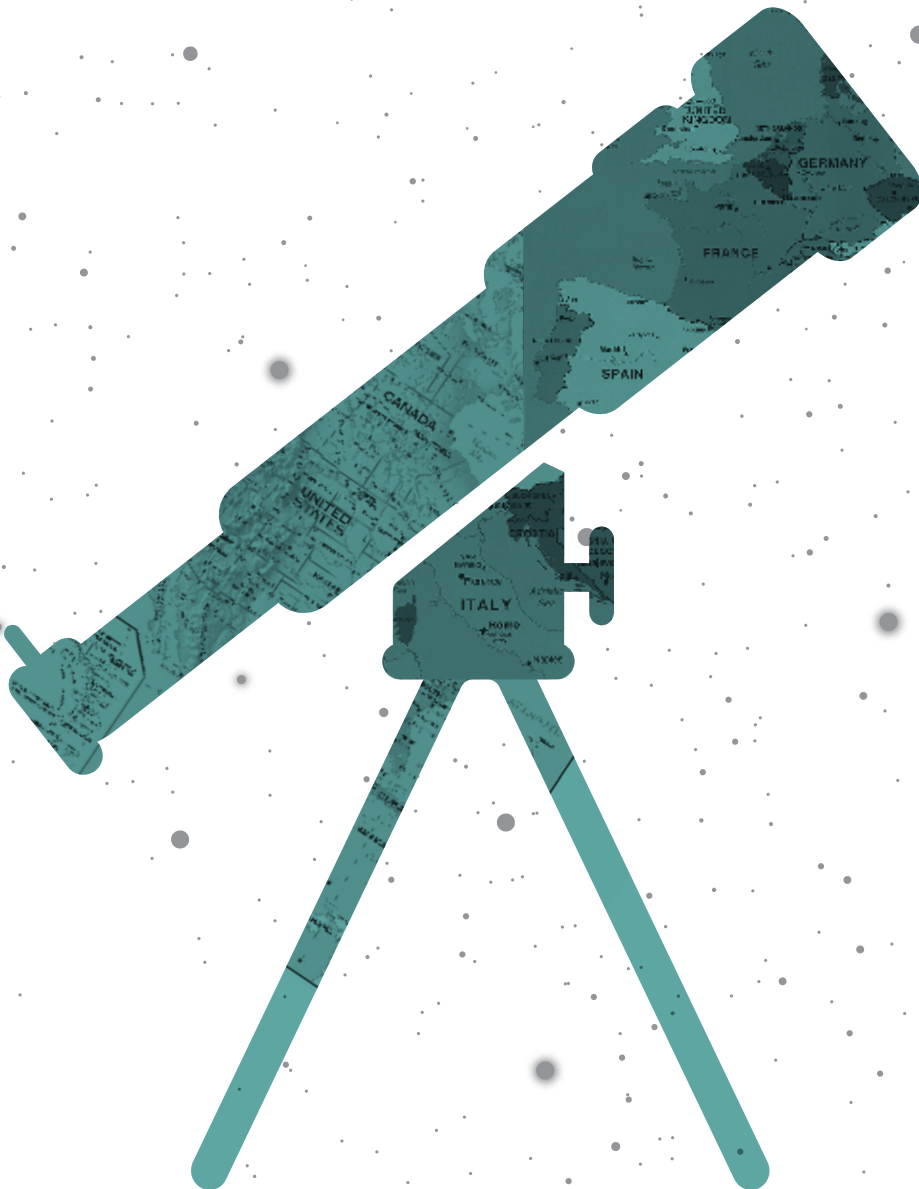


REACHING NEW FRONTIERS



Cover Story



A key strategy for identifying new market opportunities is to look for untapped or underserved markets. These are markets that have not yet been fully explored or are not being adequately served by existing companies.

Collaboration is a powerful tool for expanding into new markets, as it allows a business to leverage the resources and expertise of other companies. When identifying new market opportunities, it's important to consider potential partners and collaborators that could help a business access new resources, expand its reach, and find new ways to grow.

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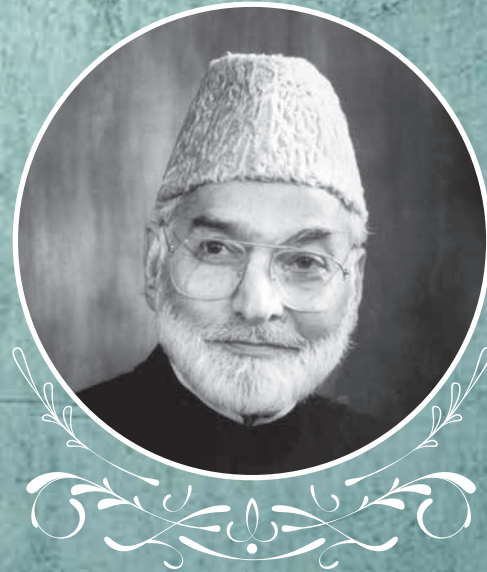
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Director's Report to the
Shareholders (Urdu)

Our History



Ch. Muhammad Hussain



Ch. Nazar Muhammad

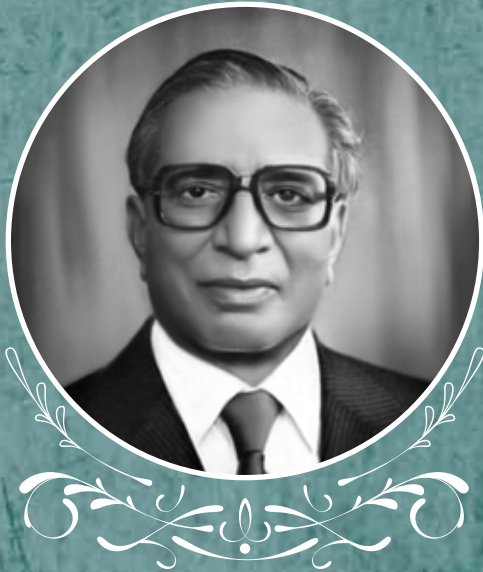
The story of 'Servis' begins in late 1930s when a group of three young graduates from college, started exploring the possibility of doing business together instead of aspiring for secured jobs. These determined young men, Chaudhry Nazar Muhammad, Chaudhry Mohammad Husain, both hailing from villages in 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



Ch. Muhammad Saeed

and established one of the biggest industrial complexes in Punjab, manufacturing leather and canvas footwear, canvas fabric, textile spinning and eventually also bicycle tires and tubes.

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

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

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

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

Today, the Servis group has transferred into 3 companies namely Service Industries Limited, Service Global Footwear Limited and Service Long March Tyres (Pvt) Limited selling world class shoes, all steel truck and bus radial tyres, Agri Tyres and tubes, 2 wheeler and 3 wheeler tyres and tubes with a retail network operating with the brand of Servis. Servis group is the leading exporter of footwear, tyres and tubes from Pakistan. Our manufacturing facilities are spread over four locations, with three in Punjab and one in Sindh.

A humble venture of three friends has grown into a group that employs almost fifteen 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

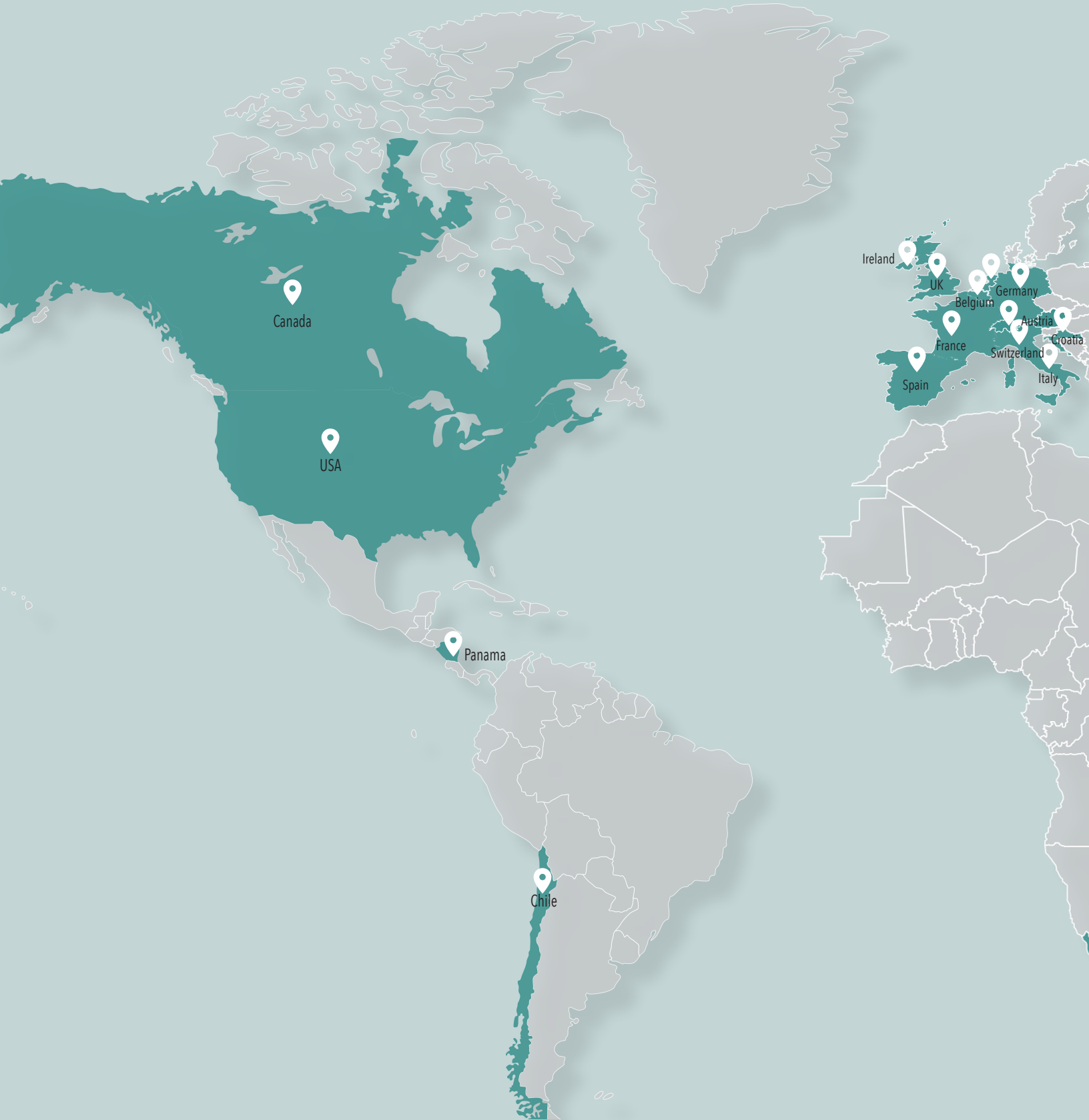
"Let the
boundlessness be
your boundary!"

