financial Statements

For the year ended December 31, 2022

## 1 THE COMPANY AND ITS OPERATIONS

1.1 Service Global Footwear Limited (the Company) 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 registered office of the Company is located at 2- Main Gulberg, Lahore. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. The Company is the subsidiary of Service Industries Limited.

### 1.2 Geographical location

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

Offices, Manufacturing units, Retail outlets	Addresses
Registered Office and Head Office	Servis House, 2 – Main Gulberg, Lahore
Factory site	10 - KM, Muridke – Sheikhpura Road, Lahore
Land for factory site	Hadbast Manga Otar, Raiwind, Lahore
Factory outlet	10 - KM, Muridke – Sheikhpura Road, Lahore

## 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) 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.

**vi) Provisions**

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

**vii) 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.

**viii) Impairment of investment in equity method accounted for associate**

In making an estimate of recoverable amount of the Company's investments in equity method accounted for associate, the management considers future cash flows.

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

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

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

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

# Notes to the Financial Statements

For the year ended December 31, 2022

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

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

**2.2 Functional and presentation currency**

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

**2.3 Foreign currency transactions and translation**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year 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.

# Notes to the Financial Statements

For the year ended December 31, 2022

## iii) **Compensated absences**

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

## 2.5 **Taxation**

### **Current**

Provision for current tax is based on the taxable income for the 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.

### **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 is stated at cost less accumulated impairment loss.

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

### **Depreciation**

Depreciation on operating fixed assets 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 13.1. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

### **De-recognition**

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

### Capital work-in-progress

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

### 2.9 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.

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

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

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

### 2.12 Employees' share option scheme

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

At the grant date of share options to the employees, the 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.

# Notes to the Financial Statements

For the year ended December 31, 2022

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

## 2.13 Investment in associate - (with significant influence)

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

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

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

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

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

## 2.14 Ijarah contracts

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

## 2.15 Investments and other financial assets

### a) Classification

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

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

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

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

### b) Measurement

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

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

## Debt instruments

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

### Amortized cost

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

### Fair value through other comprehensive income (FVTOCI)

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

### Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized 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 recognized in other income / (other expenses) in the statement of profit or loss as applicable.

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

## 2.16 Financial liabilities - classification and measurement

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

# Notes to the Financial Statements

For the year ended December 31, 2022

## 2.17 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

At each reporting date, the Company assesses whether financial assets carried at 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 Company on terms that the Company would not consider otherwise;

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

## 2.18 De-recognition of financial assets and financial liabilities

### a) Financial assets

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

### b) Financial liabilities

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

## 2.19 Offsetting of financial instruments

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

## 2.20 Impairment of non-financial assets

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

## 2.21 Inventories

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

### Stores, spares and loose tools

Usable stores, spares 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, labor and appropriate manufacturing overheads |
| (iii) Finished goods purchased for resale:   | Moving average   |

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

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

# Notes to the Financial Statements

For the year ended December 31, 2022

## 2.22 Trade and other payables

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

## 2.23 Trade and other receivables

Trade debts are initially 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 recognized 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 recognized 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 recognized as interest accrues using the effective interest method. This is a method of calculating the amortized 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.

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

### 2.31 Cash and cash equivalents

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

### 2.32 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and 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.

### 2.33 Earnings per share - basic and diluted

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 2.34 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.

### 2.35 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.

### 2.36 Derivative financial instruments

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

### 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 recognized 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 recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

# Notes to the Financial Statements

For the year ended December 31, 2022

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 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.

## 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.

## 3. Issued, Subscribed and Paid-Up Share Capital

	2022	2021	2022	2021
	(Number of shares)		(Rupees in thousand)	
Ordinary shares of Rupees 10 each fully paid up in cash	54,437,500	54,437,500	544,375	544,375
Ordinary shares of Rupees 10 each issued pursuant to the Scheme (Note 3.1.1)	150,000,000	150,000,000	1,500,000	1,500,000
Ordinary share of Rupees 10 each issued under Employees Stock Option Scheme	650,000	-	6,500	-
	<b>205,087,500</b>	204,437,500	<b>2,050,875</b>	2,044,375

## 3.1 Movement during the year

	2022	2021	2022	2021
	(Number of shares)		(Rupees in thousand)	
Balance at the beginning of the year	204,437,500	163,550,000	2,044,375	1,635,500
Issue of ordinary shares of Rupees 10 each fully paid-up in cash	-	40,887,500	-	408,875
Issue of ordinary shares of Rupees 10 each under Employees Stock Option Scheme	650,000	-	6,500	-
Balance at the end of the year	<b>205,087,500</b>	204,437,500	<b>2,050,875</b>	2,044,375

**3.1.1** As on 25 June 2020 (completion date for the purpose of the Scheme of Compromises, Arrangement and Reconstruction [the Scheme] under section 279 to 283 and 285 of the Companies Act, 2017 between Service Industries Limited and its members and Service Global Footwear Limited and its members), net assets including surplus on revaluation of land, building and plant and machinery of the Company amounting to Rupees 2,890.684 million had been determined by Service Industries Limited - Holding Company in accordance with approved accounting standards as applicable in Pakistan. In return, the Company issued share capital of Rupees 1,500 million (150,000,000 ordinary shares of Rupees 10 each) to Service Industries Limited - Holding Company. Resultantly, capital reserve for issuance of bonus shares of Rupees 1,390.684 million was recorded in the books of account of the Company.

3.2 163,550,000 (2021: 163,550,000) ordinary shares of the Company are held by Service Industries Limited - Holding Company.

	2022	2021
	Amount	Amount
	Rupees in thousand	
<b>4 RESERVES</b>		
<b>Composition of reserves is as follows:</b>		
<b>Capital reserves</b>		
Reserve for issuance of bonus shares	(Note 3.1.1) <b>1,390,684</b>	1,390,684
Share premium	(Note 4.1) <b>1,687,997</b>	1,669,274
Share options reserve	(Note 4.2) <b>25,031</b>	18,723
	<b>3,103,712</b>	3,078,681
<b>Revenue reserve</b>		
Un-appropriated profit	<b>1,009,937</b>	1,606,332
	<b>4,113,649</b>	4,685,013

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

#### 4.2 Share options reserve

##### 4.2.1 Description of scheme:

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

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

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

# Notes to the Financial Statements

For the year ended December 31, 2022

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	Rupees in thousand	
Balance at the beginning of the year	<b>18,723</b>	-
Add: Recognized during the year at the fair value	<b>25,031</b>	18,723
Less: Transferred to share premium	<b>(18,723)</b>	-
Balance at the end of the year	<b>25,031</b>	18,723

## 4.2.2 Movement in employee's share option reserve:

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

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

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

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

## 4.2.5 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:

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

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

		<b>2022</b>	2021
		<b>Amount</b>	Amount
Rupees in thousand			
<hr/>			
<b>5. LONG TERM FINANCING</b>			
<b>From banking companies - secured</b>			
Long term loans	(Note 5.1)	<b>401,814</b>	397,491
Less: Current portion shown under current liabilities	(Note 11)	<b>(40,962)</b>	(144,902)
		<b>360,852</b>	252,589
<hr/>			

# Notes to the Financial Statements

For the year ended December 31, 2022

## 5.1 Long term loans

LENDER	2022	2021	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
Habib Bank Limited	80,460	95,334	SBP rate for LTFF + 0.50%	Three hundred and nine unequal instalments commenced on 22 June 2019 and ending on 08 August 2028. (Note 5.2)	-	Quarterly	First joint pari passu hypothecation charge of Rupees 788.000 million and ranking charge of Rupees 600.000 million on plant and machinery of the Company with 25% margin.
		149,306	6-months KIBOR + 0.50%	Thirty three unequal instalments commencing on 16 April 2024 and ending on 16 April 2032.	Semi annually	Semi annually	
		229,766	95,334				
Habib Bank Limited	40,776	49,359	SBP rate for LTFF + 0.50%	Thirty nine equal quarterly instalments commenced on 6 January 2018 and ending on 6 July 2027.	-	Quarterly	
	43,834	49,684	SBP rate for LTFF + 0.25%	Three hundred and thirty-four unequal instalments commenced on 23 July 2020 and ending on 16 July 2031.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 196.500 million on plant and machinery of the Company and exclusive charge of Rupees 466.667 million on land and building of the Company with 25% margin.
Allied Bank Limited (Note 5.2)	12,357	14,080	3-months KIBOR + 0.25%		Quarterly	Quarterly	
	56,191	63,764					
Allied Bank Limited (Note 5.3)	75,081	85,013	SBP rate for LTFF + 0.25%	One hundred and seventy-nine unequal instalments commenced on 21 April 2021 and ending on 29 October 2030.	-	Quarterly	
	-	104,021	SBP rate + 0.50%	Eight equal quarterly instalments commenced on 6 February 2021 and ended on 6 November 2022.	-	Quarterly	
	<b>401,814</b>	<b>397,491</b>					

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

- 5.3** This loan was obtained by the Company under SBP Refinance Scheme for payment of wages and salaries to workers. It was recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment was recognized at discount rates ranging from 7.75% to 7.80% per annum.

## 6 EMPLOYEES' RETIREMENT BENEFIT

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

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	Rupees in thousand	
<b>6.1 Amounts recognized in the statement of financial position are as follows:</b>		
Present value of defined benefit obligation	<b>185,141</b>	144,067
Fair value of plan assets	<b>(27,750)</b>	(30,203)
Net defined benefit obligation	<b>157,391</b>	113,864
<b>6.2 Movement in the present value of net defined benefit obligation</b>		
Net liability at the beginning of the year	<b>113,864</b>	98,642
Current service cost	<b>8,823</b>	7,974
Net interest on defined benefit obligation	<b>13,204</b>	9,447
Net remeasurements for the year	<b>16,860</b>	1,492
Contributions made during the year	<b>(2,978)</b>	(3,691)
Liability transferred from Holding Company	<b>7,618</b>	-
Net liability at the end of the year	<b>157,391</b>	113,864
<b>6.3 Movement in the present value of defined benefit obligation</b>		
Present value of defined benefit obligation at the beginning of the year	<b>144,067</b>	126,819
Current service cost	<b>8,823</b>	7,974
Interest cost	<b>16,753</b>	12,194
Benefits paid during the year	<b>(2,978)</b>	(3,691)
Benefits due but not paid reversed	-	185
Liability transferred from Holding Company	<b>7,618</b>	-
Remeasurements on obligation:		
Actuarial losses from changes in financial assumptions	<b>680</b>	433
Experience adjustments	<b>10,178</b>	153
Present value of defined benefit obligation at the end of the year	<b>185,141</b>	144,067

# Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>6.4 Movement in the fair value of the plan assets</b>		
Fair value of plan assets at the beginning of the year	30,203	28,177
Contributions made during the year	2,978	3,691
Interest income on plan assets	3,549	2,747
Benefits paid during the year	(2,978)	(3,691)
Benefits due but not paid reversed	-	185
Return on plan assets, excluding interest income	(6,002)	(906)
Fair value of plan assets at the end of the year	27,750	30,203

**6.4.1** Service Industries Limited Employees Gratuity Fund Trust as a gratuity fund of the Holding Company is also managing all the affairs relating to gratuity fund of the employees of the Company. Hence, total plan assets of Service Industries Limited Employees Gratuity Fund Trust as shown below have been allocated by the actuary for actuarial valuation purposes of the Company and Service Industries Limited - Holding Company.

Mutual funds	96,810	102,710
Bank balances	880	3,616
Total plan assets	97,690	106,326
Allocated to the Company	(27,750)	(30,203)
Allocated to Service Industries Limited - Holding Company	(69,940)	(76,123)
	-	-

## 6.5 Amounts recognized in the statement of profit or loss

Current service cost	8,823	7,974
Interest cost	16,753	12,194
Interest income on plan assets	(3,549)	(2,747)
Net expense charged in the statement of profit or loss	22,027	17,421

### 6.5.1 Charge for the year has been allocated as follows:

Cost of sales (Note 28)	19,096	13,727
Distribution cost (Note 29)	103	92
Administrative expenses (Note 30)	2,828	3,602
	22,027	17,421

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>6.6 Remeasurements recognized in statement of other comprehensive income</b>		
Experience adjustments	<b>10,178</b>	153
Actuarial losses from changes in financial assumptions	<b>680</b>	433
Return on plan assets, excluding interest income	<b>6,002</b>	906
	<b>16,860</b>	<b>1,492</b>

#### 6.7 Principal actuarial assumptions used:

Discount rate used for interest cost	% per annum	<b>11.75</b>	9.75
Discount rate used for year end obligation	% per annum	<b>14.50</b>	11.75
Expected rate of salary increase	% per annum	<b>13.50</b>	10.75

#### 6.8 Historical information

	2022 Amount	2021 Amount	2020 Amount	2019 Amount
	Rupees in thousand			
Present value of defined benefit obligation	<b>185,141</b>	144,067	126,819	89,273
Fair value of plan assets	<b>(27,750)</b>	(30,203)	(28,177)	(25,456)
Deficit	<b>157,391</b>	113,864	98,642	63,817
Remeasurement loss / (gain) on obligation	<b>10,858</b>	586	2,354	(2,909)
Remeasurement (loss) / gain on plan assets	<b>(6,002)</b>	(906)	42	1,784

**6.8.1** Amounts for 2019 relates to period started from 01 July 2019 (date of demerger) and ended on 31 December 2019.

**6.9** The expected charge to statement of profit or loss for the year ending on 31 December 2023 will be Rupees 33.270 million.

#### 6.10 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	<b>174,236</b>	197,413
Future salary increase	100	<b>197,562</b>	173,917

# Notes to the Financial Statements

For the year ended December 31, 2022

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.

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

**6.12** The average duration of the benefit obligation is 6 years.

**6.13** 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 -----					
8,051	38,599	148,977	109,764	1,301,476	1,606,867
				<b>2022</b>	2021
				<b>Amount</b>	Amount
				Rupees in thousand	

## 7. DEFERRED LIABILITIES

Deferred income tax	(Note 7.1)	-	2,761
Deferred income - Government grant	(Note 7.2)	-	-
		-	2,761

**7.1** This represents deferred income tax liability on investment in associate (with significant influence). Provision for deferred income tax on other temporary differences was not considered necessary as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001.