- Mehmet Murat ildan



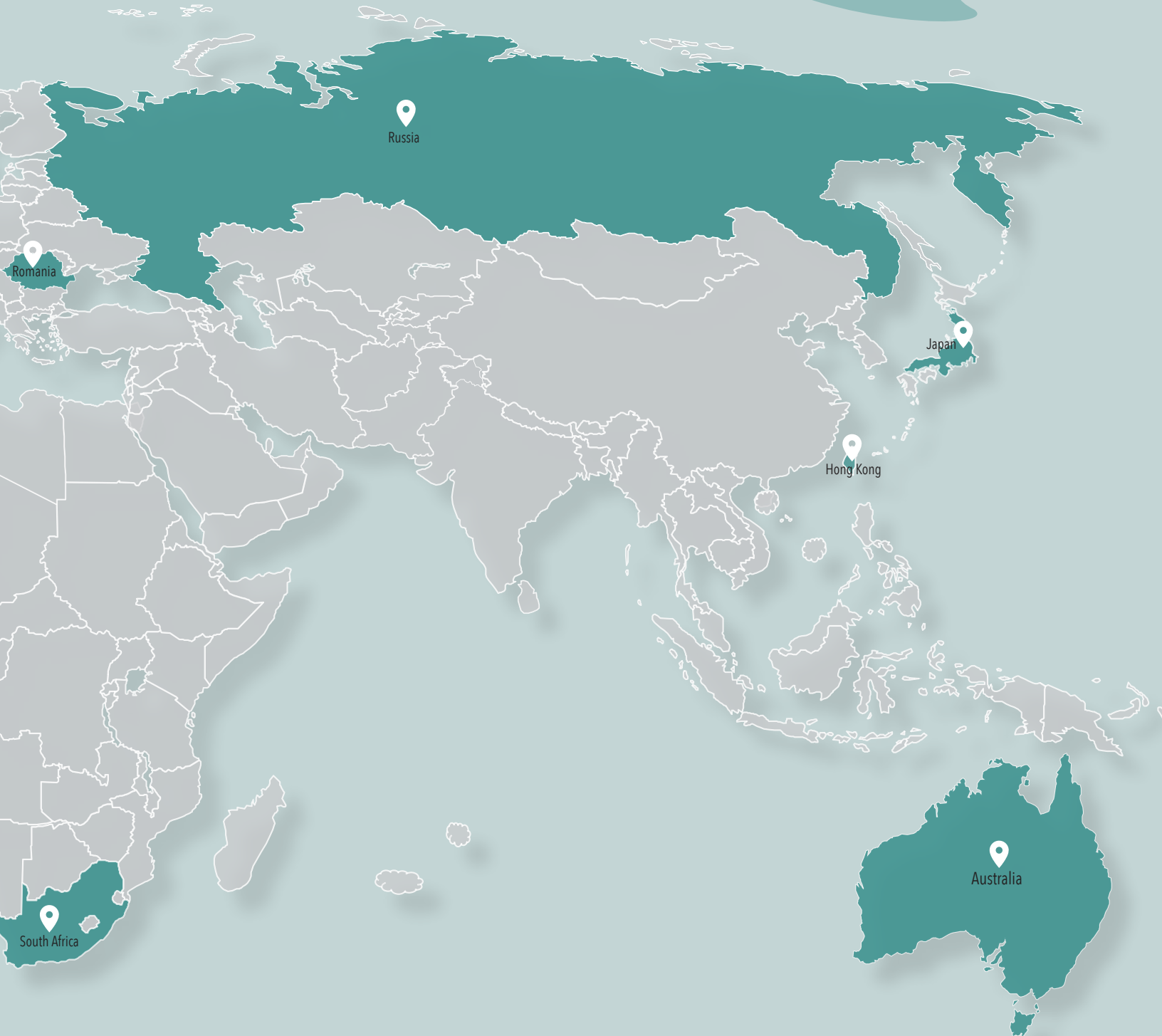
Geographical Presence

Our products are available in more than twenty countries.



"The new frontier
lies not beyond the
planets but within
each one of us."

- Pierre Trudeau



Notice of Annual General Meeting

Notice is hereby given that the 5th Annual General Meeting ("AGM") of Service Global Footwear Limited (the Company) will be held on **Friday, the April 26, 2024 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 separate and consolidated financial statements of Service Global Footwear Limited (the 'Company') for the year ended December 31, 2023, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

In accordance with Section 223(7) of the Companies Act, 2017 and S.R.O No. 389(I)/2023 dated March 21, 2023, the financial statements of the Company have been uploaded on the Company's website which can be downloaded from the following link and QR enabled code:

<https://www.serviceglobalfootwear.com/financial-reports/#1611070650709-0e31e898-6388>



2. To approve the final cash dividend of Rs. 2 per share i.e. 20% as recommended by the Board of Directors in addition to the interim cash dividend of Rs. 3 per share i.e. 30% already paid to the shareholders of the Company making a total cash dividend of Rs. 5 per share i.e. 50% for the year ended December 31, 2023.
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, 2023 and expiring on June 30, 2024 for a further period of one year till June 30, 2025 with all other terms and conditions of the investment to remain unchanged.

(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).

By Order of the Board

Lahore
April 04, 2024

Waheed Ashraf
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 20, 2024 to April 26, 2024 (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 19, 2024 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.

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

The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on April 22, 2024.

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.

Notice of Annual General Meeting

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

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

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

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

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

7. Procedure for E-Voting

- In accordance with the Companies (Postal Ballot) Regulation, 2018, (the "Regulations") the right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for, inter alia, all businesses classified as special business under the Companies Act, 2017 in the manner and subject to conditions contained in the Regulations.
- Detail of e-Voting facility will be shared through e-mail with those members of the company who have valid cell numbers / e-mail addresses (Registered e-mail ID) available in the Register of Members of the Company by the end of business on April 19, 2024. 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 19, 2024.
- Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- Members shall cast vote for the agenda item No. 4 online from April 23, 2024 till April 25, 2024 5:00 p.m. Voting shall close on April 25, 2024, at 5:00 p.m. A vote once cast by a Member, shall not be allowed to be changed

8. Procedure for Voting Through Postal Ballot

- Members may alternatively opt for voting through postal ballot. For convenience of the members, Ballot Paper is annexed to this notice and the same is also available on the Company's website www.serviceglobalfootwear.com to download.
- The members must ensure that the duly filled and signed ballot paper, along with a copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post at the Company's registered address, Servis House, 2-Main Gulberg, Lahore, or email at chairman@servis.com one day before the AGM, i.e., on April 25, 2024 before 5:00 p.m. In case of member is a corporate entity, the Board's resolution / power of attorney with specimen signature shall also be furnished (unless it has been provided earlier) along with ballot paper to the Company. 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 December 31, 2023, Auditors' and Directors' Reports thereon and Chairman's Review Report on its website: www.Serviceglobalfootwear.com and can also be downloaded / viewed from the following QR code and weblink:
- <https://www.serviceglobalfootwear.com/financial-reports/#1611070650709-0e31e898-6388>
- 
11. Shareholders have passed an Ordinary Resolution in Annual General Meeting held on April 28, 2023 to transmit annual report through QR enabled code and weblink in compliance of directive of SRO 389(I)/2023 dated 21st March 2023. The shareholders who wish to receive hard copy of the aforesaid financial statements may send to the Company Secretary / Share Registrar, the Standard Request Form available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand.
12. For any query / problem / information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 35916719, e-mail address: corplink786@gmail.com and / or the Company: Mr. Tahir Maqsood, Phone No. 042-35751990, email address: shareholders@servis.com

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 CONCERNING THE SPECIAL 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 26, 2024.

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, 2023 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, 2024 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. Nil amount of working capital loan is outstanding against this investment as on April 01, 2024.

The tenor of the working capital loan will be expiring on June 30, 2024. 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, 2025. 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.

Notice of Annual General Meeting

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 February 21, 2024 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, 2025 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.

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
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 79.43% 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	400,001
Mr. Qadeer Ahmed Vaseer	300,001

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, 2023 and expiring on June 30, 2024, for a further period of one year till June 30, 2025 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."

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 (SLM)	Service Industries Limited (SIL)
Total Investment Approved	<p>Long Term equity investment of Rs. 2,175,215,000 for purchase of 217,521,500 shares was approved by the shareholders in the EOGM held on December 30, 2020. Subsequently, the shareholders in the EOGM held on April 28, 2022 enhanced the Long term equity investment by Rs. 350,000,000 from Rs. 2,175,215,000 to upto Rs. 2,525,215,000 for purchase of 35,000,000 shares.</p> <p>The shareholders in the EOGM held on January 22, 2024 approved further long term equity investment of up to Rs. 1,500,000,000 for purchase of 150,000,000 shares.</p>	<ul style="list-style-type: none"> - Working capital loan of up to Rs. 4.5 Billion for a period of one year till June 30, 2024. - Long-term loan of Rs. 2.5 Billion for a period of six years till June 30, 2027.
Amount of Investment made to date	An investment of Rs. 2,709,717,040 has been made so far by the Company by acquiring 270,971,704 shares in SLM.	<ul style="list-style-type: none"> - No working capital loan is outstanding as of today. - Investment made in the form of Long-term loan amounting to Rs. 350 Million for a period of six years till June 30, 2027.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time	No deviation. The validity of resolution for investment was five (5) years from January 22, 2024.	No deviation. The investment in working capital loan and long term loan will be made as and when funds are required by the associated company.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company	<p>The associated company has since commenced the commercial operations and earned profit after tax of Rs. 2.51 Billion during the twelve months from January 01, 2023 to December 31, 2023, against loss after tax of Rs. 1.18 Billion for same period last year. EPS stood at Rs. 0.20 for the twelve months ended December 31, 2023. SLM is presently operating at full capacity.</p> <p>As per latest audited financial statements for the year ended June 30, 2023 the balance sheet size is Rs. 31.54 Billion, Loss after tax is Rs. 547 Million and Loss per share is Rs. 0.44. As per audited financial statements for the year ended June 30, 2022 the balance sheet size was Rs. 26.79 Billion, Loss after tax was Rs. 334 Million and Loss per share was 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.</p> <p>As per latest audited financial statements for the year ended December 31, 2023 the balance sheet size is Rs. 44.43 Billion, Profit after tax is Rs. 1.34 Billion and Earnings per share is Rs. 28.56. As per audited financial statements for the year ended December 31, 2020 the balance sheet size was Rs. 24.45 Billion, Profit after tax was Rs. 690 Million and Earnings per share was Rs. 29.37.</p>

Information under Regulation 3(4) of the Regulations:

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



"If you love to pass the frontiers, your reward will be brand-new frontiers to pass!"

- Mehmet Murat ildan

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 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 Board of Governors of Aitchison College and the Divisional Public School, Lahore. He was one of the founders of the Pakistan Rugby Union and currently serves as its Chairman. He has also served on the Pakistan Cricket Board.

He has been Chairman of the All Pakistan Textile Mills Association (APTMA) as well as the Lahore Stock Exchange.

He currently also serves as the Chairman of Engineering Development Board (EDB) and as an Independent Director on the Board of Sui Northern Gas Pipelines Limited (SNGPL).



Mr. Omar Saeed
Director

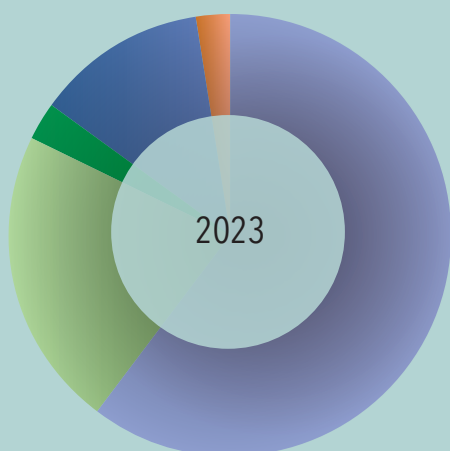
Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Long March Tyres (Private) Limited and Servis Foundation. Omar also serves as a Director on the Boards of Nestle Pakistan 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.

Omar has set up multiple new companies for the Servis Group in the healthcare, trading, manufacturing and technology industries.

Value Added and its Distribution

	2023		2022	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	15,061,817		11,753,088	
Other Income	1,246,168		459,730	
Bought-in-material & Services	(9,833,290)		(8,031,958)	
	6,474,695	100%	4,180,860	100%
Wealth Distributed				
To Employee				
Remuneration , Benefits,and Facilities	3,596,734	56%	2,820,602	67%
To Government				
Taxation	412,200	6%	345,891	8%
Workers welfare fund	32,527	1%	14,040	0%
To Society				
Donation	-	0%	4,226	0%
To Lenders				
Dividend	1,029,588	16%	717,807	17%
Mark up & finance Cost	1,007,721	16%	467,180	11%
Retained for Reinvestment & Future Growth				
Depreciation	243,906	4%	186,862	4%
Retained Profit	152,019	2%	(375,748)	-9%
Unappropriated profit,depreciation & amortization	395,925	6%	(188,886)	-5%
	6,474,695	100%	4,180,860	100%

Wealth Generated and Distributed

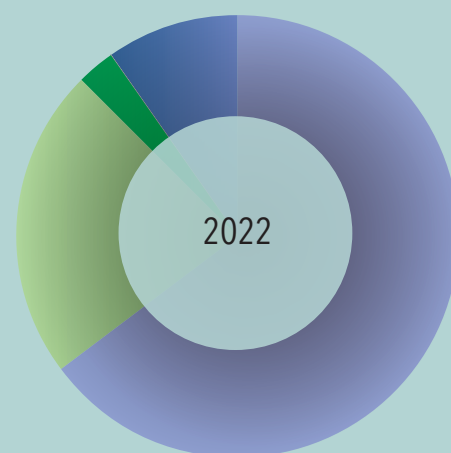


2023

	Amount	%
Bought in material & Services	9,833,290	60.30%
To Employees	3,596,734	22.06%
To Government	444,727	2.73%
To Society	-	0.00%
To Lenders	2,037,309	12.49%
Retained for reinvestment & Future Growth	395,925	2.43%
Total	16,307,985	100%

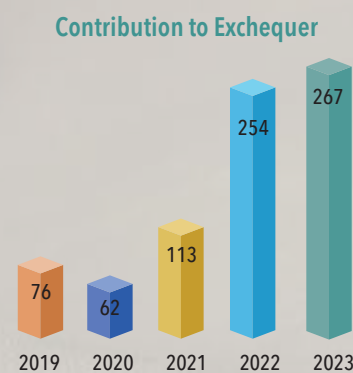
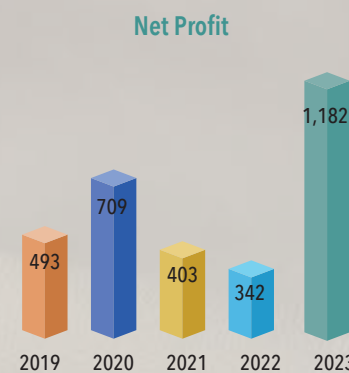
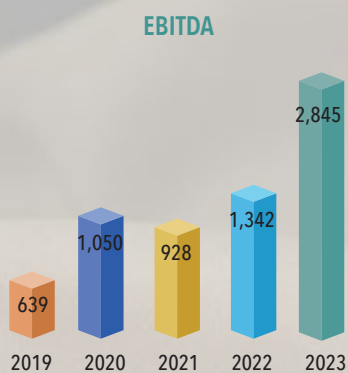
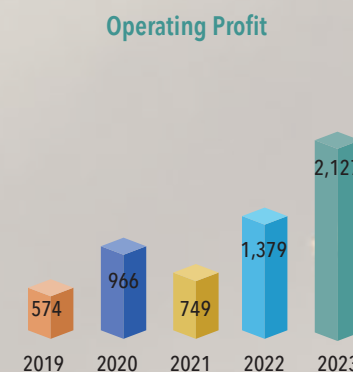
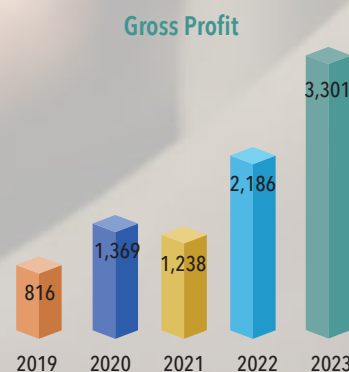
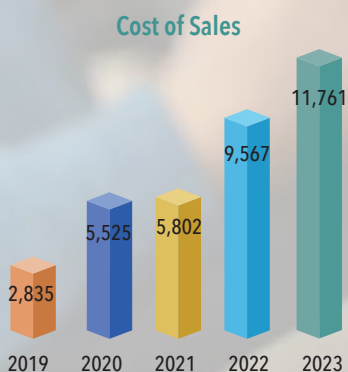
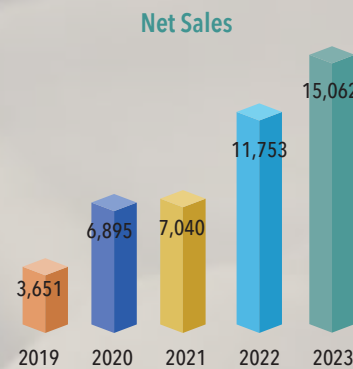
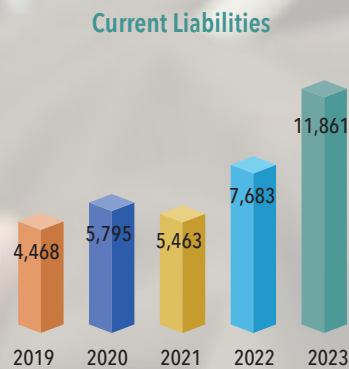
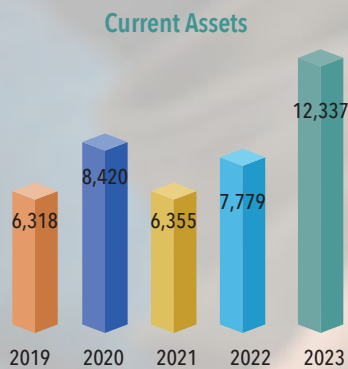
2022

	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	1,184,987	9.70%
Retained for reinvestment & Future Growth	(188,886)	-1.55%
Total	12,212,818	100%

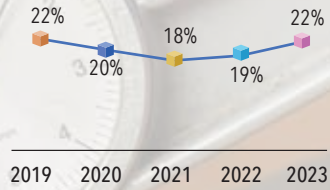


Analytical Review

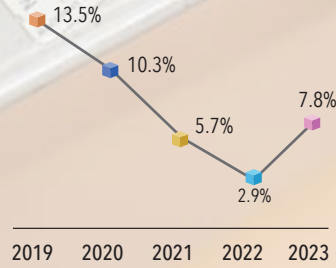
(Rs. in Million)