### 7.2 Deferred income - Government grant

Balance at the beginning of the year		<b>3,476</b>	13,946
Less: Amortized during the year	(Note 32)	<b>(3,476)</b>	(10,470)
		-	3,476
Less: Current portion shown under current liabilities	(Note 11)	-	(3,476)
Balance at the end of the year		-	-

**7.2.1** The State Bank of Pakistan (SBP), through its Circular No. 06 of 2020 dated 10 April 2020 introduced a temporary refinance scheme for payment of wages and salaries to the workers and employees of business concerns (the Refinance Scheme). The refinance scheme was funded by SBP. Borrowers obtained loans from the banks and eased their cash flow constraints to avoid layoffs. One of the key feature of the refinance scheme was that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance', the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company obtained this loan as disclosed in note 5 to the financial statements. In accordance with IFRS 9 'Financial Instruments' loan obtained under the refinance scheme was initially recognised at its fair value which is the present value of loan 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 amortised in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

		2022	2021
		Amount	Amount
Rupees in thousand			
<b>8 Trade and other payables</b>			
Trade creditors	(Note 8.1)	1,261,315	784,070
Accrued liabilities		539,137	411,722
Contract liabilities - unsecured	(Note 8.2)	88,014	99,862
Fair value of forward exchange contracts		9,425	-
Provident fund payable		25,699	20,527
Workers' profit participation fund	(Note 8.3)	17,181	16,372
Workers' welfare fund	(Note 8.4)	26,431	23,846
Income tax deducted at source		5,004	3,140
Payable to Holding Company	(Note 8.5)	-	265
		<b>1,972,206</b>	<b>1,359,804</b>

**8.1** These include Rupees Nil (2021: Rupees 3.647 million) due to Service Shoes Lanka (Private) Limited - subsidiary of the Holding Company. It is in ordinary course of business and interest free.

**8.2** These include Rupees 1.17 million (2021: Rupees 0.238 million) relating to Service Shoes Lanka (Private) Limited - subsidiary of the Holding Company.

### **8.3 Workers' profit participation fund**

Balance at the beginning of the year		16,372	28,109
Add: Provision for the year	(Note 31)	17,609	17,117
Add: Interest for the year	(Note 33)	1,500	1,250
Less: Payments made during the year		(18,300)	(30,104)
Balance at the end of the year		<b>17,181</b>	<b>16,372</b>

**8.3.1** The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profits (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

### **8.4 Workers' welfare fund**

Balance at the beginning of the year		23,846	28,023
Add: Provision for the year	(Note 31)	14,040	11,689
Less: Payments made during the year		(11,455)	(15,866)
Balance at the end of the year		<b>26,431</b>	<b>23,846</b>

**8.5** The Company and Service Industries Limited - Holding Company opted group taxation under section 59AA of Income Tax Ordinance, 2001 for the tax year 2021. Due to listing of the Company on 28 April 2021 and resultant dilution of shareholding of Service Industries Limited - Holding Company in the Company, from tax year 2022, the management decided to cease the group taxation. Hence, the net impact, after incorporating the prior period adjustments and advance tax, was recognized as payable to the Holding Company.

# Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
<b>9. ACCRUED MARK-UP</b>			
Long term financing		8,492	3,920
Short term borrowings		167,695	27,144
		<b>176,187</b>	<b>31,064</b>
<b>10. SHORT TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Short term running finances	(Note 10.1 and Note 10.2)	1,626,304	611,480
Export refinances	(Note 10.1 and Note 10.3)	3,712,595	3,312,595
Export finance scheme	(Note 10.1 and Note 10.4)	149,415	-
		<b>5,488,314</b>	<b>3,924,075</b>
<b>10.1</b>	These finance facilities are obtained from banking companies under mark-up arrangements and are secured by joint pari passu hypothecation charge over present and future current assets of the Company and ranking charge over present and future current assets of the Company. These form part of total credit facilities of Rupees 9,250 million (2021: Rupees 6,300 million).		
<b>10.2</b>	The rates of mark-up range from 10.63% to 17.36% (2021: 7.50% to 9.77%) per annum.		
<b>10.3</b>	The rates of mark-up range from 2.25% to 10.00% (2021: 2.25% to 8.26%) per annum.		
<b>10.4</b>	The rates of mark-up range from 1% to 3% (2021: Nil) per annum.		
<b>11. Current portion of non-current liabilities</b>			
Long term financing	(Notes 5)	40,962	144,902
Deferred income - Government grant	(Note 7.2)	-	3,476
		<b>40,962</b>	<b>148,378</b>

## 12 CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

**12.1.1** 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 9.142 million (2021: Rupees 9.142 million) in its monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favourable outcome of its appeal.

**12.1.2** 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. Tax department shall consider the input sales tax adjustment for the relevant period. The Company has claimed input sales tax of Rupees 11.168 million (2021: Rupees 3.269 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 this matter.

- 12.1.3** Without considering the facts of the Scheme of Compromises, Arrangement and Reconstruction between Service Industries Limited and the Company, the tax authorities through order dated 29 October 2021 alleged that the 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 the Company filed appeal before Commissioner Inland Revenue (Appeals) - VI [CIR(A)] who upheld the order on 28 February 2022. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) on 01 March 2022. ATIR on 20 June 2022 accepted the Company's contentions and remanded the issue on account of verification of the Company's claim that the sales tax liability (if any) on revenue reported by the Company in its audited financial statements, had been discharged by Service Industries Limited - Holding Company. On 14 November 2022, ACIR raised the original demand through appeal effect order, ignoring the findings and directions of ATIR. The Company filed an appeal before CIR(A) on 27 December 2022 and CIR(A) by way of his order dated 30 January 2023 has set-aside the order dated 14 November 2022 of ACIR with the direction to ACIR to verify / confirm different treatment of sales in income tax return vs sales tax returns and to check adequate disclosure of the demerger transaction in audited financial statements of the Company and Service Industries Limited - Holding Company in light of directions of ATIR order dated 20 June 2022. Based on grounds and facts, the matter is likely to be decided in favour of the Company.
- 12.1.4** Assistant Commissioner Inland Revenue (ACIR) completed assessment proceedings and passed an order under section 11(2) of the Sales Tax Act, 1990 demanding sales tax amounting to Rupees 9.316 million and penalty amounting to Rupees 0.400 million against claimed input tax for the periods from July 2020 to June 2021. The Company filed an appeal before ATIR which was heard on 13 December 2022 and the appellate order is awaited. The management is confident that decision will be in favour of the Company, hence, no provision has been made in these financial statements.
- 12.1.5** Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 2,471.501 million (2021: Rupees 1,657.194 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.
- 12.1.6** The Company's share in contingency of associate accounted for under equity method is Rupees 109.672 million (2021: Rupees 102.008 million).

## 12.2 Commitments

- 12.2.1** Contracts for capital expenditure are approximately of Rupees 30.710 million (2021: Rupees 35.905 million).
- 12.2.2** Letters of credit other than capital expenditure are of Rupees 363.578 million (2021: Rupees 45.508 million).
- 12.2.3** Outstanding foreign currency forward contracts are of Rupees 2,133.05 million (2021: Rupees 1,631.608 million).
- 12.2.4** The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited and Bank AL Habib Limited for the period of four years and ijarah rentals are payable on monthly basis respectively. Future Ujrah payments under ijarah are as follows:

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	Rupees in thousand	
Not later than one year	<b>10,508</b>	13,818
Later than one year and not later than five years	<b>16,162</b>	24,644
	<b>26,670</b>	38,462

# Notes to the Financial Statements

For the year ended December 31, 2022

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

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	Rupees in thousand	
Not later than 1 year	<b>4,310</b>	-

## 13. FIXED ASSETS

Operating fixed assets	(Note 13.1)	<b>2,321,674</b>	2,072,168
Capital work-in-progress	(Note 13.4)	<b>272,904</b>	59,236
		<b>2,594,578</b>	2,131,404

**13.1** 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	Total
-----Rupees in thousand -----							
<b>At 31 December 2020</b>							
Cost	383,031	606,286	1,398,152	10,596	1,048	312,571	2,711,684
Accumulated depreciation	-	(154,683)	(462,538)	(4,410)	(885)	(127,774)	(750,290)
<b>Net book value</b>	<b>383,031</b>	<b>451,603</b>	<b>935,614</b>	<b>6,186</b>	<b>163</b>	<b>184,797</b>	<b>1,961,394</b>
<b>Year ended 31 December 2021</b>							
Opening net book value	383,031	451,603	935,614	6,186	163	184,797	1,961,394
Additions	-	155,573	34,486	8,129	9,418	74,617	282,223
Disposals:							
Cost	-	-	-	-	-	(1,700)	(1,700)
Accumulated depreciation	-	-	-	-	-	1,622	1,622
Depreciation	-	(50,725)	(94,285)	(821)	(599)	(24,941)	(171,371)
<b>Closing net book value</b>	<b>383,031</b>	<b>556,451</b>	<b>875,815</b>	<b>13,494</b>	<b>8,982</b>	<b>234,395</b>	<b>2,072,168</b>
<b>At 31 December 2021</b>							
Cost	383,031	761,859	1,432,638	18,725	10,466	385,488	2,992,207
Accumulated depreciation	-	(205,408)	(556,823)	(5,231)	(1,484)	(151,093)	(920,039)
<b>Net book value</b>	<b>383,031</b>	<b>556,451</b>	<b>875,815</b>	<b>13,494</b>	<b>8,982</b>	<b>234,395</b>	<b>2,072,168</b>
<b>Year ended 31 December 2022</b>							
Opening net book value	383,031	556,451	875,815	13,494	8,982	234,395	2,072,168
Additions	-	104,119	221,053	7,738	34,531	85,015	452,456
Disposals:							
Cost	-	-	(5,669)	-	-	(336)	(6,005)
Accumulated depreciation	-	-	61	-	-	255	316
Depreciation	-	-	(5,608)	-	-	(81)	(5,689)
Assets written off due to fire:							
Cost	-	(8,732)	(15,276)	-	-	(1,257)	(25,265)
Accumulated depreciation	-	1,723	12,659	-	-	484	14,866
Depreciation	-	(7,009)	(2,617)	-	-	(773)	(10,399)
<b>Closing net book value</b>	<b>383,031</b>	<b>601,084</b>	<b>994,510</b>	<b>19,516</b>	<b>37,774</b>	<b>285,759</b>	<b>2,321,674</b>
<b>At 31 December 2022</b>							
Cost	383,031	857,246	1,632,746	26,463	44,997	468,910	3,413,393
Accumulated depreciation	-	(256,162)	(638,236)	(6,947)	(7,223)	(183,151)	(1,091,719)
<b>Net book value</b>	<b>383,031</b>	<b>601,084</b>	<b>994,510</b>	<b>19,516</b>	<b>37,774</b>	<b>285,759</b>	<b>2,321,674</b>
<b>Annual rate of depreciation (%)</b>		<b>5-10</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>10-30</b>	

# Notes to the Financial Statements

For the year ended December 31, 2022

## 13.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed during the year:

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particular of purchasers
-----Rupees in thousand-----								
<b>Buildings on freehold land</b>								
Warehouse	1	8,732	1,723	7,009	7,009	-	Insurance claim	Jubilee General Insurance Company Limited, Karachi
<b>Plant and machinery</b>								
Rotary Fusing Press	2	704	-	704	719	15		Service Shoes Lanka (Private) Limited
Single Needle Sewing Machine	16	3,231	-	3,231	3,671	440	Negotiation	- subsidiary of Holding Company, Sri Lanka.
Double Needle Sewing Machine	2	586	-	586	599	13		
NC Machine Motor	1	641	21	620	620	-	Insurance claim	Jubilee General Insurance Company Limited, Karachi
<b>Aggregate of items of operating fixed assets with individual book values not exceeding Rupees 500,000</b>								
	61	17,376	13,438	3,938	4,051	113		
		31,270	15,182	16,088	16,669	581		

13.1.2 During the year, fire outbreak at factory premises of the Company at Muridke damaged certain items of operating fixed assets with an aggregate book value of Rupees 10.398 million. The Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

	Note	2022 (Rupees in thousand)	2021
--	------	------------------------------	------

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

Cost of sales	(Note 28)	179,822	168,113
Administrative expenses	(Note 30)	7,040	3,258
		186,862	171,371

**13.3** Particulars of immovable properties (i.e. land and buildings) are as follows:

Manufacturing unit and residential colony	Address	Area of freehold land (Square Feet)	Covered area (Square Feet)
Muridke factory and residential colony	10 - KM, Muridke - Sheikhpura Road, Muridke	1,345,693	408,789
Freehold land	Hadbast Manga Otar, Raiwind, Lahore	211,500	-

**13.4** Capital work in progress

	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Service equipment	Vehicles	Total
-----Rupees in thousand-----						
<b>At 31 December 2020</b>	112,353	-	1,052	13,075	-	126,480
Add: Additions during the year	78,119	44,223	9,037	74,182	-	205,561
Less: Transferred to operating fixed assets during the year	(158,802)	(34,486)	(8,129)	(71,388)	-	(272,805)
<b>At 31 December 2021</b>	31,670	9,737	1,960	15,869	-	59,236
Add: Additions during the year	339,580	220,844	5,778	71,615	1,478	639,295
Less: Written off due to fire (Note 13.5)	(7,702)	-	-	-	-	(7,702)
Less: Transferred to operating fixed assets during the year	(104,119)	(221,053)	(7,738)	(85,015)	-	(417,925)
<b>At 31 December 2022</b>	259,429	9,528	-	2,469	1,478	272,904

**13.5** During the year, fire outbreak at factory premises of the Company at Muridke damaged certain items of capital work-in-progress with an aggregate book value of Rupees 7.702 million. The Company had claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

**2022**                      2021  
(Rupees in thousand)

**14. LONG TERM SECURITY DEPOSITS**

Security deposits against Ijarah	<b>7,920</b>	8,716
Security deposits - others	<b>3,529</b>	3,529
	<b>11,449</b>	12,245
Less: Current portion shown under current assets (Note 23)	<b>(877)</b>	(1,129)
	<b>10,572</b>	11,116

# Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		(Rupees in thousand)	
<b>15. LONG TERM LOANS TO EMPLOYEES</b>			
<b>Considered good:</b>			
Executives	(Note 15.1, Note 15.2 and Note 15.3)	<b>20,248</b>	12,996
Other employees	(Note 15.3)	<b>1,060</b>	1,733
		<b>21,308</b>	14,729
Less: Current portion shown under current assets	(Note 21)		
Executives		<b>(7,314)</b>	(4,768)
Other employees		<b>(360)</b>	(673)
		<b>(7,674)</b>	(5,441)
		<b>13,634</b>	9,288

## 15.1 Reconciliation of carrying amount of loans to executives:

Balance as at the beginning of the year		<b>12,996</b>	9,962
Add: Reclassification of other employees to executives		-	1,273
Add: Disbursements		<b>13,581</b>	6,500
Less: Repayments		<b>(6,329)</b>	(4,739)
Balance as at the end of the year		<b>20,248</b>	12,996

**15.2** Maximum aggregate balance due from executives at the end of any month during the year was Rupees 22.126 million (2021: Rupees 13.943 million).