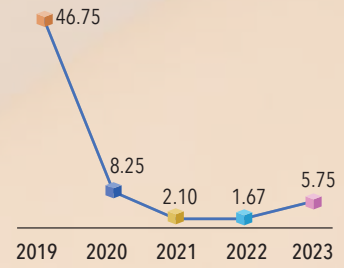
Gross Profit Margin



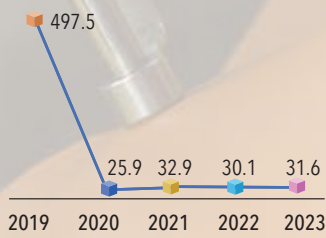
Net Profit Margin



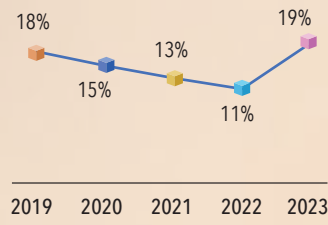
Earning per share



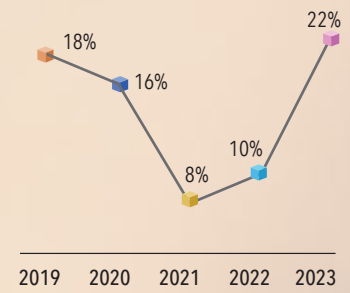
Breakup Value



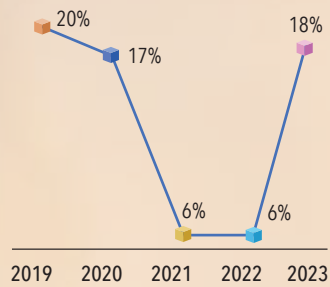
EBITDA Margins to Sales



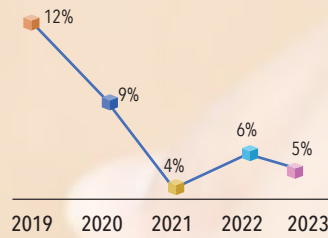
Return on Capital Employed



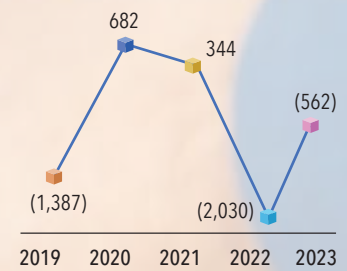
Return on Equity



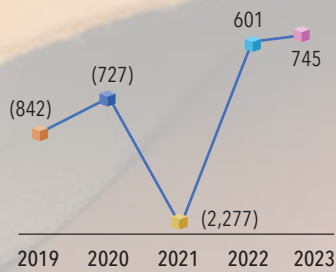
Debt to Equity Ratio



Cash Flows from Operating Activities



Cash Flows from Investing Activities

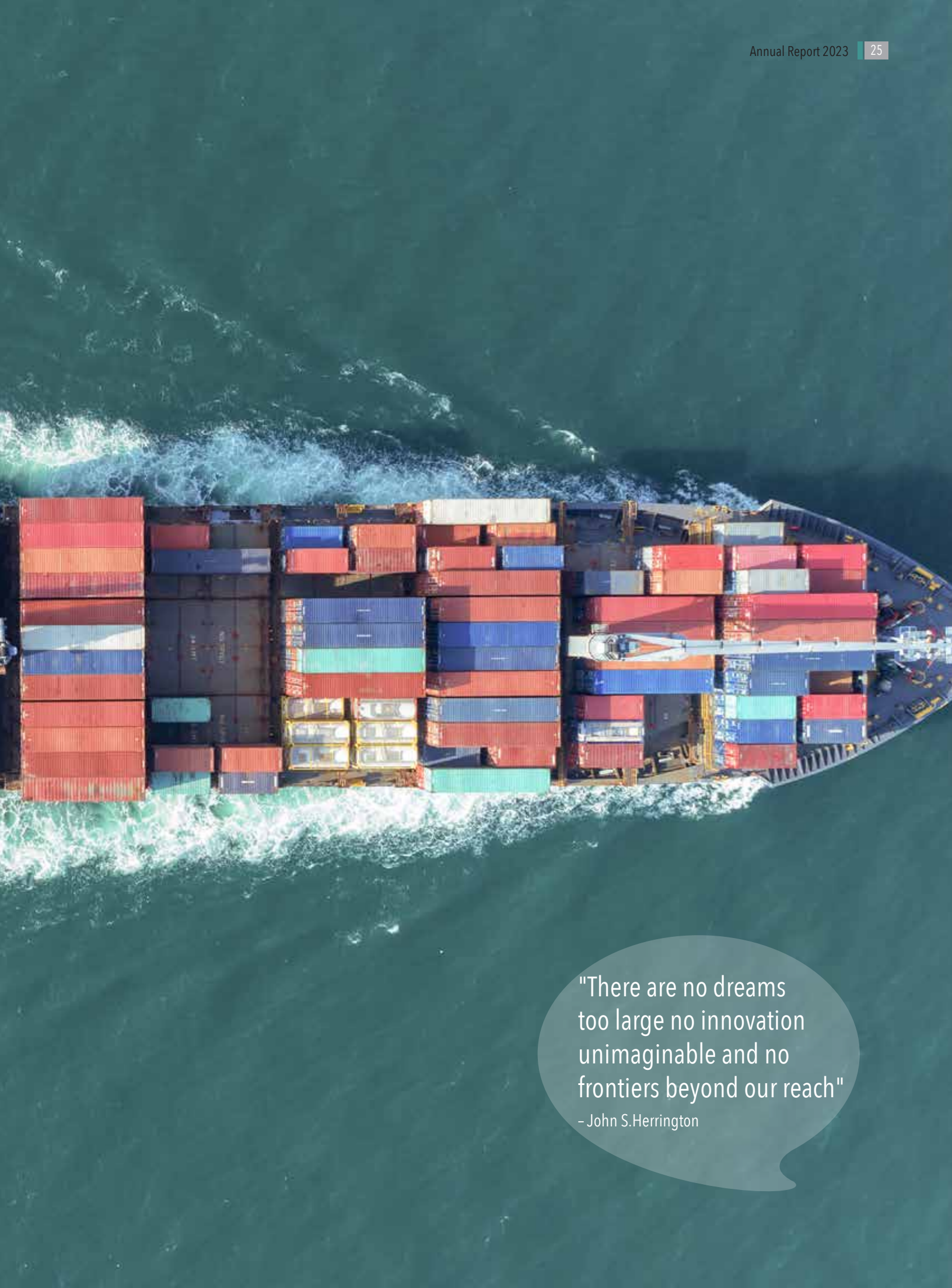


Cash Flows from Financing Activities



Five Years at a Glance

Description	2023	2022	2021	2020	2019 (6 months)
Sales	15,062	11,753	7,040	6,895	3,651
Gross profit	3,301	2,186	1,238	1,369	816
Operational profit	2,127	1,379	749	918	594
Profit before tax	1,594	688	573	777	532
Profit after tax	1,182	342	403	709	493
Share capital	205.92	205.09	204.44	163.55	5.05
Share holder's equity	6,501	6,164	6,729	4,231	2,512
Property, plant & equipment	3,068	2,595	2,131	2,088	1,029
Total assets	18,955	14,365	12,562	10,522	7,402
Net current assets	476	96	891	2,625	1,850
Market Value Per Share (Rs.)	60	33	46	-	-
Dividend (%)					
Cash - Interim	30	25	-	-	-
Cash - Final	20	10	20	-	-
Profitability (%)					
Gross Profit	21.92	18.60	17.58	19.86	22.34
Operating profit	14.12	11.73	10.64	13.31	16.28
Profit Before Tax	10.58	5.85	8.14	11.28	14.56
Profit After Tax	7.85	2.91	5.73	10.28	13.52
Return to Shareholders					
R.O.E -Before Tax (%)	24.52	11.16	8.51	18.38	21.16
R.O.E -After Tax (%)	18.18	5.54	5.99	16.75	19.64
E.P.S-After Tax (Rs.)	5.75	1.67	2.10	8.25	46.75
Price Earning Ratio	10.49	19.84	22.08	-	-
Activity (Times)					
Sales To Total Assets	0.79	0.82	0.56	0.66	0.49
Sales To Fixed Assets	4.91	4.53	3.30	3.30	3.55
Inventory Turnover Ratio	2.58	2.85	2.77	4.00	1.80
Interest Coverage Ratio	2.58	2.47	4.11	6.54	9.48
Liquidity/Leverage					
Current Ratio	1.04	1.01	1.16	1.45	1.41
Break-up Value per Share	31.57	30.06	32.92	25.87	497.45
Total Liabilities To Equity	1.92	1.33	0.87	1.49	1.95
Debt Equity Ratio	05:95	06:94	04:96	09:91	12:88



"There are no dreams too large no innovation unimaginable and no frontiers beyond our reach"
- John S.Herrington

Horizontal Analysis

	2023		2022		2021		2020	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Balance Sheet								
Equity & Reserve	6,500,843	5%	6,164,524	-8%	6,729,388	59.1%	4,230,787	68.4%
Long term financing facilities	310,565	-14%	360,852	43%	252,589	-35.8%	393,429	23.1%
Non Current Liability	283,197	80%	157,391	35%	116,625	14.2%	102,118	60.0%
Current Liabilities	11,860,656	54%	7,682,519	41%	5,463,321	-5.7%	5,795,184	29.7%
	18,955,261	32%	14,365,286	14%	12,561,923	19.4%	10,521,518	42.9%
Non-Current Asset								
Property Plant and Equipment	3,067,982	18%	2,594,578	22%	2,131,404	2.1%	2,087,874	102.9%
long term investment	2,780,856	25%	2,217,650	23%	1,805,402	0.0%	-	0.0%
long term loan & deposit	769,424	-57%	1,774,206	-22%	2,270,404	16993.8%	13,282	-18.6%
Current Asset								
Stores and spares	123,493	51%	81,956	90%	43,061	-1.1%	43,535	20.6%
Stock in-trade	4,554,136	36%	3,360,359	61%	2,093,095	51.6%	1,381,029	-12.5%
Trade Debts	1,710,366	-7%	1,839,720	125%	817,714	-12.6%	936,041	42.0%
Loans & Advances	1,457,205	18%	1,230,354	-21%	1,557,662	-50.5%	3,149,790	32.2%
Trade Deposits and Prepayments	8,316	-36%	12,988	98%	6,564	0.3%	6,546	110.6%
Other receivables	1,580,433	45%	1,091,855	21%	901,200	-45.3%	1,647,008	-0.2%
Cash and Balance	2,903,050	1696%	161,620	-83%	935,417	-25.5%	1,256,413	14541.8%
	18,955,261	32%	14,365,286	14.4%	12,561,923	19.4%	10,521,518	42.9%

	2023		2022		2021		2020	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Profit & Loss								
Net Sales	15,061,817	28.2%	11,753,088	66.9%	7,040,157	2.1%	6,894,711	88.9%
Cost of Sales	11,760,696	22.9%	9,567,437	64.9%	5,802,423	5.0%	5,525,411	94.9%
Gross Profit	3,301,121	51.0%	2,185,651	76.6%	1,237,734	-9.6%	1,369,300	67.9%
Administration and selling expenses	1,945,761	30.6%	1,490,251	46.5%	1,017,231	17.3%	867,498	77.4%
Other income	772,129	12.9%	683,804	29.5%	528,133	13.8%	464,069	87.5%
Operating profit	2,127,489	54.3%	1,379,204	84.2%	748,636	-22.5%	965,871	68.3%
Financial charges	1,007,721	115.7%	467,180	153.8%	184,057	31.2%	140,320	123.9%
Share of profit	474,039	311.6%	(224,074)	-2831.9%	8,202	-117.0%	(48,110)	-337.6%
Profit before taxation	1,593,807	131.7%	687,950	20.1%	572,781	-26.3%	777,441	46.2%
Provision for taxation	412,200	19.2%	345,891	104.0%	169,560	147.0%	68,646	79.8%
Profit after taxation	1,181,607	245.4%	342,059	-15.2%	403,221	-43.1%	708,795	43.6%

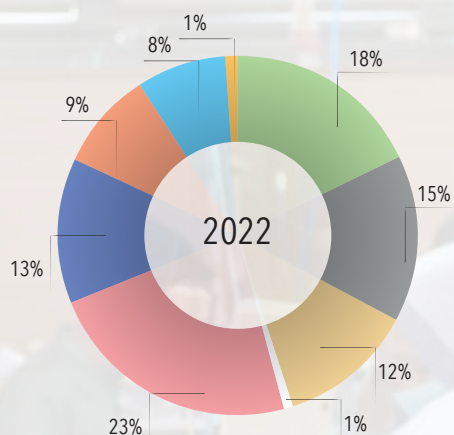
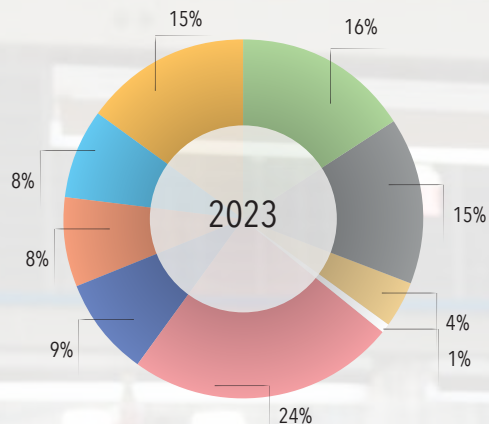
Vertical Analysis

	2023		2022		2021		2020		2019	
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Balance Sheet										
Equity & Reserve	6,500,843	34.3%	6,164,524	42.9%	6,729,388	53.6%	4,230,787	40.2%	2,512,143	34.1%
Long term financing facilities	310,565	1.6%	360,852	2.5%	252,589	2.0%	393,429	3.7%	319,484	4.3%
Non Current Liability	283,197	1.5%	157,391	1.1%	116,625	0.9%	102,118	1.0%	63,817	0.9%
Current Liabilities	11,860,656	62.6%	7,682,519	53.5%	5,463,321	43.5%	5,795,184	55.1%	4,468,062	60.7%
	18,955,261	100.0%	14,365,286	100.0%	12,561,923	100.0%	10,521,518	100.0%	7,363,506	100.0%
Non-Current Asset										
Property Plant and Equipment	3,067,982	16.2%	2,594,578	18.1%	2,131,404	17.0%	2,087,874	19.8%	1,029,030	14.0%
Long term investment	2,780,856	14.7%	2,217,650	15.4%	1,805,402	14.4%	-	0.0%	-	0.0%
Long term loans & deposit	769,424	4.1%	1,774,206	12.4%	2,270,404	18.1%	13,282	0.1%	16,318	0.2%
Current Asset										
Stores and spares	123,493	0.7%	81,956	0.6%	43,061	0.3%	43,535	0.4%	36,112	0.5%
Stock in-trade	4,554,136	24.0%	3,360,359	23.4%	2,093,095	16.7%	1,381,029	13.1%	1,577,779	21.4%
Trade Debts	1,710,366	9.0%	1,839,720	12.8%	817,714	6.5%	936,041	8.9%	659,099	9.0%
Loans & Advances	1,457,205	7.7%	1,230,354	8.6%	1,557,662	12.4%	3,149,790	29.9%	2,382,786	32.4%
Trade Deposits and Prepayments	8,316	0.0%	12,988	0.1%	6,564	0.1%	6,546	0.1%	3,108	0.0%
Other receivables	1,580,433	8.3%	1,091,855	7.6%	901,200	7.2%	1,647,008	15.7%	1,650,692	22.4%
Cash and Balance	2,903,050	15.3%	161,620	1.1%	935,417	7.4%	1,256,413	11.9%	8,582	0.1%
	18,955,261	100.0%	14,365,286	100.0%	12,561,923	100.0%	10,521,518	100.0%	7,363,506	100.0%
Profit & Loss										
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Net Sales	15,061,817	100.0%	11,753,088	100.0%	7,040,157	100.0%	6,894,711	100.0%	3,650,875	100.0%
Cost of Sales	11,760,696	78.1%	9,567,437	81.4%	5,802,423	82.4%	5,525,411	80.1%	2,835,367	77.7%
Gross Profit	3,301,121	21.9%	2,185,651	18.6%	1,237,734	17.6%	1,369,300	19.9%	815,508	22.3%
Administration and selling expenses	1,945,761	12.9%	1,490,251	12.7%	1,017,231	14.4%	867,498	12.6%	488,983	13.4%
Other income	772,129	5.1%	683,804	5.8%	528,133	7.5%	464,069	6.7%	247,517	6.8%
Operating profit	2,127,489	14.1%	1,379,204	11.7%	748,636	10.6%	965,871	14.0%	574,042	15.7%
Financial charges	1,007,721	6.7%	467,180	4.0%	184,057	2.6%	140,320	2.0%	62,678	1.7%
Share of profit	474,039	3.1%	(224,074)	-1.9%	8,202	0.1%	(48,110)	-0.7%	20,248	0.6%
Profit before taxation	1,593,807	10.6%	687,950	5.9%	572,781	8.1%	777,441	11.3%	531,612	14.6%
Provision for taxation	412,200	2.7%	345,891	2.9%	169,560	2.4%	68,646	1.0%	38,185	1.0%
Profit after taxation	1,181,607	7.8%	342,059	2.9%	403,221	5.7%	708,795	10.3%	493,427	13.5%

Balance Sheet Composition

Fixed and Current Assets

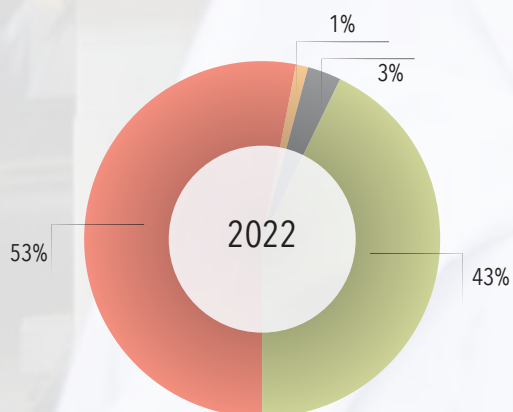
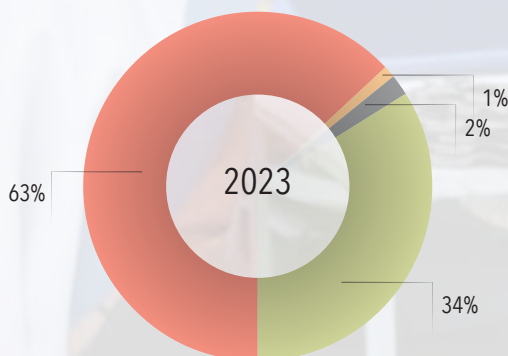
	2023
Fixed assets	16%
Long term investments	15%
Long term loans and deposits	4%
Stores and spares	1%
Stock in trade	24%
Trade debts - net	9%
Advances and prepayments	8%
Other receivables	8%
Cash and bank balances	15%



	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%

Equities and Liabilities

	2023
Equity & Reserves	34%
Long term financing	2%
Non Current Liabilities	1%
Current liabilities	63%



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



"The principle mark of genius is not perfection but originality, the opening of new frontiers."

- Arthur Koestler

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, 2023.

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 2023, 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. 2/- per share.



Arif Saeed
Chairman

February 21, 2024
Lahore



Directors' Report to the Shareholders

The Directors of Service Global Footwear Limited ("SGFL" or the "Company") are pleased to present the Annual Report along with the audited financial statements for the year ended December 31, 2023 ("FY 2023").

The Directors' Report has been prepared in accordance with the requirements of Section 226-227 and other applicable provisions of the Companies Act, 2017.

PRINCIPAL ACTIVITIES

SGFL is a prominent player in the footwear industry, operating manufacturing facilities that exclusively produce footwear products for export markets. As the largest exporter of footwear from Pakistan, SGFL places a primary emphasis on catering the comfort shoe category as its specialty and a key driver of revenue.

The registered Head Office of SGFL is situated at Servis House, 2-Main Gulberg, Lahore.

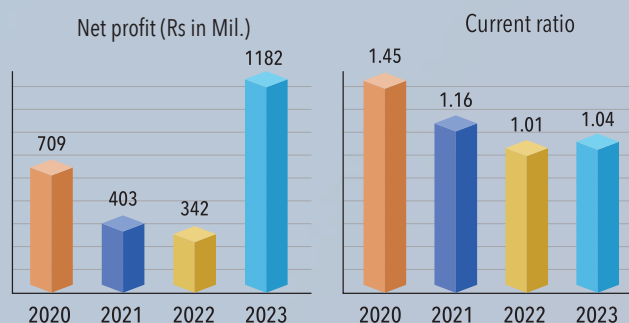
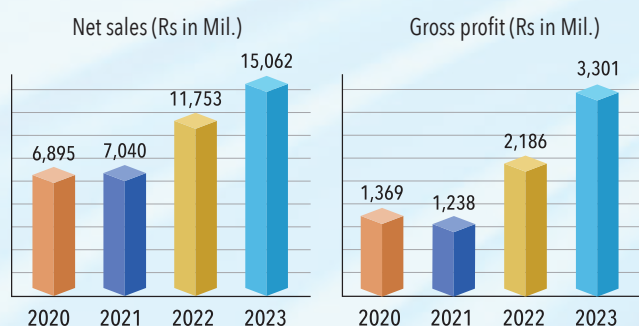
The Company is the subsidiary of Service Industries Limited (SIL).

REVIEW OF BUSINESS

KEY PERFORMANCE INDICATORS (KPIs) FOR FY 2023 V/S FY 2022

Service Global Footwear Limited (SGFL) has shown growth in 2023 despite prevailing conditions of national and international economic meltdown. Below chart demonstrates the key performance indicators of SGFL for the year ended December 31, 2023, against the results of year ended December 31, 2022.

PARTICULARS	2023		2022	
	Amount In Thousands	Percentage To Sales	Amount In Thousands	Percentage To Sales
Net Sales	15,061,817		11,753,088	
Gross Profit	3,301,121	22%	2,185,651	19%
Operating Profit	2,127,489	14%	1,379,204	12%
Profit before tax	1,593,807	11%	687,950	6%
Net profit after tax	1,181,607	8%	342,059	3%
Earning Per Share (EPS)	5.75		1.67	



The Net Sales for the financial year 2023 reached a record high of over Rs. 15 billion, representing an exceptional growth of 28% in comparison to the previous year. The YOY increase in Gross Profit from Rs. 2.2 billion to Rs. 3.3 billion (51%) and Operating Profit from Rs. 1.4 billion to Rs. 2.1 billion (53%) is even more promising. This signifies the ability of SGFL to manage its operations effectively in face of economic challenges caused by unprecedented local inflation and swelling cost of production.

SGFL's strategic move of investing in Service Long March Tyres (SLM) has gained a share of profit of Rs. 474 million, resulting in an increase in profit before tax from Rs. 688 million to Rs. 1,594 million (132%). The investment in SLM is not only yielding immediate rewards, but it is also expected to have a lasting impact on the future profitability of the company resulting in positive shareholder value. The Net Profit after tax has reached Rs. 1,182 million as compared to last profit after tax of Rs. 342 million. This has resulted in an increase of EPS from Rs. 1.67 to Rs. 5.75 in the current year.

These results are not achieved on the back of an easy sailing, in fact it is an outcome of proactive anticipation and a well thought out strategy to manage growth in the aftermath of Covid. To give you some perspective, in the year 2023, the economic conditions in our key export markets (EU & US) exerted an immense pressure on the sales of footwear, which resulted in shrinking of businesses of all our existing clients by 15~20%. The volume of footwear imports in EU is seeing a continuous decline reaching 2.3 billion pairs as compared to 2.4 billion pairs in 2022 and 2.8 billion pairs in 2021 (numbers from statista.com). Similarly, a report issued by FDRA (Footwear Distributors & Retailers of America) states, "the volume of footwear imports retreated year over year for the fifteenth straight month in November'23, retreating -9.1%, barely avoiding a tenth straight double-digit decline".