**15.3** These represent interest free loans to executives and employees for general purposes and house building. These are recoverable in monthly instalments over the period of 1 to 6 years and are secured by amount due to the employees against retirement benefits.

**15.4** 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.

## 16. LONG TERM INVESTMENT

### Investment in associate (with significant influence) - under equity method

#### Service Long March Tyres (Private) Limited

242,331,650 (2021: 178,699,500) fully paid ordinary shares of Rupees 10 each	(Note 16.1)	<b>2,217,650</b>	1,805,402
--	-------------	------------------	-----------

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>16.1 Investment in associate (with significant influence) - under equity method</b>		
Cost of investment	2,434,575	1,798,253
<b>Share of post acquisition changes in investee's net assets:</b>		
As at the beginning of the year	7,149	-
Add: Share of post acquisition (loss) / profit - net of tax	(224,074)	8,202
Less: Adjustment due to deemed disposal of equity accounted investee	-	(1,053)
	(216,925)	7,149
Balance at the end of the year	2,217,650	1,805,402
<b>16.2 Summary of financial information of associate as per audited financial statements for the year:</b>		
Current assets	10,659,078	3,818,378
Non-current assets	19,572,718	16,355,425
Total assets	30,231,796	20,173,803
Current liabilities	9,078,646	1,570,759
Non-current liabilities	9,407,310	9,025,525
Share deposit money	18,448	30,181
Total liabilities	18,504,404	10,626,465
Net assets	11,727,392	9,547,338
<b>16.3 Reconciliation to carrying amounts:</b>		
Balance at the beginning of the year	9,547,338	-
Net assets at acquisition date	-	4,555,187
Transaction with owners in their capacity as owners	3,365,000	4,950,000
(Loss) / profit after income tax	(1,184,946)	42,151
Other comprehensive income	-	-
Balance at the end of the year	11,727,392	9,547,338
Percentage of holding	18.91%	18.91%
Company's share	2,217,650	1,805,402

# Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>16.4 Summarized statement of comprehensive income:</b>		
Revenue	<b>8,307,127</b>	187,746
(Loss) / profit for the year	<b>(1,184,946)</b>	62,796
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	<b>(1,184,946)</b>	62,796

**16.5** Service Long March Tyres (Private) Limited is primarily engaged in the business of manufacturing, sale, marketing, import and export of all steel radial truck, bus, light truck and off the road tyres. Its registered office is situated at Servis House, 2 – Main Gulberg, Lahore.

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

## 17. LONG TERM LOAN TO HOLDING COMPANY

Balance at the beginning of the year	<b>2,500,000</b>	-
Add: Loan given to Holding Company	-	2,500,000
Less: Loan repaid by Holding Company	<b>(250,000)</b>	-
	<b>2,250,000</b>	2,500,000
Less: Current portion shown under current assets (Note 21)	<b>(500,000)</b>	(250,000)
Balance at the end of the year	<b>1,750,000</b>	2,250,000

**17.1** This represents unsecured loan to Service Industrial Limited - Holding Company. This carries mark-up at 6-months KIBOR plus 0.25 percent per annum or average borrowing cost, whichever is higher. The maximum aggregate amount receivable from the Holding Company at the end of any month during the year was Rupees 2,500 million (2021: Rupees 2,500 million). It is neither past due nor impaired. Effective rate of mark-up charged on this long term loan ranges from 11.71% to 17.29% (2021: 7.94% to 11.71%) per annum.

		<b>2022</b>	2021
		<b>Amount</b>	Amount
		Rupees in thousand	
<b>18. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		<b>34,487</b>	17,294
Machinery spares		<b>43,566</b>	22,188
Loose tools		<b>11,146</b>	7,497
		<b>89,199</b>	46,979
Less: Provision for slow moving and obsolete items	(Note 18.1)	<b>(7,243)</b>	(3,918)
		<b>81,956</b>	43,061
<b>18.1 Provision for slow moving and obsolete items</b>			
Balance at the beginning of the year		<b>3,918</b>	2,959
Add: Provision for the year		<b>3,325</b>	959
Balance at the end of the year		<b>7,243</b>	3,918
<b>19. STOCK-IN-TRADE</b>			
Raw materials	(Note 19.1)	<b>1,463,833</b>	745,827
Packing materials		<b>70,413</b>	48,769
Work-in-process	(Note 19.2)	<b>802,489</b>	489,315
Finished goods	(Note 19.3 and Note 19.4)	<b>1,072,894</b>	854,374
		<b>3,409,629</b>	2,138,285
Less: Provision for slow moving and obsolete stocks	(Note 19.7)	<b>(49,270)</b>	(45,190)
		<b>3,360,359</b>	2,093,095

**19.1** These include stock-in-transit of Rupees 143.205 million (2021: Rupees 103.101 million).

**19.2** This includes stock of Rupees 160.843 million (2021: Rupees 48.732 million) sent to outside parties for processing.

**19.3** These include stock in transit of Rupees 249.932 million (2021: Rupees 415.986 million).

**19.4** Finished goods of Rupees 41.088 million (2021: Rupees 48.308 million) are being carried at net realizable value.

**19.5** The aggregate amount of Rupees 14.149 million (2021: Rupees 7.603 million) has been charged to cost of sales, being the cost of inventory written down during the year.

**19.6** During the year, fire outbreak at factory premises of the Company at Muridke damaged certain items of raw material, work-in-process and finished goods. The carrying values of the assets damaged were Rupees 420.611 million, Rupees 15.795 million and Rupees 50.585 million respectively. The Company had claimed such loss from its insurance providers as referred to in note 32.1.

# Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>19.7 Provision for slow moving and obsolete stocks</b>		
Balance at the beginning of the year	45,190	32,679
Add: Provision for the year	4,080	12,511
<b>Balance at the end of the year</b>	<b>49,270</b>	<b>45,190</b>

## 20. TRADE DEBTS

### Considered good:

Secured:

- Against irrevocable letters of credit 1,094,395 93,764

Unsecured:

- Related parties (Note 20.3, 20.4 and 20.5) 91,081 262,682

- Others (Note 20.6) 662,854 465,511

**753,935** 728,193

Less: Allowance for expected credit losses (Note 20.7) (8,610) (4,243)

**1,839,720** 817,714

### 20.1 Types of counterparties:

#### Export

Corporate 1,756,617 633,614

Other - -

**1,756,617** 633,614

#### Local

Corporate 45,702 188,092

Other 46,011 251

**91,713** 188,343

**1,848,330** 821,957

### 20.2 Foreign jurisdictions of trade debts:

Europe 1,211,012 260,123

Asia, Africa and Australia 318,307 262,145

United States of America and Canada 227,298 111,346

**1,756,617** 633,614

**20.3** This represents amounts due from following related parties:

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	Rupees in thousand	
Service Industries Limited - Holding Company	-	103,367
Service Shoes Lanka (Private) Limited - subsidiary of the Holding Company	<b>85,123</b>	112,279
Jomo Technologies (Private) Limited - associated company	<b>5,958</b>	47,036

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

Service Industries Limited - Holding Company	<b>26,922</b>	103,367
Service Shoes Lanka (Private) Limited - subsidiary of the Holding Company	<b>194,314</b>	112,279
Jomo Technologies (Private) Limited - associated company	<b>65,230</b>	77,107

**20.5** As at the reporting date, trade debts due from related parties amounting to Rupees 61.303 million (2021: Rupees 190.929 million) were past due but not impaired. The ageing analysis of this trade debts is as follows:

Upto 1 month	<b>26,175</b>	81,739
1 to 6 months	<b>30,793</b>	28,463
More than 6 months	<b>4,335</b>	80,727
	<b>61,303</b>	190,929

**20.6** As at the reporting date, trade debts due from other than related parties of Rupees 296.675 million (2021: Rupees 85.702 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	<b>45,008</b>	24,993
1 to 6 months	<b>250,406</b>	58,712
More than 6 months	<b>1,261</b>	1,997
	<b>296,675</b>	85,702

**20.7 Allowance for expected credit losses**

Balance at the beginning of the year		<b>4,243</b>	1,882
Add: Allowance recognized during the year	(Note 31)	<b>4,367</b>	2,361
Balance at the end of the year		<b>8,610</b>	4,243

**20.8** The Board of Directors of Service Industries Capital (Private) Limited (SICPL) - wholly owned subsidiary of Holding Company of the Company has decided to close down the business operations of Service Shoes Lanka (Private) Limited - subsidiary of SICPL with effect from 15 January 2023, owing to prevailing global and economic downturn and unfavorable business conditions in Sri Lanka. However, as part of closure of business of Service Shoes Lanka (Private) Limited, the Company shall recover its trade debts from Service Shoes Lanka (Private) Limited in full during the financial year ending on 31 December 2023.

# Notes to the Financial Statements

For the year ended December 31, 2022

		2022 Amount	2021 Amount
Rupees in thousand			
<b>21. LOANS AND ADVANCES</b>			
<b>Considered good:</b>			
Short term loan to Holding Company	(Note 21.1)	7,618	1,019,102
Current portion of long term loan to Holding Company	(Note 17)	500,000	250,000
Advances against letters of credit		423,452	88,638
Advances to suppliers	(Note 21.2)	288,910	191,912
Advances to staff		2,700	2,569
Current portion of long term loans to employees	(Note 15)	7,674	5,441
		<b>1,230,354</b>	<b>1,557,662</b>

**21.1** This represented unsecured loan to Service Industries Limited - Holding Company for working capital requirement. This carried mark-up at 1 - month KIBOR plus 0.05 percent per annum or average borrowing cost, whichever is higher. The maximum aggregate amount receivable from the Holding Company at the end of any month during the year was Rupees 2,746.29 million (2021: Rupees 4,535.290 million). It is neither past due nor impaired. Effective rate of mark-up charged on this short term loan ranged from 10.40% to 16.63% per annum (2021: 7.48% to 9.57% per annum).

## 21.2 ADVANCES TO SUPPLIERS

Advances to suppliers		294,793	191,912
Provision against doubtful advances to suppliers	(Note 21.2.1)	(5,883)	-
		<b>288,910</b>	<b>191,912</b>

### 21.2.1 Provision against doubtful advances to suppliers

Balance at the beginning of the year		-	-
Provision recognized during the year	(Note 31)	5,883	-
Balance at the end of the year		<b>5,883</b>	-

## 22. ACCRUED MARK-UP

On short term loan to Holding Company	(Note 22.1)	-	4,812
On long term loan to Holding Company	(Note 22.2)	-	50,292
On term deposit receipts		-	2,733
		-	<b>57,837</b>

**22.1** This represented accrued mark-up on short term loan given to Service Industries Limited - Holding Company. The maximum aggregate outstanding amount at the end of any month during the year was Rupees 37.074 million (2021: Rupees 80.495 million).

**22.2** This represented accrued mark-up on long term loan given to Service Industries Limited - Holding Company. The maximum aggregate outstanding amount at the end of any month during the year was Rupees 90.949 million (2021: Rupees 50.356 million).

		<b>2022</b>	2021
		<b>Amount</b>	Amount
		Rupees in thousand	
<b>23. SHORT TERM DEPOSITS AND PREPAYMENTS</b>			
Short term security deposits		<b>4,650</b>	1,452
Prepayments		<b>7,461</b>	3,983
Current portion of long term security deposits	(Note 23)	<b>877</b>	1,129
		<b>12,988</b>	6,564
<b>24. OTHER RECEIVABLES</b>			
<b>Considered good:</b>			
Custom duty rebate		<b>292,239</b>	53,457
Duty drawback		<b>10,740</b>	47,063
Sales tax		<b>484,527</b>	367,316
Fair value of forward exchange contracts		-	1,613
Lab testing charges	(Note 24.1)	<b>3,159</b>	26,573
Claims receivable		<b>53,529</b>	-
Insurance claim receivable	(Note 32.1)	<b>14,407</b>	-
Miscellaneous		<b>12,904</b>	-
		<b>871,505</b>	496,022
<b>24.1 Lab testing charges</b>			
Lab testing charges		<b>4,214</b>	27,628
Less: Allowance for expected credit losses	(Note 24.1.1)	<b>(1,055)</b>	(1,055)
		<b>3,159</b>	26,573
<b>24.1.1 Allowance for expected credit losses</b>			
Balance at the beginning of the year		<b>1,055</b>	-
Add: Allowance recognized during the year	(Note 31)	-	1,055
Balance at the end of the year		<b>1,055</b>	1,055
<b>25. ADVANCE INCOME TAX - NET</b>			
Advance income tax		<b>630,715</b>	513,875
Less: Provision for taxation		<b>(410,365)</b>	(166,534)
		<b>220,350</b>	347,341

# Notes to the Financial Statements

For the year ended December 31, 2022

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	Rupees in thousand	
<b>26. CASH AND BANK BALANCES</b>		
Cash in hand	<b>1,107</b>	656
With banks:		
Current accounts:		
Local currency	<b>128,026</b>	14,153
Foreign currency (Note 26.1)	<b>32,487</b>	8,067
	<b>160,513</b>	22,220
Saving accounts:		
Local currency (Note 26.2)	-	10
Term deposit receipts (Note 26.3)	-	912,531
	<b>161,620</b>	935,417

**26.1** This represents EURO 134,550.85 (2021: EURO 40,133.29).

**26.2** Rate of profit on bank deposits range from 4.25% to 6.50% (2021: 3.00% to 4.50%) per annum.

**26.3** This represented term deposit with banking company having maturity period of one month and carried profit at the rate of 14.5% (2021: 12.00%) per annum.

## 27. REVENUE

Revenue from contracts with customers:

Export sales	<b>11,699,022</b>	6,565,536
Local sales (Note 27.1)	<b>257,491</b>	518,908
	<b>11,956,513</b>	7,084,444
Less: Discounts, commissions etc.	<b>(203,425)</b>	(90,324)
Add: Duty drawback	-	46,037
	<b>11,753,088</b>	7,040,157

### 27.1 Local sales

Local sales	<b>297,890</b>	602,132
Less: Sales tax	<b>(40,399)</b>	(83,224)
	<b>257,491</b>	518,908

**27.2** The amount of Rupees 56.775 million (2021: Rupees 18.836 million) included in contract liabilities (Note 8) at 31 December 2021 has been recognized as revenue in 2022.