On the backend, the company was required to counter unprecedented inflation, increasing wages, political instability, high interest rates, and difficulty in the import of raw materials. All these factors caused a rapid increase in the cost of production and negatively impacted production efficiencies, resulting in a significant drop in profit margins.

The management values the significance of introducing innovative techniques and well-planned growth initiatives to counter prevailing economic challenges and operational hurdles in a tough global landscape. The company remains steadfast in its commitment to delivering substantial value to its shareholders, creating a positive impact on its overall performance, and reinforcing the trust and confidence of its investor base.

GROUP REPORTING – SUBSIDIARY COMPANY

The Group comprises of Service Global Footwear Limited and Dongguan Service Global Limited, wholly owned subsidiary company of Service Global Footwear Limited.

Dongguan Service Global Limited

Dongguan Service Global Limited is a limited liability company (wholly owned by foreign legal person) registered with Dongguan Administration of Market Regulations, China. Business scope of Dongguan Service Global Limited is wholesale of shoes and hats, sales of leather products, sales of needle textiles and raw materials, wholesale of hardware products, sales of bags, sales of daily necessities, inspection of clothing and apparel, finishing services, technical services and other related matters. Commercial address of Dongguan Service Global Limited is Room 302, No. 18, Houjie Town, Dongguan City, Guangdong Province, China. Service Global Footwear Limited owns 100% shares of Dongguan Service Global Limited.

Consolidated financial results of Service Global Footwear Limited and its wholly owned subsidiary:

PARTICULARS	2023		2022	
	Amount In Thousands	Percentage To Sales	Amount In Thousands	Percentage To Sales
Net Sales	15,071,163		11,753,088	
Gross Profit	3,346,474	22%	2,185,651	19%
Operating Profit	2,118,693	14%	1,379,204	12%
Profit before tax	1,583,534	11%	687,950	6%
Net profit after tax	1,171,334	8%	342,059	3%
Earning Per Share (EPS)	5.70		1.67	

Information and explanation in regard to contents of modification in Auditors Report on Consolidated Financial Statements:

The auditors have qualified their opinion on consolidated financial statements on the basis that financial statements of Dongguan Service Global Limited, a subsidiary of Service Global Footwear Limited for the period ended December 31, 2023 are un-audited. As per local Chinese statutory guidelines, there is no requirement for external audit of the financial statements of Dongguan Service Global Limited. Moreover, the financial statements of Dongguan Service Global Limited are totally immaterial as part of the consolidated financial statements of the Company for the year ended 31 December 2023, therefore, keeping in view of immateriality, no adjustment to the consolidated financial statements of the Company for the year ended 31 December 2023 is mandated as per IFRS.

DIVIDEND

The Board of Directors of the company in their meeting held on December 19, 2023 has declared an interim cash dividend of Rs. 3

per share amounting to Rs. 618 million (2022: interim cash dividend of Rs. 2.5 per share). The interim dividend was disbursed to members on January 11, 2024.

The Board of Directors of the company in their meeting held on February 21, 2024 has declared a final cash dividend of Rs. 2 per share (2022: Rs. 1 per share) which is subject to approval of members in the Annual General Meeting to be held on April 26, 2024.

INVESTMENT IN SERVICE LONG MARCH TYRES (PRIVATE) LIMITED (SLM)

The calendar year 2023 has been a good year for SLM. SLM is presently operating at full capacity. Expansion of production capacity is underway and letter of credits for new machinery have been established.

EVALUATION OF COMPANY PERFORMANCE

The Board of SGFL has established a systematic mechanism for ongoing performance evaluation. Each board member actively participates in board meetings, engaging in detailed discussions on strategic matters and providing clear directives to the management. The Board and its committees consistently monitor these directions to ensure their effective implementation.

To assess the Company's performance, the management employs a range of indicators, including industry growth, the standing of peer companies in the relevant business segment, past performance, macroeconomic indicators, and the overall business environment affecting the Company. Budgets are meticulously formulated, and the actual performance is regularly measured against these budgets throughout the year. This approach allows for timely identification of any deviations, enabling prompt corrective actions.

SGFL's management is dedicated to upholding the best practices of corporate governance. Quarterly reviews of business performance aim at continuous improvement against budget and previous year results. Importantly, the company has maintained a record of not defaulting on any debts throughout the year, indicating financial discipline and stability. This commitment to thorough evaluation, adherence to corporate governance practices, and financial responsibility reflects SGFL's dedication to sustained success and responsible business practices.

RISKS, UNCERTAINTIES AND MITIGATIONS

Principal Risks and Uncertainties and Mitigations:

SGFL has implemented a comprehensive risk management program with the primary objective of minimizing potential adverse impacts on the company's performance. The senior management team assumes responsibility for overseeing the overall risk management process, and the outcomes of these efforts are communicated to the Board of Directors.

Directors' Report to the Shareholders

The risk management program involves the identification, evaluation, and mitigation of strategic, financial, commercial, and operational risks that the company may encounter. By addressing these various dimensions of risk, SGFL aims to fortify its resilience in the face of uncertainties.

Additionally, the senior management team engages in an extensive budgeting and planning exercise, which includes a SWOT analysis of the company and its business segments. This thorough analysis allows for the identification of key challenges and opportunities. Action plans are then developed and executed to address challenges and capitalize on opportunities, aligning with the company's long-term strategic objectives.

By integrating risk management into its overall business strategy and planning processes, SGFL demonstrates a proactive approach to navigating challenges, ensuring robust financial health, and pursuing sustainable growth. This commitment to strategic risk management positions the company to adapt to changing circumstances and capitalize on emerging opportunities in its industry.

The following are the principal risks and uncertainties and mitigation strategies:

Risk	Description of Risk	Mitigation Strategies
Financial Risks	Financial risks include Economic Risk, Credit Risk and Liquidity Risk.	The Company has carefully designed strategies to cope up with these risks. These include budgeting, forecasting, planning, timely decision making, hedging, increasing exports, optimizing working capital levels, adequate credit lines from banks and close watch on government policy making etc.
Other Risks	Other risks include political risk, technological risk, competition risk, laws & environmental regulations.	The Company has developed strategies at various levels to deal with the said risks. These includes BMR, effective and efficient management of resources, strong and well-established distribution network, strong supply chain, brand development, economies of scale, technological efficiencies and engagement of professional resources.

IMPACT OF COMPANY'S BUSINESS ON ENVIRONMENT ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

SGFL strives for leadership in best practices. We maintain excellence in all areas of ESG (Environmental, Social & Corporate Governance).

a) Environment

Our commitment towards Green and Clean Environment can be established from the fact that we are one of the first solar powered factories in the region. This mission of environmental leadership started in 2017 before demerger from SIL with installation of 1MW solar power park and we continued to enhance our reliance on green energy and currently operates 2MW solar power which serves half of our electricity needs. A project that started with the objective of reducing carbon footprint, is in fact paying dividends as a cost-effective method of producing electricity as well.

Additionally, SGFL is also certified by HIGG FEM (Facility Environmental Module), this testifies best eco-friendly practices across all areas of our production process. We have also integrated our sourcing of materials with RCS (Recycled Claim Standard). The packaging material follows FSC standards, which helps to minimize wastage and pursue best practices of procurement and utilization.

b) Social

We take pride in being a noble organization which not only fulfills its legal obligations of our worker's safety and care, but also values cultural norms and promotes societal wellbeing. We are certified by various governing bodies like:

- SEDEX (Supplier Ethical Data Exchange)
- BSCI (Business Social Compliance Initiative)
- SLCP (Social & Labor Convergence Program)
- HIGG FSLM (Facility Social & Labor module)

These certifications underscore our commitment towards fostering workplace conditions in alignment with human rights, International Labor Organization (ILO) conventions, and national labor laws. SGFL is committed towards ensuring fair, ethical, and preferential treatment of its workforce, promoting a healthy and respectful working environment.

Apart from these, we are certified by stringent COC (Code of Conduct) of various international brands. We always welcome all kinds of audits related to social compliance and keeps open door policy for suggestions on areas of improvement whereby we can safeguard interests and safety of our workforce.

SGFL takes pride in being an equal opportunity employer and actively promotes diversity and inclusion in its workforce. The company encourages the participation of females and persons with special needs, demonstrating a commitment to fostering a diverse and equitable workplace.

SGFL also values its long serving people who have played key role in bringing the organization where it stands tall today. This year, we honored the contribution of 16 people with 25+ years of experience in vital positions and who have grown with the company.



We will continue to be a place of opportunities for its people to make a difference, to fulfill our commitment of improving lives and bringing a positive change.

c) Governance

• Corporate Governance

Corporate Governance also holds a vital position in our scheme of things, SGFL has undergone comprehensive IMS implementation program which is certified by ISO 9001/2015 (Quality Management), ISO 14001/2015 (Environmental Management), ISO 45001/2018 (Occupational Safety) & ISO 17025/2017 (Laboratory Management System). We are also a CTPAT (Customs Trade Partnership Against Terrorism) certified facility.

These certifications endorse the health of our production processes, departmental structures, while providing the operational framework for Global Recognition, Quality Improvement, Productivity Enhancement, Risk Management, Market Access Methodology, Legal and Regulatory Compliance, Environmental Sustainability, Customer and Supplier Relations, Employee Engagement, and Continuous Improvement

• Business Ethics

Our commitment to conducting business with honesty and integrity, in full compliance with applicable laws and regulations, reflects a strong emphasis on ethical business practices. The Statement of Ethics & Business Practices, which highlights the company's policy to operate in accordance with the highest ethical considerations, underscores a dedication to maintaining

a business culture that prioritizes integrity and compliance.

The commitment to comply with all statutory regulations and adhere to the best-accepted standards of good corporate citizenship is essential for building trust among stakeholders, including customers, employees, investors, and the broader community. This commitment not only aligns with legal requirements but also positions the company as a responsible corporate entity that values ethical conduct and social responsibility

CONTRIBUTION TO NATIONAL EXCHEQUER

SGFL has made a significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2023, SGFL contributed PKR 267 million on this account.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

SGFL has been established with a vision to be a socially conscious business entity, aligning with its parent group's longstanding tradition of corporate giving. Over the past several decades, the Group has actively engaged in substantial philanthropic endeavors, particularly in the areas of health and education. SGFL aims to carry forward this legacy by aspiring to serve not only its employees, customers, and shareholders but also the broader communities and the environment.

The company's commitment is clear: to give back, share prosperity, and contribute to sustainable growth. This reflects a holistic approach to corporate social responsibility (CSR), emphasizing a positive impact on various stakeholders.

"Anywhere you accept
as a frontier will be
your frontier! "

- Mehmet Murat ildan



Directors' Report to the Shareholders

In the pursuit of its social responsibility objectives, SGFL has allocated a sum of Rs. 10 million during the year for CSR activities. This financial commitment demonstrates the company's tangible efforts to contribute to societal well-being, community development, and environmental sustainability.