### 27.3 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition:

Description	2022	2021
Rupees in thousand		
<b>Region</b>		
Europe	<b>9,293,188</b>	5,252,952
United States of America and Canada	<b>1,356,869</b>	990,316
Asia, Africa, Australia	<b>845,540</b>	231,944
Pakistan	<b>257,491</b>	518,908
Duty drawback	-	46,037
	<b>11,753,088</b>	7,040,157
<b>Timing of revenue recognition</b>		
Products and services transferred at a point in time	<b>11,753,088</b>	7,040,157
Products and services transferred over time	-	-
	<b>11,753,088</b>	7,040,157
<b>Major products / service lines</b>		
Raw material	<b>170,400</b>	51,923
Footwear	<b>11,582,688</b>	6,988,234
	<b>11,753,088</b>	7,040,157

**27.4** Revenue is recognized 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, 2022

		2022	2021
		Amount	Amount
		Rupees in thousand	
<b>28. COST OF SALES</b>			
Raw materials consumed	(Note 28.1)	5,942,443	3,745,017
Processing charges		165,341	14,599
Salaries, wages and other benefits	(Note 28.2, Note 28.3 and Note 28.4)	2,386,761	1,634,581
Packing materials consumed		700,049	383,059
Stores and spares consumed		332,658	212,810
Fuel and power		198,061	88,866
Repair and maintenance		42,683	33,679
Insurance		9,598	6,298
Travelling		24,135	7,645
Entertainment		4,166	7,373
Rent, rates and taxes	(Note 28.5)	2,951	-
Provision for slow moving and obsolete inventory		7,405	13,470
Depreciation	(Note 13.2)	179,822	168,113
Other manufacturing charges		44,008	43,691
		<b>10,040,081</b>	<b>6,359,201</b>
Work-in-process:			
Opening stock		489,315	250,274
Closing stock		(802,489)	(489,315)
		<b>(313,174)</b>	<b>(239,041)</b>
Cost of goods manufactured		<b>9,726,907</b>	<b>6,120,160</b>
Finished goods:			
Opening stock		854,374	454,887
Finished goods purchased		59,050	81,750
Closing stock		(1,072,894)	(854,374)
		<b>(159,470)</b>	<b>(317,737)</b>
		<b>9,567,437</b>	<b>5,802,423</b>

## 28.1 Raw materials consumed

Opening stock		745,827	684,426
Add: Purchases during the year	(Note 28.6)	7,081,060	3,806,418
Less: Stock burnt due to fire		(420,611)	-
Less: Closing stock		(1,463,833)	(745,827)
		<b>5,942,443</b>	<b>3,745,017</b>

- 28.2** Salaries, wages and other benefits include contributions of Rupees 85.195 million (2021: Rupees 62.263 million) and Rupees 19.096 million (2021: Rupees 13.727 million) in respect of provident fund and gratuity fund respectively.
- 28.3** Salaries, wages and other benefits include compensated absences expense of Rupees 19.426 million (2021: Rupees 15.564 million).
- 28.4** Salaries, wages and other benefits include share options expense of Rupees 16.619 million (2021: Rupees 11.522 million).
- 28.5** These include rent expense of Rupees 2.445 million (2021: Rupees Nil) related to short term leases.
- 28.6** Custom duty rebate for the year amounting to Rupees 368.933 million (2021: Rupees 214.457 million) has been adjusted against raw materials consumed.

		2022	2021
		Rupees in thousand	
<b>29. DISTRIBUTION COST</b>			
Salaries and other benefits	(Note 29.1 and Note 29.2)	<b>80,735</b>	61,801
Freight and insurance		<b>396,968</b>	235,983
Samples, claims and product development		<b>317,859</b>	200,741
Postage and courier		<b>82,908</b>	49,438
Fuel and power		<b>7,864</b>	3,533
Travelling and conveyance		<b>23,300</b>	6,943
Entertainment		<b>9,273</b>	2,752
Rent, rates and taxes	(Note 29.3)	<b>1,877</b>	1,069
		<b>920,784</b>	562,260

- 29.1** Salaries and other benefits include contributions of Rupees 2.892 million (2021: Rupees 2.149 million) and Rupees 0.103 million (2021: Rupees 0.092 million) in respect of provident fund and gratuity fund respectively.
- 29.2** Salaries, wages and other benefits include share options expense of Rupees 1.948 million (2021: Rupees Nil).
- 29.3** These include rent expense of Rupees 1.324 million (2021: Rupees 0.754 million) related to short term leases.

# Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		Rupees in thousand	
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	(Note 30.1, Note 30.2 and Note 30.3)	<b>335,497</b>	299,650
Communication		<b>3,693</b>	2,233
Printing and stationery		<b>7,266</b>	3,036
Travelling and conveyance		<b>13,880</b>	4,074
Entertainment		<b>11,897</b>	6,056
Vehicles' running		<b>21,515</b>	6,659
Insurance		<b>2,093</b>	1,708
Rent, rates and taxes		<b>7,632</b>	4,800
Fuel and power		<b>16,131</b>	9,099
Repairs and maintenance		<b>12,011</b>	1,880
Auditor's remuneration	(Note 30.4)	<b>2,963</b>	2,600
Legal and professional		<b>33,820</b>	27,380
Subscription		<b>138</b>	1,860
Depreciation	(Note 13.2)	<b>7,040</b>	3,258
Ijarah rentals		<b>13,192</b>	15,497
Computer running		<b>11,605</b>	8,611
Advertisement		-	41
General		<b>22,969</b>	21,324
		<b>523,342</b>	419,766

**30.1** Salaries and other benefits include contributions of Rupees 10.063 million (2021: Rupees 8.942 million) and Rupees 2.828 million (2021: Rupees 3.602 million) in respect of provident fund and gratuity fund respectively.

**30.2** Salaries and other benefits include share options expense of Rupees 6.464 million (2021: Rupees 7.201 million).

**30.3** Salaries and other benefits include compensated absences expense of Rupees 1.753 million (2021: Rupees 1.479 million).

#### **30.4 Auditor's remuneration**

Statutory audit fee		<b>1,518</b>	1,380
Half yearly review		<b>550</b>	500
Certification charges		<b>500</b>	375
Reimbursable expenses		<b>395</b>	345
		<b>2,963</b>	2,600

		2022	2021
Rupees in thousand			
<b>31. OTHER EXPENSES</b>			
Donations	(Note 31.1)	<b>4,226</b>	1,930
Allowance for expected credit losses - trade debts	(Note 20.7)	<b>4,367</b>	2,361
Provision against doubtful advances to suppliers	(Note 21.2.1)	<b>5,883</b>	-
Allowance for expected credit losses - lab testing charges	(Note 24.1.1)	-	1,055
Adjustment due to deemed disposal of equity accounted investee		-	1,053
Workers' profit participation fund	(Note 8.3)	<b>17,609</b>	17,117
Workers' welfare fund	(Note 8.4)	<b>14,040</b>	11,689
		<b>46,125</b>	35,205

**31.1** This represents donation given to Servis Foundation - related party. Mr. Chaudhry Ahmed Javed, Director, Mr. Arif Saeed, Chairman, Mr. Omar Saeed, Director and Mr. Hassan Javed, Chief Executive are directors of Servis Foundation.

## 32. OTHER INCOME

### Income from financial assets

Interest on loans to Holding Company		<b>544,882</b>	287,668
Interest on term deposit receipts and saving accounts		<b>25,382</b>	34,574
Exchange gain - net		<b>88,284</b>	176,201

### Income From Non-Financial Assets

Excess of Company's share of the net fair value of the identifiable assets and liabilities over the cost of investment in associate (with significant influence)		-	11,258
Gain on disposal of operating fixed assets - net	(Note 13.1.1)	<b>581</b>	10
Insurance claim against business interruption loss	(Note 32.1)	<b>4,908</b>	-
Amortization of deferred income - Government grant	(Note 7.2)	<b>3,476</b>	10,470
Scrap sales		<b>16,291</b>	7,952
		<b>683,804</b>	528,133

**32.1** As referred to in notes 13.1.2, 13.5, and 19.6, during the year fire outbreak at factory premises of the Company at Muridke damaged certain items of operating fixed assets, capital work-in-progress and stock-in-trade. The Company filed the insurance claim in respect of these assets. The insurer had appointed a surveyor who completed his survey during the current year and assessed the insurance claim at Rupees 510.000 million including business interruption claim of Rupees 4.908 million. Out of the total claim, the Company has received proceeds of Rupees 495.593 million from the insurer as of 31 December 2022. Subsequent to the reporting period, remaining amount has been received.

# Notes to the Financial Statements

For the year ended December 31, 2022

		2022	2021
		Rupees in thousand	
<b>Carrying value of assets written off due to fire</b>			
Operating fixed assets	(Note 13.1)	<b>10,399</b>	-
Capital work-in-progress	(Note 13.4)	<b>7,702</b>	-
Raw materials	(Note 19)	<b>420,611</b>	-
Work-in-process	(Note 19)	<b>15,795</b>	-
Finished goods	(Note 19)	<b>50,585</b>	-
Carrying value of assets written off due to fire		<b>505,092</b>	-
Insurance claim verified to date		<b>510,000</b>	-
Insurance claim against business interruption loss		<b>4,908</b>	-

### 33. FINANCE COST

Mark-up on:			
- short term borrowings		<b>403,785</b>	118,872
- long term financing		<b>21,082</b>	22,242
Interest on workers' profit participation fund	(Note 8.3)	<b>1,500</b>	1,250
Bank charges and commission		<b>40,813</b>	41,693
		<b>467,180</b>	184,057

### 34. TAXATION

Current	(Note 34.1)	<b>325,682</b>	166,534
Prior period adjustment		<b>22,970</b>	265
Deferred tax		<b>(2,761)</b>	2,761
		<b>345,891</b>	169,560

**34.1** The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001.

**34.2** Provision for deferred income tax is not required as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future except for deferred tax liability as explained in note 7.

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>34.3 Reconciliation between tax expense and accounting profit:</b>		
Accounting profit before taxation	687,950	572,781
Applicable tax rate	29%	29%
Tax on accounting profit	199,506	166,106
Prior period adjustment	22,970	265
Deferred tax	(2,761)	2,761
Super tax	39,477	-
Tax effect of final tax regime income taxed at a lower rate	(3,377,104)	(2,046,255)
Tax effect of expenses / income that are not considered in determining taxable liability	3,463,803	2,046,683
	<b>345,891</b>	169,560

### 35 EARNINGS PER SHARE - BASIC AND DILUTED

#### 35.1 Basic earnings per share

Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	342,059	403,221
Weighted average number of ordinary shares (Numbers) (Note 35.3)	204,734,897	191,555,137
Basic earnings per share (Rupees)	1.67	2.10

#### 35.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has granted share options to employees as explained in note 4.2.

Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	342,059	403,221
Weighted average number of ordinary shares (Numbers) (Note 35.3)	204,734,897	191,555,137
Adjustment for share options (Numbers)	645,178	524,007
Weighted average number of ordinary shares for diluted earnings per share (Numbers)	205,380,075	192,079,144
Diluted earnings per share (Rupees)	1.67	2.10

**35.2.1** Share options issued by the Company have a dilutive effect on the earnings per share since the fair value of the ordinary shares during the year exceeds the exercise price of the options.

#### 35.3 Weighted average number of ordinary shares outstanding during the year :

Issued ordinary shares at the beginning of the year	204,437,500	163,550,000
Effect of ordinary shares issued against cash	-	28,005,137
Effect of ordinary shares issued under Employees Stock Option Scheme	297,397	-
Weighted average number of ordinary shares at the end of the year	<b>204,734,897</b>	191,555,137

# Notes to the Financial Statements

For the year ended December 31, 2022

	2022 Amount	2021 Amount
	Rupees in thousand	
<b>36. CASH (USED IN) / GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>687,950</b>	572,781
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	<b>186,862</b>	171,371
Provision for gratuity	<b>22,027</b>	17,421
Provision for workers' profit participation fund	<b>17,609</b>	17,117
Provision for workers' welfare fund	<b>14,040</b>	11,689
Amortization of deferred income - Government grant	<b>(3,476)</b>	(10,470)
Provision for slow moving and obsolete inventory	<b>7,405</b>	13,470
Allowance for expected credit losses - trade debts	<b>4,367</b>	2,361
Allowance for expected credit losses - lab testing charges	-	1,055
Provision against doubtful advances to suppliers	<b>5,883</b>	-
Finance cost	<b>467,180</b>	184,057
Gain on disposal of operating fixed assets	<b>(581)</b>	(10)
Insurance claim against business interruption loss	<b>(4,908)</b>	-
Interest on loans to Holding Company	<b>(544,882)</b>	(287,668)
Interest on term deposit receipts and saving accounts	<b>(25,382)</b>	(34,574)
Exchange gain - net	<b>(88,284)</b>	(176,201)
Excess of Company's share of the net fair value of the identifiable assets and liabilities over the cost of investment in associate	-	(11,258)
Share of (loss) / profit of equity accounted investee - net of taxation	<b>224,074</b>	(8,202)
Adjustment due to deemed disposal of equity accounted investee	-	1,053
Employees' share option expense	<b>25,031</b>	18,723
Working capital changes (Note 36.1)	<b>(2,924,815)</b>	188,194
	<b>(1,929,900)</b>	670,909
<b>36.1 Working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	<b>(42,220)</b>	(485)
Stock-in-trade	<b>(1,758,335)</b>	(724,577)
Trade debts	<b>(938,089)</b>	292,167
Loans and advances	<b>(437,826)</b>	(52,213)
Prepayments	<b>(6,676)</b>	(481)
Other receivables	<b>(350,677)</b>	673,654
	<b>(3,533,823)</b>	188,065
Increase in trade and other payables	<b>609,008</b>	129
	<b>(2,924,815)</b>	188,194

## 36.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

Year ended 31 December 2022			
Liabilities from financing activities			
Long term financing	Short term borrowings	Unclaimed dividend	
------(Rupees in thousand)-----			
Balance at the beginning of the year	397,491	3,924,075	-
Add: Financing / borrowings obtained	149,306	29,824,802	-
Less: Repayment of financing / borrowings	(148,460)	(28,260,563)	-
Dividends declared	-	-	921,594
Dividends paid	-	-	(916,744)
Other changes - non-cash movement	3,477	-	-
Balance at the end of the year	401,814	5,488,314	4,850

Year ended 31 December 2021		
Liabilities from financing activities		
Long term financing	Short term borrowings	
------(Rupees in thousand)-----		
Balance at the beginning of the year	519,286	4,257,957
Add: Financing / borrowings obtained	5,303	11,855,659
Less: Repayment of financing / borrowings	(137,568)	(12,189,541)
Other changes - non-cash movement	10,470	-
Balance at the end of the year	397,491	3,924,075

# Notes to the Financial Statements

For the year ended December 31, 2022

## 37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to chief executive, directors and executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2022	2021	2022	2021	2022	2021
	------(Rupees in thousand)-----					
Managerial remuneration	<b>40,375</b>	35,083	<b>21,791</b>	18,697	<b>62,950</b>	66,800
Bonus	<b>20,833</b>	20,000	<b>5,673</b>	3,832	<b>31,568</b>	27,297
Allowances:						
House rent	<b>4,038</b>	3,508	<b>5,516</b>	4,725	<b>23,715</b>	24,038
Conveyance	<b>4,038</b>	3,508	<b>480</b>	-	<b>6,880</b>	2,758
Medical	-	-	<b>3,269</b>	2,805	<b>8,568</b>	10,091
Special allowance	-	-	<b>4,034</b>	1,196	<b>216</b>	3,708
Retirement and other benefits	<b>3,028</b>	2,631	<b>8,960</b>	1,402	<b>4,122</b>	5,280
<b>Total</b>	<b>72,312</b>	64,730	<b>49,723</b>	32,657	<b>138,019</b>	139,972
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>30</b>	<b>32</b>
Employee share options granted (No. of options)	-	-	<b>250,000</b>	450,000	<b>598,000</b>	200,000
Issuance of ordinary shares (No. of shares)	-	-	<b>450,000</b>	-	<b>200,000</b>	-

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

**37.2** Chief Executive and certain executives of the Company are provided with fully maintained vehicles.

**37.3** Aggregate amount charged in these financial statements for meeting fee to nine (2021: nine) directors was Rupees 1.840 million (2021: Rupees 1.866 million).

**37.4** During the year ended 31 December 2022, Mr. Hassan Ehsan Cheema, Executive Director, Mr. Qadeer Ahmed Vaseer, Executive Director, Mr. Amer Ahmad Javed, Key management personnel, Mr. Syed Arshad Hussain Shah, Key management personnel, Mr. Usman Liaqat, Key management personnel and Mr. Muhammad Ashfaq, Key management personnel were granted 150,000 (2021: 250,000), 100,000 (2021: 200,000), 35,000 (2021: Nil), 35,000 (2021: Nil), 101,500 (2021: Nil) and 100,000 (2021: 200,000) employee share options respectively. 250,000 (2021: Nil), 200,000 (2021: Nil) and 200,000 (2021: Nil) number of ordinary shares were issued during the year ended 31 December 2022 to Mr. Hassan Ehsan Cheema, Executive Director, Mr. Qadeer Ahmed Vaseer, Executive Director and Mr. Muhammad Ashfaq, Key management personnel respectively.

## 38. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of the Holding Company, subsidiaries of the Holding Company, associated companies, 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:

		2022	2021
		(Rupees in thousand)	
Nature of relationship	Nature of transactions		
<b>Holding Company</b>			
Service Industries Limited	Sale of goods	68,244	224,929
	Expenses charged to the Company	235,853	183,712
	Purchase of goods	140,844	100,205
	Processing charges	118,947	-
	Loans given	9,886,995	3,008,311
	Loans repaid	11,156,097	2,403,500
	Interest income	544,882	287,668
	Dividend paid	735,975	-
<b>Sub-subsidiary of the Holding Company</b>			
Service Shoes Lanka (Private) Limited	Sale of goods	170,401	53,216
	Purchase of goods	39,011	22,714
	Sale of operating fixed assets	6,189	-
<b>Associated company</b>			
Jomo Technologies (Private) Limited	Sale of goods	11,985	67,227
	Purchase of goods	668	-
Service Long March Tyres (Private) Limited	Investment made	636,322	1,786,995
Service Foundation	Donation made	4,226	1,930
<b>Key management personnel</b>			
	Dividends paid	10,794	-
<b>Post employment benefit plans</b>			
	Company's contribution to gratuity fund trust	22,027	17,421
	Company's contribution to provident fund trust	98,150	73,354

**38.1** Detail of compensation to key management personnel is disclosed in Note 37.

# Notes to the Financial Statements

For the year ended December 31, 2022

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

Name of the related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage Shareholding
		2022	2021	
Service Industries Limited	Holding Company	Yes	Yes	Nil
S2 Power Limited	Common directorship	No	No	Nil
S2 Hydro Limited	Common directorship	No	No	Nil
Speed (Private) Limited	Shareholding of Holding Company	No	No	Nil
SBL Trading (Private) Limited	Common directorship	No	No	Nil
Jomo Technologies (Private) Limited	Common directorship	Yes	Yes	Nil
Service Industries Capital (Private) Limited	Common directorship	No	No	Nil
Service Long March Tyres (Private) Limited	Common directorship and share holding	Yes	Yes	18.91%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (Subsidiary company of Service Industries Limited - Holding Company)	Yes	Yes	Nil
Servis Foundation	Common directorship	Yes	Yes	Nil
Shalamar Hospital	Directors of the Company are Trustees	No	No	Nil
Kidney Centre Gujrat	Directors of the Company are members of Board of Governors	No	No	Nil
Shahid Arif Investment (Private) Limited	Common directorship	No	No	Nil
Nishat Power Limited	Common directorship	No	No	Nil
Cherat Packaging Limited	Common directorship	No	No	Nil
Habib Insurance Company Limited	Common directorship	No	No	Nil
Standard Spinning Mills (Private) Limited	Common directorship	No	No	Nil
Nestle Pakistan Limited	Common directorship	No	No	Nil
Thardeep Microfinance Foundation	Common directorship	No	No	Nil
Systems Limited	Common directorship	No	No	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
Service Charitable Trust	Directors of the Company are Trustees	No	No	Nil
SIL GULF FZE	Subsidiary of Holding Company	No	No	Nil

**38.3** Particulars of companies 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 of Service Industries Limited - Holding Company)	Nil
SIL GULF FZE	United Arab Emirates	Subsidiary of Service Industries Limited - Holding Company	Nil
Dongguan Servis Trading Co., Ltd	China	Subsidiary company	100%

**38.4** As on 31 December 2022, disclosure relating to subsidiary company, subsidiary of Service Industries Capital (Private) Limited - associated company and subsidiary of Service Industries Limited - Holding Company incorporated outside Pakistan:

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

### 39. PLANT CAPACITY

	Installed capacity		Actual production	
	(Pairs in thousand)		(Pairs in thousand)	
	2022	2021	2022	2021
Strobel construction	1,600	1,450	1,526	1,365
lasted construction	2,250	1,575	2,145	1,515
	<b>3,850</b>	<b>3,025</b>	<b>3,671</b>	<b>2,880</b>

# Notes to the Financial Statements

For the year ended December 31, 2022

**39.1** The deviation in actual production from installed capacity is due to rapidly growing trends as the Company has to change major shoe lines in accordance with the market trends. This involves change in manufacturing operations and product mix which causes variances not only between the installed capacity and actual production but also between the actual production of any two years.

## **40. FINANCIAL RISK MANAGEMENT**

### **40.1 Financial risk factors**

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

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

#### **(a) Market risk**

##### **(i) Currency risk**

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

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

	2022 Amount	2021 Amount
Cash at banks - EURO	134,551	40,133
Trade debts - USD	2,892,102	2,507,944
Trade debts - EURO	4,478,120	927,743
Trade debts - GBP	75,526	-
Other receivables - USD	207,918	-
Other receivables - EURO	60,256	-
Trade and other payables - USD	(2,096,919)	(690,989)
Trade and other payables - EURO	(702,812)	(351,890)
Trade and other payables - CNY	(65,725)	(7,357)
Net exposure - USD	1,003,101	1,816,955
Net exposure - EURO	3,970,115	615,986
Net exposure - GBP	75,526	-
Net exposure - CNY	(65,725)	(7,357)

The following significant exchange rates were applied during the period:

#### Rupees per US Dollar

Average rate	204.92	163.26
Reporting date rate	226.40	176.60

#### Rupees per EURO

Average rate	213.99	192.73
Reporting date rate	241.45	201.00

#### Rupees per GBP

Average rate	250.83	224.26
Reporting date rate	273.02	239.55

#### Rupees per CNY

Average rate	30.22	25.31
Reporting date rate	32.53	27.86

#### Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP and CNY with all other variables held constant, the impact on profit after taxation for the year would have been higher / lower by Rupees 55.133 million (2021: Rupees 20.462 million) 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.

# Notes to the Financial Statements

For the year ended December 31, 2022

## (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 instruments traded in the market. The Company is not exposed to equity and commodity price risks.

## (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's significant interest-bearing financial asset is loans to Service Industries Limited - Holding Company. The Company's interest rate risk arises mainly from long term financing, short term borrowings and loans to the Holding Company. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial asset</b>		
Term deposit receipt	-	912,531
<b>Financial liabilities</b>		
Long term financing	<b>240,151</b>	383,411
Short term borrowings	<b>3,862,010</b>	3,312,595
<b>Floating rate financial instruments</b>		
<b>Financial asset</b>		
Bank balances - saving accounts	-	10
Loans to Holding Company	<b>2,257,618</b>	3,519,102
<b>Financial liabilities</b>		
<b>Long term financing</b>	<b>161,663</b>	14,080
<b>Short term borrowings</b>	<b>1,626,304</b>	611,480

### 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 1.721 million (2021: Rupees 17.419 million) higher / lower, mainly as a result of higher / lower interest income / 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:

	<b>2022</b>	2021
	<b>Amount</b>	Amount
	(Rupees in thousand)	
Security deposits	<b>16,099</b>	13,697
Trade debts	<b>1,839,720</b>	817,714
Loans and advances	<b>2,278,926</b>	3,533,831
Accrued mark-up	-	57,837
Other receivables	<b>83,999</b>	28,186
Bank balances	<b>160,513</b>	934,761
	<b>4,379,257</b>	5,386,026

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			<b>2022</b>	2021
	Short term	Long term	Agency	<b>Amount</b>	Amount
<b>Banks</b>					(Rupees in thousand)
Meezan Bank Limited	A1+	AAA	VIS	<b>10,975</b>	8,067
United Bank Limited	A1+	AAA	VIS	<b>72</b>	11
MCB Bank Limited	A1+	AAA	PACRA	<b>4,430</b>	5,827
Habib Bank Limited	A1+	AAA	VIS	<b>1,228</b>	3,084
Allied Bank Limited	A1+	AAA	PACRA	-	800
MCB Islamic Bank Limited	A1	A	PACRA	<b>21,659</b>	224
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	<b>362</b>	37
Askari Bank Limited	A1+	AA+	PACRA	<b>12,440</b>	248
Soneri Bank Limited	A1+	AA-	PACRA	<b>81,594</b>	912,530
Faysal Bank Limited	A1+	AA	PACRA	<b>316</b>	140
Bank Al Habib Limited	A1+	AAA	PACRA	<b>562</b>	3,687
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	<b>157</b>	82
Samba Bank Limited	A1	AA	VIS	<b>22</b>	-
Dubai Islamic Bank	A1+	AA	VIS	<b>19</b>	24
Bank Islami Pakistan Limited	A+	A1	PACRA	<b>26,591</b>	-
The Bank of Punjab	AA+	A1+	PACRA	<b>86</b>	-
				<b>160,513</b>	934,761

# Notes to the Financial Statements

For the year ended December 31, 2022

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 20.

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

## Trade debts

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has 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 2022 and 31 December 2021 was determined as follows

## At 31 December 2022

	Local sales			Export sales		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Not past due	0%	76,186	-	0%	449,292	-
Up to 30 days	14.35%	2,357	339	2.25%	32,391	729
31 to 60 days	34.52%	7,451	2,572	10.27%	19,121	1,964
61 to 90 days	40.74%	24	10	15.65%	-	-
91 to 180 days	53.47%	40	21	27.51%	7,285	2,004
181 to 360 days	56.54%	99	56	36.43%	-	-
Above 360 days	100.00%	915	915	100.00%	-	-
		87,072	3,913		508,089	4,697
Trade debts which are not subject to risk of default		4,641	-		1,248,528	-
<b>Gross Trade debts</b>		<b>91,713</b>	<b>3,913</b>		<b>1,756,617</b>	<b>4,697</b>

## At 31 December 2021

	Local sales			Export sales		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Not past due	0%	64,508	-	0%	-	-
Up to 30 days	0.63%	32,219	203	0%	-	-
31 to 60 days	3.78%	7,771	293	0%	-	-
61 to 90 days	8.38%	2,524	211	0%	-	-
91 to 180 days	17.96%	9,131	1,640	0%	-	-
181 to 360 days	33.05%	150	50	0%	-	-
Above 360 days	100.00%	1,846	1,846	100.00%	-	-
		118,149	4,243		-	-
Trade debts which are not subject to risk of default		70,194	-		633,614	-
<b>Gross Trade debts</b>		188,343	4,243		633,614	-

## (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 3,761.686 million (2021: Rupees 2,375.925 million) available borrowing limits from financial institutions and Rupees 161.620 million (2021: Rupees 935.417 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2022:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
------(Rupees in thousand)-----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	401,814	518,224	31,015	31,478	80,939	374,792
Short term borrowings	5,488,314	5,639,405	5,056,264	583,141	-	-
Trade and other payables	1,800,452	1,800,452	1,800,452	-	-	-
Accrued mark-up	176,187	176,187	176,187	-	-	-
Unclaimed dividend	4,850	4,850	4,850	-	-	-
<b>Derivative financial liabilities</b>	9,425	9,425	9,425	-	-	-
	7,881,042	8,148,543	7,078,193	614,619	80,939	374,792

# Notes to the Financial Statements

For the year ended December 31, 2022

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)-----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	397,491	440,027	83,292	78,896	48,957	228,882
Short term borrowings	3,924,075	3,940,349	3,940,349	-	-	-
Trade and other payables	1,195,792	1,195,792	1,195,792	-	-	-
Accrued mark-up	31,064	31,064	31,064	-	-	-
	5,548,422	5,607,232	5,250,497	78,896	48,957	228,882

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 and note 10 to these financial statements.