FUTURE OUTLOOK

We believe the outlook of SGFL in year 2024 and beyond is bright, in spite of the prevailing external circumstances. This confidence is gained from the fact that the company has accomplished extraordinary results in the year 2023 while navigating through very tough business landscape in year 2023.

We strengthened our sales efforts by realigning the sales structure and approach for onboarding more customers of high potential. Some of the new leads have matured in the year 2023 already, while more customers have been engaged to enable growth in year 2024 and beyond. Our penetration in the EU markets is strengthening further, while we have now found a sound foothold in the US market which brings bigger opportunities of rapid growth in future.

SGFL takes pride in being a customer friendly organization, we believe in forming a long-term collaboration with our valued clients and this approach has paid dividends by being the preferred supplier of our customers in difficult times. Our service towards new leads is no different which is establishing SGFL as a diverse and trustworthy supplier partner. This enables us to discuss long-term business plans with our customers and lay the foundation of our expansion strategy.

At the backend, SGFL will continue various initiatives to become more reliable and trustworthy partner for our valued customer base. The key areas include.

- Upgradation of production facility and processes to meet needs of new clients.
- Taking up new projects to enhance efficiency through skill development, product traceability and putting experienced foreign resources.
- We are investing heavily in human capital in terms of extensive trainings, hiring best of the best talent in the market both local and international.

The exceptional performance of SLM has served as validation of our confidence in this venture. The outlook appears exceptionally promising, and we anticipate that it will make a substantial contribution to the future profitability of SGFL.

ADHERENCE TO BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is determined to meet and, wherever possible, exceed 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 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.

DIRECTORS' STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK.

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

- 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.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements.
- 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.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance.
- The Key operating and financial data for the last four years is annexed to the annual report

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

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

Directors' Report to the Shareholders

RELATED PARTY TRANSACTIONS

In compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and applicable laws and regulations, details of all related party transactions are placed before the Audit Committee and upon recommendations of the Audit Committee, the same are placed before the Board for review and approval. In addition to the above, as required under Companies Act, 2017, details of contracts or arrangements entered into along with the justifications for entering into such contracts or arrangements have been disclosed in relevant notes to the financial statements.

DIRECTORS' REMUNERATION

The Company has a formal policy and transparent procedure for the remuneration of its directors in accordance with the provisions of the Companies Act, 2017, the Listed Companies (Code of Corporate Governance), Regulations, 2019 and the Articles of Association of the Company. The main features of the policy, approved by the Board, 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 meetings of the Board and its Committees.
- The Directors' Remuneration Policy will be reviewed and approved by the Board of Directors from time to time.

During the year ended December 31, 2023, the following amounts were charged in the financial statements for remuneration including benefits to Chief Executive Officer, Executive Directors and Non-Executive Directors:

- Rs. 107.199 million (2022: 72.312 million) on account of Chief Executive Officer.
- Rs. 59.945 million (2022: 49.723 million) on account of two Executive Directors.
- 100,000 share options were granted to the two Executive Directors under Employees Stock Option Scheme, 2020 (ESOS) at exercise price of Rs. 30 per share (2022: 250,000 share options were granted at exercise price of Rs. 10 per share).
- 250,000 shares (2022: 450,000 shares) were allotted to the two Executive Directors during the year against options granted to them in earlier years.
- Rs. 2.16 million (2022: Rs.1.84) was paid as meeting fee to three Directors.

DIRECTORS

The existing Board of Directors ("Board") was elected on May 26, 2023. It comprises of nine (9) directors, three (3) independent directors including one (1) female director, three (3) non-executive directors including Chairman of the Board and three (3) executive directors including CEO.

Following are the names of the persons, who, at any time during the financial year, were directors of the Company:

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

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, seven (07) 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- Non-Executive	7/7
Mr. Hassan Javed	Chief Executive Officer	7/7
Chaudhry Ahmed Javed	Director- Non-Executive	0/7
Mr. Omar Saeed	Director- Non-Executive	6/7
Mr. Azmat Ali Ranjha	Director- Independent	5/7
Mr. Abdul Rashid Lone	Director- Independent	7/7
Ms. Maleeha Humayun Bangash	Director- Independent	5/7
Mr. Hassan Ehsan Cheema	Director- Executive	7/7
Mr. Qadeer Ahmed Vaseer	Director- Executive	7/7

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	4/4
Mr. Omar Saeed	Member / Non-Executive Director	3/4
Ms. Maleeha Humayun Bangash	Member / Independent Director	4/4

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resource & Remuneration Committee comprises of three members one of whom is Independent Director, one is Non-Executive Director and one is Executive Director. The chairman of the Committee is an Independent Director. The Committee is involved in making recommendations to the Board regarding executives' remuneration, performance evaluation and succession planning etc. The Committee held two (02) meetings during the year. Attendance by each member was as follows:

NAME	DESIGNATION	ATTENDEES
Mr. Azmat Ali Ranjha	Chairman / Independent Director	2/2
Mr. Hassan Javed	Member / Executive Director	2/2
Mr. Omar Saeed	Member / Non-Executive Director	2/2

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.

INVESTMENTS IN RETIREMENT BENEFITS

The Company maintains retirement benefits plans for its employees which are regulated through the respective Board of trustees. The value of investments of these funds, as per respective un-audited financial statements, is duly disclosed in Directors' Report of SIL.

PATTERN OF SHAREHOLDING

The information about pattern of holding of the shares as at December 31, 2023 in the prescribed Form 34 is included in the Annual Report. The statement of purchase and sale of shares of the Company undertaken by Directors, Executives and their spouses and minor children is also annexed.

Executives include Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary.

STATEMENT OF COMPLIANCE

The statement of compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 as per prescribed format is published in the Annual Report which is reviewed and certified by the statutory auditors of the Company. The statement of compliance is approved by the Board of Directors of the Company.

POST BALANCE SHEET EVENT

No material changes and commitments affecting the financial position of the Company occurred between December 31, 2023 and February 21, 2024 (date of audit report) except for declaration of final cash dividend of Rs. 2 per share (i.e. 20 %) for the year ended December 31, 2023 which is subject to approval of members in the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT

The Directors would like to express their deep appreciation to the shareholders who have consistently demonstrated their trust in the Company.

We would also like to place on record our sincere appreciation for the tireless efforts, dedication and commitment of all employees of the Company and are confident that they shall continue to do so in future.

We also thank our customers, suppliers and bankers for their continuous support and commitment to the Company.

We look forward to delivering better results in the coming years.

For and on behalf of the board



Arif Saeed
Chairman



Hassan Javed
Chief Executive Officer

February 21, 2024
Lahore

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 2023 Annual Report.

We use a 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 (Supplier Ethical Data Exchange), 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 ~135 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 (Business Social Compliance Initiative), SEDEX, SLCP (Social and Labor Convergence Program), HIGG FEM (Facility Environmental Module) and HIGG FSLM (Facility Social & Labor Module).

Contribution to national exchequer

SGFL has a multi-million Rupee annual contribution to the national exchequer on account of taxes, duties and levies. In 2023, SGFL contributed PKR 267 million to the government's nation building efforts.





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

Name of Company: Service Global Footwear Limited
Year ended: 31 December 2023

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 2023.

b) HR and Remuneration Committee

Two meetings of HR and Remuneration Committee were held during the year ended 31 December 2023.

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

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



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



Arif Saeed
Chairman



Hassan Javed
Chief Executive

February 21, 2024
Lahore

Independent Auditor's Review Report

To the members of Service Global Footwear Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Service Global Footwear Limited (the Company) for the year ended 31 December 2023 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 2023.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: 21 February 2024

UDIN: CR202310168rEpKSDwox

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 2023, 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 material accounting policy information 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 2023 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition</p> <p>The Company recognized net revenue of Rupees 15,061.817 million for the year ended 31 December 2023.</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"> • Material accounting policy information, Revenue recognition note 2.25 to the financial statements. • Revenue-net, note 27 to the financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • We also considered the appropriateness of disclosures in the financial statements.
2	<p>Stock-in-trade</p> <p>As at 31 December 2023, stock-in-trade is stated at Rupees 4,554.136 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 24.03 % of total assets of the Company as at 31 December 2023, 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"> • Material accounting policy information, Stock-in-trade note 2.22 to the financial statements. • Stock-in-trade note 19 to the financial statements. 	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting period; • 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.

Sr.No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> • Assessing accuracy of inventory ageing reports and adequacy of provisions; • In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs; • We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.
3	<p>Capital expenditures</p> <p>The Company is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Company's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Company and there is significant management judgment required that has significant impact on the reporting of the financial position for the Company. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> • Material accounting policy information, Fixed assets note 2.8 to the financial statements. • Fixed assets note 13 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature; • We evaluated the appropriateness of capitalization policies and depreciation rates; • We performed tests of details on costs capitalized; • We verified the accuracy of management's calculation used for the impairment testing.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the

financial statements of the current 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:

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Mustafa Ali.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.
Date: 21 February 2024

UDIN: AR202310168rUI7hvX6A

Financial Statements



Statement of Financial Position

As at December 31, 2023

	Note	2023 Amount Rupees in thousand	2022 Amount
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 250,000,000 (2022: 250,000,000) ordinary shares of Rupees 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up share capital	3	2,059,175	2,050,875
Reserves	4	4,441,668	4,113,649
Total equity		6,500,843	6,164,524
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	310,565	360,852
Employees' retirement benefit	6	216,104	157,391
Deferred liabilities	7	67,093	-
		593,762	518,243
CURRENT LIABILITIES			
Trade and other payables	8	2,734,702	1,972,206
Accrued mark-up	9	169,111	176,187
Short term borrowings	10	8,282,347	5,488,314
Current portion of long term financing	5	51,799	40,962
Dividend payable	11	617,753	-
Unclaimed dividend		4,944	4,850
		11,860,656	7,682,519
Total liabilities		12,454,418	8,200,762
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		18,955,261	14,365,286

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



Hassan Javed
(Chief Executive)

	Note	2023 Amount Rupees in thousand	2022 Amount
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	13	3,067,982	2,594,578
Long term security deposits	14	11,057	10,572
Long term loans to employees	15	8,367	13,634
Long term investments	16	2,780,856	2,217,650
Long term loan to Holding Company	17	750,000	1,750,000
		6,618,262	6,586,434
CURRENT ASSETS			
Stores, spares and loose tools	18	123,493	81,956
Stock-in-trade	19	4,554,136	3,360,359
Trade debts	20	1,710,366	1,839,720
Loans and advances	21	1,457,205	1,230,354
Accrued mark-up	22	5,357	-
Short term deposits and prepayments	23	8,316	12,988
Other receivables	24	1,441,511	871,505
Advance income tax - net	25	133,565	220,350
Cash and bank balances	26	2,903,050	161,620
		12,336,999	7,778,852
TOTAL ASSETS		18,955,261	14,365,286