2022	2021	
At amortized cost	At amortized cost	FVTPL
------(Rupees in thousand)-----		

## 40.2 Financial instruments by categories

### Assets as per statement of financial position

Security deposits	16,099	13,697	-
Trade debts	1,839,720	817,714	-
Loans and advances	2,278,926	3,533,831	-
Accrued mark-up	-	57,837	-
Other receivables	83,999	26,573	1,613
Cash and bank balances	161,620	935,417	-
	4,380,364	5,385,069	1,613

2022	2021	
At amortized cost	FVTPL	At amortized cost
------(Rupees in thousand)-----		

### Liabilities as per statement of financial position

Long term financing	401,814	-	397,491
Accrued mark-up	176,187	-	31,064
Short term borrowings	5,488,314	-	3,924,075
Trade and other payables	1,800,452	9,425	1,195,792
Unclaimed dividend	4,850	-	-
	7,871,617	9,425	5,548,422

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

2022		
Financial assets	Non-financial assets	Assets as per statement of financial position

------(Rupees in thousand)-----

#### Assets

Security deposits	16,099	7,461	23,560
Trade debts	1,839,720	-	1,839,720
Loans and advances	2,278,926	715,062	2,993,988
Other receivables	83,999	787,506	871,505
Cash and bank balances	161,620	-	161,620
	<b>4,380,364</b>	<b>1,510,029</b>	<b>5,890,393</b>

2022		
Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position

------(Rupees in thousand)-----

#### Liabilities

Long term financing	401,814	-	401,814
Accrued mark-up	176,187	-	176,187
Short term borrowings	5,488,314	-	5,488,314
Trade and other payables	1,809,877	162,329	1,972,206
Unclaimed dividend	4,850	-	-
	<b>7,881,042</b>	<b>162,329</b>	<b>8,038,521</b>

# Notes to the Financial Statements

For the year ended December 31, 2022

2021		
Financial assets	Non-financial assets	Assets as per statement of financial position

------(Rupees in thousand)-----

## Assets

Security deposits	13,697	3,983	17,680
Trade debts	817,714	-	817,714
Loans and advances	3,533,831	283,119	3,816,950
Accrued mark-up	57,837	-	57,837
Other receivables	28,186	467,836	496,022
Cash and bank balances	935,417	-	935,417
	5,386,682	754,938	6,141,620

2021		
Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position

------(Rupees in thousand)-----

## Liabilities

Long term financing	397,491	-	397,491
Accrued mark-up	31,064	-	31,064
Short term borrowings	3,924,075	-	3,924,075
Trade and other payables	1,195,792	164,012	1,359,804
	5,548,422	164,012	5,712,434

### 40.3 Offsetting financial assets and financial liabilities

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

### 40.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 5 and note 10 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'.

	2022 Amount (Rupees in thousand)	2021 Amount
Borrowings	5,890,128	4,321,566
Total equity	6,164,524	6,729,388
Total capital employed	12,054,652	11,050,954
Gearing ratio	48.86%	39.11%

#### 41. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

##### (i) Fair value hierarchy

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

Recurring fair value measurements At 31 December 2022	Level 1	Level 2	Level 3	Total
------(Rupees in thousand)-----				

##### Financial liabilities

Derivative financial liabilities	-	9,425	-	9,425
----------------------------------	---	-------	---	-------

Recurring fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	Total
------(Rupees in thousand)-----				

##### Financial assets

Derivative financial assets	-	1,613	-	1,613
-----------------------------	---	-------	---	-------

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 out of level 3 measurements.

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

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

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is

# Notes to the Financial Statements

For the year ended December 31, 2022

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 or dealer quotes for similar instruments.

## 42. PROVIDENT FUND RELATED DISCLOSURES

Employees provident fund of Service Industries Limited - Holding Company namely Service Provident Fund Trust is also managing provident fund benefits of the employees of the 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.

## 43. OPERATING SEGMENTS

These financial statements have been prepared on the basis of a single reportable segment.

2.19% (2021: 7.42%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 46.19% (2021: 48.65%) of those sales are made to customers in Germany.

All non-current assets of the Company as at 31 December 2022 were located in Pakistan.

17.87% (2021: 43.43%) of the local sales of the Company are made to a single customer in Pakistan.

## 44. NUMBER OF EMPLOYEES

	2022	2021
Number of employees	5,886	5,226
Average number of employees during the year	5,522	4,914

## 45. DETAILED BREAK-UP UTILIZATION OF THE PROCEEDS RAISED FROM THE ISSUE

The Company issued Prospectus dated 31 March 2021 in relation to the issue of 40,887,500 ordinary shares (20% of the total post-IPO paid-up capital of the Company) of face value of Rupees 10 each. The Company has received subscription amount of Rupees 2,175,215,000 against Initial Public Offer of 40,887,500 ordinary shares of face value of Rupees 10 each at a price of Rupees 53.2 per ordinary share (including premium of Rupees 43.2 per ordinary share). On 26 April 2021, shares have been duly allotted to all shareholders. As per paragraph 4.1.5 of the Prospectus, the proceeds from IPO shall be utilized for equity investment in Service Long March Tyres (Private) Limited (SLM). SLM shall utilize the proceeds to make payments to the contractors on account of civil and Mechanical, Electrical and Plumbing (MEP) works of the Radial Bus and Truck Tyre Project. Detailed break-up utilization of the proceeds raised from the Issue for the period from 28 April 2021 to 31 December 2022 is as follows:

(Rupees in thousand)	
IPO Proceeds	2,175,215
Profit on term deposit receipts received by the Company	46,250
	<b>2,221,465</b>
Equity investment in Service Long March Tyres (Private) Limited (SLM)	2,221,465
Utilization of aforesaid equity investment by Service Long March Tyres (Private) Limited:	
Payments to the contractors on account of Civil and Mechanical, Electrical and Plumbing (MEP) works of the project	2,221,465

#### 46. UNUTILIZED CREDIT FACILITIES

	Non- funded		Funded	
	2022	2021	2022	2021
	(Rupees in thousand)		(Rupees in thousand)	
Total facilities	<b>2,635,000</b>	5,475,000	<b>9,250,000</b>	6,300,000
Utilized at the end of the year	<b>(228,352)</b>	(159,231)	<b>(5,488,314)</b>	(3,924,075)
Unutilized at the end of the year	<b>2,406,648</b>	5,315,769	<b>3,761,686</b>	2,375,925

#### 47. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2022 of Rupees 1 per share (i.e. 10%) at their meeting held on 30 March 2023 . However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

# Notes to the Financial Statements

For the year ended December 31, 2022

## 48. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

	2022	2021
	Amount	Amount
	(Rupees in thousand)	
<b>DESCRIPTION</b>		
<b>Loan / advances obtained as per Islamic mode:</b>		
Loans	2,502,778	3,996,639
Advances from customers	88,014	99,862
<b>Shariah compliant bank deposits / bank balances</b>		
Bank balances	59,560	8,455
<b>Profit earned from shariah compliant bank deposits / bank balances</b>		
Profit on deposits with banks	133	3,990
<b>Revenue earned from shariah compliant business</b>		
	11,753,088	7,040,157
<b>Gain / (loss) or dividend earned from shariah compliant investments</b>		
	-	-
<b>Exchange gain earned</b>		
	88,284	176,201
<b>Mark-up paid on Islamic mode of financing</b>		
	120,089	45,821
<b>Profits earned or interest paid on any conventional loan</b>		
Profits earned	25,249	30,584
Interest paid on loans	157,162	77,820

### Relationship with shariah compliant banks

Name	Relationship
MCB Islamic Bank Limited	Bank balance and short term borrowings
Meezan Bank Limited	Ijarah, bank balance and short term borrowings
Faysal Bank Limited (Barkat Islami)	Bank balance and short term borrowings
Dubai Islamic Bank	Bank balance and short term borrowings
The Bank of Punjab (Taqwa Islamic banking)	Short term borrowings
Bank Islami Pakistan Limited	Bank balance and short term borrowings
Bank Al Habib Limited	Ijarah

## 49. DATE OF AUTHORIZATION FOR ISSUE

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

## 50. CORRESPONDING FIGURES

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

## 51. General

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



Hassan Javed  
(Chief Executive)



Arif Saeed  
(Director)



Usman Liaqat  
(Chief Financial Officer)

# Pattern of Shareholding

As at December 31, 2022

Number of Shareholders	Shareholding		Total Shares held
	From	To	
173	1	100	4,466
1042	101	500	507,508
784	501	1,000	749,681
710	1,001	5,000	1,830,217
151	5,001	10,000	1,238,112
47	10,001	15,000	567,989
44	15,001	20,000	786,827
27	20,001	25,000	617,351
20	25,001	30,000	572,238
7	30,001	35,000	228,288
13	35,001	40,000	502,209
9	40,001	45,000	377,396
18	45,001	50,000	880,288
1	50,001	55,000	51,000
4	55,001	60,000	232,236
4	60,001	65,000	255,874
2	65,001	70,000	132,757
1	70,001	75,000	72,461
1	75,001	80,000	80,000
1	80,001	85,000	83,323
4	85,001	90,000	353,526
10	95,001	100,000	996,687
1	100,001	105,000	105,000
2	105,001	110,000	212,000
1	120,001	125,000	121,000
2	125,001	130,000	257,026
2	140,001	145,000	290,000
2	145,001	150,000	295,381
1	165,001	170,000	169,500
2	180,001	185,000	365,603
1	185,001	190,000	189,772
1	190,001	195,000	191,500
5	195,001	200,000	996,000
1	205,001	210,000	210,000

# Pattern of Shareholding

As at December 31, 2022

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	245,001	250,000	250,000
1	255,001	260,000	256,000
1	275,001	280,000	275,901
1	295,001	300,000	300,000
1	305,001	310,000	309,818
1	340,001	345,000	345,000
1	355,001	360,000	360,000
1	360,001	365,000	363,452
1	365,001	370,000	370,000
1	370,001	375,000	371,325
1	420,001	425,000	424,000
1	435,001	440,000	438,500
1	445,001	450,000	450,000
1	475,001	480,000	479,165
2	495,001	500,000	1,000,000
1	505,001	510,000	505,014
1	525,001	530,000	529,544
1	565,001	570,000	569,317
1	585,001	590,000	589,793
1	595,001	600,000	600,000
1	645,001	650,000	645,500
1	780,001	785,000	782,000
1	815,001	820,000	816,325
1	835,001	840,000	838,837
1	865,001	870,000	868,000
1	1,195,001	1,200,000	1,199,902
1	1,230,001	1,235,000	1,231,598
1	1,265,001	1,270,000	1,267,326
1	1,455,001	1,460,000	1,455,500
1	3,780,001	3,785,000	3,784,624
1	5,335,001	5,340,000	5,337,852
1	163,545,001	163,550,000	163,549,991
3,127			205,087,500

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	13	2,687,509	<b>1.3104</b>
Associated Companies, undertakings and related Parties	1	163,549,991	<b>79.7464</b>
NIT and ICP	4	1,522,951	<b>0.7426</b>
Banks, Development Financial Institutions, Non Banking Financial Institutions	4	2,393,550	<b>1.1671</b>
Modarabas and Mutual Funds	14	7,410,094	<b>3.6131</b>
General Public			
a. Local	3,043	18,261,318	<b>8.9042</b>
b. Foreign	4	5,357,352	<b>2.6122</b>
Others (to be specified)			
1- Joint Stock Companies	35	3,616,424	<b>1.7634</b>
2- Investment Companies	3	136,913	<b>0.0668</b>
3- Pension Funds	1	9,000	<b>0.0044</b>
4- Others	5	142,398	<b>0.0694</b>
	<b>3,127</b>	<b>205,087,500</b>	<b>100.0000</b>
Shareholders holding 10% or more	1	163,549,991	<b>79.7464</b>

# Pattern of Shareholding

As at December 31, 2022

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares held	Percentage
<b>Associated Companies, undertakings and related parties</b>		
SERVICE INDUSTRIES LIMITED (CDC)	163,549,991	79.7464
<b>Mutual Funds</b>		
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	29,307	0.0143
CDC - TRUSTEE AL HABIB STOCK FUND (CDC)	20,000	0.0098
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	309,818	0.1511
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC)	3,784,624	1.8454
CDC - TRUSTEE APIF - EQUITY SUB FUND (CDC)	37,061	0.0181
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND (CDC)	505,014	0.2462
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	838,837	0.4090
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND (CDC)	15,005	0.0073
CDC - TRUSTEE MEEZAN BALANCED FUND (CDC)	40,430	0.0197
CDC - TRUSTEE MEEZAN ISLAMIC FUND (CDC)	816,325	0.3980
CDC - TRUSTEE MEEZAN DEDICATED EQUITY FUND (CDC)	24,113	0.0118
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	589,793	0.2876
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND (CDC)	300,000	0.1463
<b>Directors and their spouses and minor children</b>		
CHAUDHRY AHMED JAVED	1	0.0000
MR. ARIF SAEED	1	0.0000
MR. ARIF SAEED (CDC)	782,000	0.3813
MR. OMAR SAEED	1	0.0000
MR. OMAR SAEED (CDC)	1,455,500	0.7097
MR. HASSAN JAVED	1	0.0000
MR. AZMAT ALI RANJHA	1	0.0000
MR. ABDUL RASHID LONE	1	0.0000
MS. MALEEHA HUMAYUN BANGASH	1	0.0000
MR. HASSAN EHSAN CHEEMA	1	0.0000
MR. HASSAN EHSAN CHEEMA (CDC)	250,000	0.1219
MR. QADEER AHMED VASEER	1	0.0000
MR. QADEER AHMED VASEER (CDC)	200,000	0.0975

Categories of Shareholders	Number of Shares held	Percentage
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	2,502,317	1.2201
<b>Shareholders holding five percent or more voting rights</b>		
SERVICE INDUSTRIES LIMITED (CDC)	163,549,991	79.7464

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

Name	Purchase
MR. OMAR SAEED - DIRECTOR	289,500
MR. ARIF SAEED - DIRECTOR	782,000
MR. HASSAN EHSAN CHEEMA - DIRECTOR	250,000
MR. QADEER AHMED VASEER - DIRECTOR	200,000



# Form of Proxy

## 4<sup>th</sup> Annual General Meeting

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a member(s) of **Service Global Footwear 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 4<sup>th</sup> Annual General Meeting to be held on April 28, 2023 at 10:00 a.m. and / or at any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this \_\_\_\_\_ day of \_\_\_\_\_ 2023  
in the presence of \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2023

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

Signature on Fifty - Rupees  
Revenue Stamp

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

### Important:

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

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

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

AFFIX  
CORRECT  
POSTAGE

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

# پراکسی فارم

چوتھا سالانہ اجلاس عام

میں / ہم \_\_\_\_\_ سروس گلوبل فٹ ویئر لمیٹڈ کے ممبر کی حیثیت سے اور حال \_\_\_\_\_  
عمومی حصص، محترم / محترمہ \_\_\_\_\_ کو یا ان کی غیر حاضری کی صورت میں محترم / محترمہ \_\_\_\_\_  
کو اپنا / ہمارا پراکسی مقرر کرتا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے چوتھے سالانہ اجلاس عام جو کہ مورخہ 28 اپریل 2023  
صبح 10 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 \_\_\_\_\_

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	اکاؤنٹ نمبر	پارٹنیشن آئی ڈی

پچاس روپے مالیت کی  
ریونیونٹ پر دستخط کریں۔  
(دستخط کمپنی میں درج نمونہ دستخط  
کے مطابق ہونے چاہئیں)

اہم ہدایات:

1. پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹہ قبل کمپنی کو موصول ہوں۔ پراکسی کمپنی کے ممبرز میں سے ہی ہونا چاہئے۔
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 کمپیوٹرز اور قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔
- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرز اور قومی 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۔

AFFIX  
CORRECT  
POSTAGE

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

**SERVICE GLOBAL FOOTWEAR LIMITED**

Registered Office: Servis House 2-Mian Gulberg, Lahore.

Phone: +92 42- 35751990-6 Fax No. +92-42-35711827

Email: [shareholders@servis.com](mailto:shareholders@servis.com)Website: [www.serviceglobalfootwear.com](http://www.serviceglobalfootwear.com)

## Ballot Paper For Voting Through Post

(in person and virtual 4<sup>th</sup> Annual General Meeting to be held at 10:00 a.m. on Friday, April 28, 2023)

Designated email address of the Chairman at which the duly filled in ballot paper may be sent: [chairman@servis.com](mailto:chairman@servis.com)

Name of shareholder/joint shareholders	
Registered Address	
Number of Shares held (on close of April 17, 2023) and folio number	
CNIC No./Passport No (in case of foreigner) (Copy to be attached)	
Additional information and enclosures (In case of representative of body corporate, Corporation and Federal Government)	

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by picking tick (✓) mark in the appropriate box below:

Sr. No.	Name and Description of Resolutions	I/We assent to the resolution (FOR)	I/We dissent to the resolution (AGAINST)
1.	<p><b>“Resolved that</b> pursuant to the requirements of Section 199 of the Companies Act, 2017, approval of the members of Service Global Footwear Limited (the “Company”) be and is hereby accorded and the Company be and is hereby authorized to renew the investment of up to PKR 4.5 Billion (Rupees Four Billion Five Hundred Million) in the form of working capital loan in Service Industries Limited, a holding / associated company, approved by the shareholders vide special resolution dated April 28, 2022 and expiring on June 30, 2023, for a further period of one year till June 30, 2024 with all other terms and conditions of the investment to remain unchanged.</p> <p><b>Further resolved that</b> Mr. Hassan Javed, Chief Executive Officer and / or Mr. Arif Saeed, and / or Mr. Omar Saeed, Directors of the Company be and is hereby singly empowered and authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, deeds and things, that may be considered necessary or necessary for the purpose of implementing this resolution.”</p>		

Sr. No.	Name and Description of Resolutions	I/We assent to the resolution (FOR)	I/We dissent to the resolution (AGAINST)
2.	<p><b>"Resolved that</b> approval of the shareholders of Service Global Footwear Limited (the "Company") be and is hereby accorded and the Company be and is hereby authorized to circulate the Annual Audited Financial Statements of the Company together with the reports and documents required to be annexed thereto under the Companies Act, 2017 through QR enabled code and weblink instead of circulation through CD/DVD/USB.</p> <p><b>Further resolved that</b> Mr. Hassan Javed, Chief Executive Officer and / or Mr. Arif Saeed, and / or Mr. Omar Saeed, Directors of the Company be and is hereby singly empowered and authorized to do all acts, deeds and things, take or cause to be taken all necessary action for the purposes of implementing this resolution."</p>		

\_\_\_\_\_  
Signature of Shareholder(s)

Place:

Date:

#### NOTES / PROCEDURE FOR SUBMISSION OF BALLOT PAPER:

1. Duly filled and signed original postal ballot should be sent to the chairman, Mr. Arif Saeed, Service Global Footwear Limited at Servis House 2-Main Gulberg, Lahore or a scanned copy of the original postal ballot to be emailed at: [chairman@servis.com](mailto:chairman@servis.com).
2. Copy of CNIC/Passport (in case of foreigner) should be enclosed with the postal ballot form.
3. **Postal Ballot forms should reach chairman of the meeting on or before April 27, 2023 during working hours. Any Postal Ballot received after this date, will not be considered for voting.**
4. Signature on Postal Ballot should match the signature on CNIC/Passport (in case of foreigner).
5. Incomplete, unsigned, in correct, defaced, torn, mutilated, over written ballot papers will be rejected.
6. In case of representative of body corporate and corporation, Postal Ballot must be accompanied with copy of CNIC of authorized person, along with a duly attested copy of Board resolution, Power of Attorney, or Authorization Letter in accordance with Section(s) 138 or 139 of the Companies Act 2017, as applicable, unless these have already been submitted along with Proxy Form. In case of foreign body corporate etc. all documents must be attested from the Pakistani Embassy having jurisdiction over the member.
7. Ballot paper has also been placed on the website of the Company [www.serviceglobalfootwear.com](http://www.serviceglobalfootwear.com). Members may download the ballot paper from the website or use original/photocopy published in newspapers

## بیرونی آڈیٹرز

وجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اپنی اہلیت کی بنیاد پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز 31 دسمبر 2023 کو ختم ہونے والے مالی سال کے لئے کمپنی کے آڈیٹ کے طور پر ان کی دوبارہ تقرری کے لئے آڈٹ کمپنی 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۔

## سالانہ گوشواروں کی تیاری کے بعد تبدیلیاں

31 دسمبر 2022 سے لے کر 30 مارچ 2023 تک اس سالانہ رپورٹ میں کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو ماسوائے 31 دسمبر 2022 کو ختم ہونے والے مالی سال کا اعلان برائے حتمی ڈیویڈنڈ 1 روپے فی شیئر (یعنی 10 فیصد) جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔ اور جیسا کہ 31 دسمبر 2022 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی بیانات کے نوٹ نمبر 47 میں درج کیا گیا ہے۔

## اعتراف

ہم تہہ دل سے بورڈ کے ممبران کی قابل قدر رہنمائی اور تعاون کے مشکور ہیں۔ علاوہ ازیں ہم تمام ملازمین کی انتھک اور پر عزم کوششوں اور ہمارے گاہکوں کی ہماری مصنوعات پر اعتماد کے بھی شکر گزار ہیں۔ ہم بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین 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



حسن جاوید  
چف ایگزیکٹو



عارف سعید  
چیئرمین

بورڈ نے دو کمیٹیاں تشکیل دی ہیں یعنی آڈٹ کمیٹی اور ہیومن ریسورس اینڈ ریویژن کمیٹی۔  
کمیٹیاں درج ذیل ممبران پر مشتمل تھیں۔

### 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 گئیں ہیں اور کمیٹی کو اس کی تعین کرنے کا مشورہ دیا گیا ہے۔

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

ممبران	عہدہ	حاضری
جناب عبدالرشید لون	چیئر مین / آزاد ڈائریکٹر	3/4
جناب عمر سعید	ممبر / نان ایگزیکٹو ڈائریکٹر	4/4
محترمہ ملیہ ہمایوں بگٹش	ممبر / آزاد ڈائریکٹر	3/4

### ہیومن ریسورس اور ریویژن کمیٹی

یہ ہیومن ریسورس اور ریویژن کمیٹی تین اراکین پر مشتمل ہے جن میں سے ایک انڈیپنڈنٹ ڈائریکٹ، ایک نان ایگزیکٹو ڈائریکٹر اور ایک ایگزیکٹو ڈائریکٹر ہیں۔ کمیٹی کا چیئر مین انڈیپنڈنٹ ڈائریکٹر ہے۔ کمیٹی ایگزیکٹوز کے معاوضے، انکی کارکردگی کے جائزے اور جانفشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

کمیٹی کی اس سال 3 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	عہدہ	حاضری
جناب عظمت علی رانجھا	چیئر مین / آزاد ڈائریکٹر	3/3
جناب حسن جاوید	ممبر / ایگزیکٹو ڈائریکٹر	3/3
جناب عمر سعید	ممبر / نان ایگزیکٹو ڈائریکٹر	3/3

### حصص یافتگان کی تفصیل

کارپوریٹ گورننس کے ضابطہ اخلاق کے مطابق 31 دسمبر 2022 تک کی حصص یافتگان کی تفصیل اس سالانہ رپورٹ میں درج کی گئی ہے۔ کمپنی کے حصص میں اگر کسی ڈائریکٹر، سی ای او، سی ایف او، کمپنی سیکریٹری، اندرونی آڈٹ کے سربراہ، ان کی بیویاں یا چھوٹے بچوں نے خرید و فروخت کی ہے تو وہ بھی اس رپورٹ میں درج کر دی گئی ہے۔

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

• کمپنی بورڈ یا کمیٹی اجلاس میں شامل ہونے سے متعلقہ سفری اور رہائشی اخراجات ادا کرے گی۔

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

31 دسمبر 2022 کو ختم ہونے والے سال کے دوران، معاوضے کے لیے مالیاتی گوشواروں میں درج ذیل رقم وصول کی گئیں جن میں چیف ایگزیکٹو آفیسر اور ایگزیکٹو ڈائریکٹرز کی دیگر مراعات شامل ہیں:

• 72.312 ملین روپے (2021: 64.730 ملین روپے) چیف ایگزیکٹو آفیسر کو ادا کیے گئے۔

• دو ایگزیکٹو ڈائریکٹرز کو 49.723 ملین روپے (2021: 32.657 ملین) ادا کیے گئے۔

### بورڈ آف ڈائریکٹرز کے اجلاس

اس سال 4 بورڈ میٹنگز ہوئیں۔ ممبران کی حاضری مندرجہ ذیل ہے۔

ڈائریکٹرز	عہدہ	حاضری
جناب عارف سعید	چیئر مین	4/4
جناب حسن جاوید	چیف ایگزیکٹو آفیسر	4/4
چوہدری احمد جاوید	ڈائریکٹر	0/4
جناب عمر سعید	ڈائریکٹر	3/4
جناب عظمت علی رانجھا	ڈائریکٹر	4/4
جناب عبدالرشید لون	ڈائریکٹر	3/4
محترمہ ملیہ ہمایوں بگٹش	ڈائریکٹر	4/4
جناب حسن احسان چیمہ	ڈائریکٹر	4/4
جناب قدیر احمد وسیر	ڈائریکٹر	4/4

بورڈ اور کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ڈائریکٹرز کے لئے غیر حاضری کی رخصت منظور کی گئی۔

## 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 اور تمام مقررہ شرائط پر عمل درآمد کیا ہے۔ اس کا خلاصہ درج ذیل کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی تعمیل کے بیان میں کیا گیا ہے جس کا بیرونی آڈیٹرز کے ذریعے جائزہ لیا گیا ہے۔

## 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 نتائج، کیش فلو اور ایکویٹی 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 اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔

4۔ مالی گوشواروں کی تیاری پاکستان میں لاگو ہونے والے بین الاقوامی مالی رپورٹنگ معیارات کے مطابق کی گئی ہے۔

5۔ کمپنی نے ٹھوس اندرونی کنٹرولز لاگو کر رکھے ہیں جس سے یقینی بنایا جاتا ہے کہ غلط معلومات نہ ملے اور نقصان نہ ہو۔ اندرونی کنٹرولز کے نظام کا باقاعدگی سے جائزہ لیا جاتا ہے۔ اس نظام کو بورڈ کی حسب کمپنی نے باضابطہ شکل دی ہے اور حسب ضرورت بہتر کیا جاتا ہے۔

6۔ کمپنی کے لگاتار چلنے میں کسی قسم کا کوئی شک نہیں ہے۔

7۔ کارپوریٹ گورننس کے بہترین طریقوں سے بٹنے کے کوئی شواہد نہیں ہے، جیسا کہ فہرست سازی کے ضوابط میں تفصیل سے بتایا گیا ہے۔

8۔ پچھلے 2 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 بورڈ کے اندرونی کنٹرول کے نظام کی مناسب وقفہ سے نظر ثانی اور نگرانی کرتا ہے۔

## ڈائریکٹرز کا معاوضہ

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

2022 کے اہم واقعات میں سے ایک، امریکہ میں جوتے کی سب سے بڑی کمپنیوں میں سے ایک کے ساتھ انتہائی اہم معاہدہ کرنا ہے۔ اس معاہدے سے آنے والے سالوں میں زبردست توسیع اور ترقی متوقع ہے۔ ہم نے اس معاہدے کے لئے کثیر پیدوار سی استعداد وقف کی ہے۔

ہم نے معروف ترین یورپی برانڈز میں سے ایک کے ساتھ بات چیت کر رہے ہیں کہ وہ مستقبل قریب میں سروس گلوبل فٹ ویئر لمیٹڈ کی مصنوعات خریدے۔ ابتدائی مراحل طے ہو چکے ہیں اور ہم 2023 کی دوسری سہ ماہی میں اس برانڈ کی لئے پیدوار شروع کر دیں گے۔ اس سے ہمارے گاہکوں کی فہرست میں بہت بڑا اضافہ ہوگا، اور نتیجتاً ہماری نمو کی کوششوں کو آگے بڑھانے میں معاون ہوگا۔

حفاظتی جوتوں کی تیاری پر ہماری سرمایہ کاری ایک مضبوط پیدوار سی شے کی شکل اختیار کر چکی ہے۔ اب ہمارے پاس یورپ میں سال 2023 اور اس کے بعد فروخت کے لیے متعدد کرنٹ ایرا (CE) نشان والی مصنوعات ہیں۔

چین میں ہمارے کاروباری معاملات "ڈونگ گوان سروس گلوبل لمیٹڈ" کے نام سے ایک چینی ذیلی ادارے کی تشکیل کے ذریعے بڑھایا گیا ہے۔ اب ہمارے پاس جوتوں کی خریداری کے عالمی مرکز میں، اپنائی مصنوعات کی تیاری کا شعبہ، سبز آفس، اور خریداری کا دفتر ہے۔ یہ ہمیں دیگر علاقائی جوتے بنانے والے اداروں کے مقابلے میں مختلف شعبوں میں ایک زبردست مسابقتی برتری فراہم کرتا ہے جس میں ٹیکنالوجی، نئی مصنوعات کی تیاری کی کارکردگی، لاگت پر کنٹرول، اور فروخت بڑھانے کے مواقع شامل ہیں۔

سروس گلوبل فٹ ویئر لمیٹڈ اپنی منظم حکمت عملی پر عمل درآمد کرتے ہوئے سے ترقی کی راہ پر گامزن ہے اور اپنے حصص یافتگان کے لیے قدر میں کثیر اضافہ کرنے کے لیے پرعزم ہے۔

## کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام ممکنہ اخلاقی اور قانونی ضوابط پر پورا اترنے اور کاروبار کو اعلیٰ ترین پیشہ ورانہ اور اخلاقی معیارات اور طریقوں کے مطابق چلانے کے لیے 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 بھی 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 موقع 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 کنٹرول اور کام کرنے کے طریقوں کا جائزہ لینے کے لیے آزاد اداروں کی خدمات کا 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۔

اس کے علاوہ، سروس گلوبل فٹ ویئر لمیٹڈ ملک کی وہ پہلی جو توں کی کمپنی بھی بن چکی ہے جس کے احاطے کے اندر موجود لیبارٹری درج ذیل معیار کے تحت تصدیق شدہ ہے۔

لیبارٹری میں بہتری کا نظام ISO 17025/2017

بین الاقوامی معیارات کی سب سے زیادہ تعمیل کرنے والی کمپنیوں میں شمار ہونے کے اپنے عزم کو برقرار رکھتے ہوئے، ہم نے اس سال بھی اپنی استعداد کو برقرار رکھنے کے لیے مزید معیارات شامل کیے ہیں۔

## (5) صارفین کے تحفظ کے اقدامات

سروس گلوبل فٹ ویئر لمیٹڈ 2010 سے SATRA ٹیکنالوجیز کارکن بھی ہے جو جوئے اور چمڑے کی مصنوعات پر تحقیق اور ٹیسٹ کرواتی ہے تاکہ یہ یقینی بنایا جاسکے کہ مصنوعات آرام دہ، محفوظ، کارآمد اور پائیدار ہے۔

## (6) کاروباری اخلاقیات اور انسداد بدعنوانی کے اقدامات

ہم کاروبار کو پوری دیانتداری اور متعلقہ قوانین کی پاسداری کے ساتھ کرنے کے لیے پرعزم ہیں۔ ہمارا اخلاقیات اور کاروبار کرنے کے طریقوں کا بنیاد یہ ہے کہ، ”یہ کمپنی کی پالیسی ہے کہ وہ اپنے آپریشنز کو اعلیٰ ترین اخلاقی اقدار کے مطابق چلائیں تمام قانونی ضابطوں کی تعمیل کریں اور اداروں کے لیے بنائے گئے بہترین معیارات کے مطابق ہوں۔“

## (7) قومی محصولات میں ہمارا حصہ

سروس گلوبل فٹ ویئر لمیٹڈ کا ٹیکس، ڈیوٹی اور محصولات کی مد میں قومی خزانے میں ایک اہم سالانہ شراکت ہے۔ 2022 میں سروس گلوبل فٹ ویئر لمیٹڈ نے 254 ملین روپے اس مد میں ادا کئے۔

## کمپنی کی سماجی ذمہ داری

سروس گلوبل فٹ ویئر لمیٹڈ کو سروس انڈسٹریز لمیٹڈ کی طرح اداروں کو عطیات دینے کی روایت پر عمل کر کے سماجی طور پر باشعور کاروباری ادارہ بننے کے نظریے کے ساتھ تشکیل دیا گیا ہے۔ پچھلی کئی دہائیوں کے دوران، گروپ صحت اور تعلیم میں اہم فلاحی کاموں میں شامل رہا ہے۔ سروس گلوبل فٹ ویئر لمیٹڈ کا مقصد اپنے ملازمین، صارفین، شیئر ہولڈرز اور متعلقہ آبادیوں کی خدمت کرنا اور ماحول کی بہتری کے لیے کوشش کرنا ہے۔ کمپنی کا ارادہ بالکل سادہ لوہے: لوٹانا، خوشحالی بانٹنا اور احسن طریقے سے لوگوں کی تعمیر و ترقی کرنے میں مدد کرنا۔

سال کے دوران، کمپنی نے سماجی ذمہ داری سرگرمیوں کی مد میں 4.226 ملین روپے کا عطیہ کیا۔

## مستقبل پر ایک نظر:

سال 2022 میں غیر معمولی نمو حاصل ہوئی جو سروس گلوبل فٹ ویئر لمیٹڈ کی تاریخ میں سب سے زیادہ ہے۔ یہ نمو فروخت بڑھانے اور نئی مصنوعات کی تیاری کی پرجوش کوششوں کے وجہ سے حاصل ہوئی ہے، جس کو پیداواری استعداد میں تیزی سے توسیع نے ممکن بنایا ہے۔

حل پر توجہ دی جاتی ہے، مواقع ڈھونڈے جاتے ہیں، ایکشن پلان بنائی جاتی ہے، ان پر عمل درآمد کیا جاتا ہے تاکہ طویل المعیار اہداف حاصل کئے جاسکیں۔

## ماحول، صحت اور سیفٹی

سروس گلوبل فٹ ویئر لمیٹڈ نے کمپنی سے وابستہ تمام اندرونی اسٹیک ہولڈرز جیسے کہ ملازمین، صارفین اور شیئر ہولڈرز کے لیے ایک محفوظ، صحت مند، اور ضابطہ اخلاق پر مبنی ماحول فراہم کرنے کے لیے درج ذیل اقدامات کیے ہیں۔

## (1) ایشیا کا پہلا شمسی توانائی سے چلنے والا جو توں کا کارخانہ

ستمبر 2017 میں، سروس گلوبل فٹ ویئر لمیٹڈ نے 1 میگا واٹ شمسی توانائی سے بجلی پیدا کرنے والے پلانٹ کی تنصیب مکمل کی اور ستمبر 2019 میں اس کی صلاحیت کو 2 میگا واٹ تک بڑھا دیا، اس طرح سروس گلوبل فٹ ویئر لمیٹڈ ایشیا میں شمسی توانائی سے چلنے والا پہلا کارخانہ بن گیا۔ سروس گلوبل فٹ ویئر لمیٹڈ پہلی کمپنی ہے جس نے اس سال کے شروع میں ڈیلیوری اور فورم جیو میں گرین انیشیٹیو میں پاکستان کی نمائندگی کی۔

## (2) صنعتی قواعد کی پاسداری

سروس گلوبل فٹ ویئر لمیٹڈ برنس سوشل کیپلائنس انیشیٹیو سے تصدیق شدہ ہے جو کہ انسانی حقوق کے قوانین، ILO کنونشن اور پاکستان کے لیبر قوانین کے مطابق ماحول کو درست رکھنے کی تاکید کرتا ہے۔ علاوہ ازیں سروس گلوبل فٹ ویئر لمیٹڈ SEDEX Global کا 2015 سے ممبر ہے جو کہ اس بات کی عکاسی کرتا ہے کہ ہم عالمی کاروبار میں دس ہزار سے زائد ملازمین کو بہترین کام کرنے کا ماحول فراہم کرنے میں اور اخلاقیات پر مبنی کاروباری طریقے پر عمل کرنے کے لئے اور ان میں بہتری لانے کے لیے پرعزم ہیں۔

## (3) خواتین اور معذور افراد کو ملازمت فراہم کرنا

سروس گلوبل فٹ ویئر 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 ملازمت رکھنے کی حوصلہ افزائی کرتے ہیں۔ سروس گلوبل فٹ ویئر لمیٹڈ نے خواتین ملازمین کے لیے موافق ماحول فراہم کرنے کے لیے مرید کے جو توں کے کارخانے میں علیحدہ پروڈکشن لائنز قائم کر رکھی ہیں جہاں 171 سے زیادہ خواتین کام کر رہی ہیں۔

## (4) بین الاقوامی معیارات سے مطابقت

سروس گلوبل فٹ ویئر لمیٹڈ مجموعی مینجمنٹ سسٹم (IMS) کے ایک وسیع پروجیکٹ سے گزرا ہے اور اب فروری 2022 میں تین بین الاقوامی معیارات سے تصدیق شدہ ہے۔

1. کوالٹی میں بہتری کا نظام ISO 9001:2015

2. ماحولیات میں بہتری کا نظام ISO 14001:2015

3. پیشہ ورانہ حفاظت کا نظام ISO 45001:2018

لانگ مارچ ٹائز (پرائیویٹ) لمیٹڈ منافع بخش رہے گا جس سے سروس گلوبل فٹ ویئر لمیٹڈ کے منافع پر مثبت اثرات مرتب ہوں گے۔

سروس گلوبل فٹ ویئر لمیٹڈ اپنی منظم حکمت عملی پر عمل درآمد کرتے ہوئے سے ترقی کی راہ پر گامزن ہے اور اپنے حصص یافتگان کے لیے قدر میں کثیر اضافہ کرنے کے لیے پرعزم ہے

### فی شیئر آمدنی

31 دسمبر 2022 کو ختم ہونے والے سال کے دوران کمپنی کی فی حصص آمدنی 1.67 روپے رہی جو گزشتہ سال کے 2.10 روپے کے مقابلے میں 20 فیصد کمی کو ظاہر کرتی ہے۔ فی شیئر آمدنی میں کمی کی بنیادی وجوہات خام مال کی قیمتوں میں اضافہ، بین الاقوامی ترسیل کے زیادہ اخراجات، اور کم از کم اجرت میں اضافہ شامل ہیں۔ انتظامیہ، کمپنی کے منافع کو بہتر بنانے کے لیے ہر ممکن کوشش کر رہی ہے۔

### کمپنی کی کارکردگی کا جائزہ

بورڈ نے کمپنی کی کارکردگی پر مستقل نظر رکھنے کا ایک نظام ترتیب دیا ہے۔ بورڈ کاہر رکن بورڈ کی مینٹنگ 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 رٹورڈ اور کمیٹیاں مستقل نظر رکھتی ہیں۔

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورت حال، گزشتہ سالوں کی کارکردگی اور کمپنی پر اثر انداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔

بحث بنایا جاتا ہے اور اصل کارکردگی کا بجٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلا تاخیر اصلاح کی جاسکے۔

انتظامیہ اس بات کو یقینی بناتی ہے کہ کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ انتظامیہ کاروبار کی کارکردگی کا ہر سہ ماہی کے اختتام پر جائزہ لیتی ہے۔ اس کا مقصد موجودہ سال کی کارکردگی کا گزشتہ سال کی کارکردگی سے موازنہ کرنا اور بہتر کرنا ہے۔ مزید یہ کہ کمپنی نے اس سال کے دوران کسی بھی قرض کی ادائیگی میں دیر نہیں کی۔

### رسک، غیر ممکنات اور ان سے بچاؤ

کمپنی کارسک مینجمنٹ پروگرام کمپنی کی کارکردگی پر ممکنہ مضراثرات کو کم کرنے پر موزورہا 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، کمزور اور آپریٹنگ رسک کی شناخت، جائزہ اور اسکے حل شامل ہیں۔

سینئر انتظامیہ کی ٹیم کمپنی اور اس کے کاروباری شعبوں کیلئے ایک انتہائی تفصیلی بجٹنگ اور منصوبہ بندی کرتی ہے جس میں SWOT Analysis شامل ہے۔ اس کی بنیاد پر اہم مسائل کے

### ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس گلوبل فٹ ویئر لمیٹڈ کے بورڈ آف ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ڈائریکٹرز رپورٹ کمپنی ایکٹ 2017 کے سیکشن 227 کے تحت تیار کی گئی ہے۔ یہ رپورٹ کمپنی کے سالانہ اجلاس جو کہ مورخہ 28 اپریل 2023 کو منعقد ہو گا اس میں کمپنی کے ممبرز کو پیش کی جائے گی۔

سروس گلوبل فٹ ویئر لمیٹڈ جو توں کے کاروبار میں مہارت رکھتا ہے، پیداواری سہولیات برآمدی منڈیوں کے لیے جو توں کی مصنوعات کی تیاری پر پوری طرح موزورہا ہے۔ سروس گلوبل فٹ ویئر لمیٹڈ پاکستان سے جوتے کاسب سے بڑا درآمد کنندہ ہے۔ سروس گلوبل فٹ ویئر لمیٹڈ کی بنیادی ٹارگٹ مارکیٹ آرام دہ جوتے بنانا ہے اور یہ کمپنی کی آمدنی کا اہم ذریعہ ہے۔ کمپنی کا رجسٹرڈ ہیڈ آفس سروس ہاؤس-2 مین گلبرگ، لاہور میں واقع ہے۔

### مالی سال 2021 اور 2022 کی کارکردگی کا موازنہ

31 دسمبر 2022 کو ختم ہونے والے مالیاتی نتائج کے مقابلے میں 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے سروس گلوبل فٹ ویئر لمیٹڈ کی مالیاتی کارکردگی درج ذیل ہے۔

تفصیلات	2021		2022	
	روپے ہزار میں	آمدن فروخت کا فیصد	روپے ہزار میں	آمدن فروخت کا فیصد
خالص فروخت	11,753,088	7,040,157	67%	
گروس منافع	2,185,651	1,237,734	19%	18%
آپریٹنگ منافع	1,379,204	748,636	12%	11%
منافع قبل از ٹیکس	687,950	572,781	6%	8%
منافع بعد از ٹیکس	342,059	403,221	3%	6%
فی شیئر آمدنی	1.67	2.10		-20%

سروس گلوبل فٹ ویئر لمیٹڈ نے سال 2022 کے دوران اپنے 11.75 ارب روپے کی شاندار آمدن فروخت حاصل کی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 66.94 فیصد زیادہ ہے۔ مقامی مشکلات، اجرتوں میں اضافے اور بڑے پیمانے پر افراط زر کے باوجود، سروس گلوبل فٹ ویئر لمیٹڈ اپنے آپریٹنگ منافع میں گزشتہ سال کے مقابلے میں 84 فیصد اضافہ حاصل کرنے میں کامیاب رہا ہے جو کہ 2021 میں 748 ملین روپے تھا اور 2022 میں 1.38 ارب ہے۔

سروس لانگ مارچ ٹائز (پرائیویٹ) لمیٹڈ میں سروس گلوبل فٹ ویئر لمیٹڈ کی سرمایہ کاری سے 224 ملین روپے کا نقصان ہوا ہے جس سے قبل از ٹیکس منافع 687 ملین ہو گیا ہے جو گزشتہ سال کے مقابلے میں 20 فیصد زیادہ ہے۔ تاہم، اس سال میں، ہمیں امید ہے کہ سروس





[serviceglobalfootwear.com](http://serviceglobalfootwear.com)

**SERVIS HOUSE**

2-Main Gulberg,

Lahore-54662, Pakistan.

Tel: +92-42-35751990-96