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Statement of Profit or Loss

For the year ended December 31, 2023

	Note	2023 Amount Rupees in thousand	2022 Amount
Revenue - net	27	15,061,817	11,753,088
Cost of sales	28	(11,760,696)	(9,567,437)
Gross profit		3,301,121	2,185,651
Distribution cost	29	(1,186,780)	(920,784)
Administrative expenses	30	(671,194)	(523,342)
Other expenses	31	(87,787)	(46,125)
		(1,945,761)	(1,490,251)
		1,355,360	695,400
Other income	32	772,129	683,804
Profit from operations		2,127,489	1,379,204
Finance cost	33	(1,007,721)	(467,180)
		1,119,768	912,024
Share of profit / (loss) from equity accounted investee - net of taxation	16.2.1	474,039	(224,074)
Profit before taxation		1,593,807	687,950
Taxation	34	(412,200)	(345,891)
Profit after taxation		1,181,607	342,059
EARNINGS PER SHARE - BASIC (RUPEES)	35	5.75	1.67
EARNINGS PER SHARE - DILUTED (RUPEES)	35	5.75	1.67

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, 2023

	2023 Amount	2022 Amount
	Rupees in thousand	
Profit after taxation	1,181,607	342,059
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Remeasurements of employees' retirement benefit obligation - net of tax	(31,642)	(16,860)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year - net of tax	(31,642)	(16,860)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,149,965	325,199

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

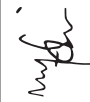
For the year ended December 31, 2023

	Reserves						Total	Total equity
	Capital reserves			Revenue reserve	Un-appropriated profit			
	Share Capital	Reserve for issuance of bonus shares	Share premium	Share options reserve	Revenue reserve	Un-appropriated profit		
Balance as at 31 December 2021	2,044,375	1,390,684	1,669,274	18,723	1,606,332	4,685,013	6,729,388	
Transactions with owners:								
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	
Balance as at 31 December 2022	2,050,875	1,390,684	1,687,997	25,031	1,009,937	4,113,649	6,104,524	
Transactions with owners:								
Final dividend for the year ended 31 December 2022 @ Rupee 1 per share	-	-	-	-	(205,088)	(205,088)	(205,088)	
Interim dividend for the year ended 31 December 2023 @ Rupees 3 per share	-	-	-	-	(617,753)	(617,753)	(617,753)	
Ordinary shares issued under Employees Stock Option Scheme	8,300	-	24,500	(24,500)	-	-	8,300	
Employee share options lapsed	-	-	531	(531)	-	-	-	
Recognition of share options reserve	-	-	-	895	-	895	895	
Profit for the year	8,300	-	25,031	(24,136)	(822,841)	(821,946)	(813,646)	
Other comprehensive loss for the year	-	-	-	-	1,181,607	1,181,607	1,181,607	
Total comprehensive income for the year	-	-	-	-	(31,642)	(31,642)	(31,642)	
	-	-	-	-	1,149,965	1,149,965	1,149,965	
Balance as at 31 December 2023	2,059,175	1,390,684	1,713,028	895	1,337,061	4,441,668	6,500,843	

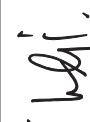
The annexed notes form an integral part of these financial statements.



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Statement of Cash Flows

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
	Note	Rupees in thousand	
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM / (USED IN) OPERATIONS	36	727,207	(1,929,900)
Finance cost paid		(1,013,527)	(317,080)
Income tax paid		(258,322)	(221,661)
Workers' profit participation fund paid	8.3	(18,883)	(18,300)
Workers' welfare fund paid	8.4	(13,759)	(11,455)
Employees' retirement benefit paid - net		(5,848)	(2,978)
Net decrease / (increase) in long term loans to employees		5,477	(6,579)
Net decrease in security deposits		1,742	796
Insurance claim received against loss of assets due to fire and business interruption loss		13,963	477,492
NET CASH USED IN OPERATIONS		(561,950)	(2,029,665)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets		(722,721)	(684,225)
Interest on term deposit receipts and saving accounts received		11,041	28,115
Loan given to Holding Company		(11,589,162)	(9,886,995)
Loans repaid by Holding Company		12,596,780	11,156,097
Interest on loans to Holding Company received		532,170	599,986
Investment made		(89,167)	(636,322)
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		6,550	6,270
NET CASH FROM INVESTING ACTIVITIES		745,491	601,027
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		8,300	6,500
Proceeds from long term financing		-	149,306
Repayment of long term financing		(39,450)	(148,460)
Short term borrowings - net		2,794,033	1,564,239
Dividends paid		(204,994)	(916,744)
NET CASH FROM FINANCING ACTIVITIES		2,557,889	654,841
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2,741,430	(773,797)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	26	161,620	935,417
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	2,903,050	161,620

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Notes to the Financial Statements

For the year ended December 31, 2023

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 Limited. The registered office of the Company is located at Servis House, 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. These financial statements are the separate financial statements of the Company. Consolidated financial statements of the Company are prepared separately. Details of the Company's investment in subsidiary and associate are stated in note 16 to these financial statements.

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. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of these financial statements are set out below. Further, accounting policies related to material class of accounts does not necessarily means it is material. 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 subsidiary company and equity method accounted for associated company

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

ix) Employees' retirement benefit

The actuarial valuation of employees' retirement benefit requires the use of certain assumptions related to future periods, including increase in future salary, expected returns on plan assets and the discount rate used to discount future cash flows to present values.

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 2023:

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current;

Notes to the Financial Statements

For the year ended December 31, 2023

- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement' - Disclosure of Accounting Policies;
- Amendments to IAS 12 'Income taxes' - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Change in definition of Accounting Estimate;
- Amendments to IAS 12 'Income Taxes' - International Tax Reform – Pillar Two Model Rules.

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

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

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

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 2024 or later periods:

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.

Supplier Finance Arrangements (Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures'). The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after 01 January 2024.

Lack of Exchangeability (Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'). The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after 01 January 2025.

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 2024 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.

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

Notes to the Financial Statements

For the year ended December 31, 2023

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 and capital work-in-progress are stated at cost less accumulated 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.

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.

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.

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 subsidiary company

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

Notes to the Financial Statements

For the year ended December 31, 2023

2.14 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'

2.15 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.

2.16 Investments and other financial assets

a) Classification

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

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

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

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for 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 recognised in other income / (other expenses) in the statement of profit or loss as applicable.

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

2.17 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, 2023

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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, 2023

2.23 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost and subsequently measured at amortized cost using the effective interest method.

2.24 Trade debts and other receivables

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

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

2.25 Revenue recognition

(a) Sale of goods

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

(b) Interest

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

(c) Dividend

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

2.26 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.

2.27 Customer acquisition costs

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

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

2.28 Customer fulfilment costs

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

2.29 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.

2.30 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.

2.31 Refund liabilities

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

2.32 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.

2.33 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.

2.34 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.

2.35 Contingent assets

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

2.36 Contingent liabilities

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

2.37 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.

2.38 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.

2.39 Government grants

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

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

Notes to the Financial Statements

For the year ended December 31, 2023

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.

2.40 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.

2.41 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

	2023	2022	2023	2022
	(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	1,480,000	650,000	14,800	6,500
	205,917,500	205,087,500	2,059,175	2,050,875

3.1 Movement during the year

	2023	2022	2023	2022
	(Number of shares)		(Rupees in thousand)	
Balance at the beginning of the year	205,087,500	204,437,500	2,050,875	2,044,375
Issue of ordinary shares of Rupees 10 each under Employees Stock Option Scheme	830,000	650,000	8,300	6,500
Balance at the end of the year	205,917,500	205,087,500	2,059,175	2,050,875

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 (2022: 163,550,000) ordinary shares of the Company are held by Service Industries Limited - Holding Company.

- 3.3** The share capital of the Company consists only of fully paid ordinary shares with a nominal (par) value of Rupees 10 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of the Company.

		2023	2022
		Amount	Amount
		Rupees in thousand	
4 RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Reserve for issuance of bonus shares	(Note 3.1.1)	1,390,684	1,390,684
Share premium	(Note 4.1)	1,713,028	1,687,997
Share options reserve	(Note 4.2)	895	25,031
		3,104,607	3,103,712
Revenue reserve			
Un-appropriated profit		1,337,061	1,009,937
		4,441,668	4,113,649

- 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 is six months of the completion of respective vesting period. Initially, the Company planned to grant 1,500,000, 712,500, 712,500, 712,500 and 712,500 share options in grant year 2020, 2021, 2022, 2023 and 2024 respectively. However, according to the 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 705,000 options having vesting period started from 01 January 2023 and ending on 31 December 2026 with exercise price of Rupees 30 per share. Remaining 2,147,000 options will be granted in subsequent years in accordance with the scheme.

		2023	2022
		Amount	Amount
		Rupees in thousand	
4.2.2 Movement in share options reserve:			
Balance at the beginning of the year		25,031	18,723
Add: Recognized during the year at the fair value		895	25,031
Less: Transferred to share premium		(25,031)	(18,723)
Balance at the end of the year		895	25,031

Notes to the Financial Statements

For the year ended December 31, 2023

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 price (WAEP) of, and movements in, share options during the year:

	2023		2022	
	Number of options	WAEP (Rupees)	Number of options	WAEP (Rupees)
Outstanding at the beginning of the year	848,000	10	650,000	10
Add: Options granted during the year	705,000	30	848,000	10
Less: Options exercised during the year	(830,000)	10	(650,000)	10
Less: Options lapsed during the year	(18,000)	10	-	-
Outstanding at the end of the year	705,000	30	848,000	10
Exercisable at the end of the year	176,250	30	848,000	10

4.2.4 The weighted average share price at the date of the exercise of options exercised during the year was Rupees 34.95 (2022: Rupees 38.96).

4.2.5 The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 is 1.5 years (2022: Nil).

4.2.6 The weighted average fair value of options granted during the year was Rupees 2.14 (2022: Rupees 29.51).

4.2.7 Exercise price for options outstanding at the end of the year is Rupees 30 (2022: Rupees 10).

4.2.8 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:

		2023	2022
Fair value at grant date	Rupees	1.41 to 2.92	29.5180
Share price at grant date	Rupees	33.00	47.00
Exercise price	Rupees	30.00	10.00
Expected volatility	%	31.77%	15.96%
Expected life	Years	1 - 4	1
Expected dividend	%	27%	20%
Risk-free interest rate	%	15.03%	10.75%

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

		2023	2022
		Amount	Amount
		Rupees in thousand	
<hr/>			
5. LONG TERM FINANCING			
From banking companies - secured			
Long term loans	(Note 5.1)	362,364	401,814
Less: Current portion shown under current liabilities		(51,799)	(40,962)
		310,565	360,852
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Notes to the Financial Statements

For the year ended December 31, 2023

5.1 Long term loans

LENDER	2023	2022	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
----- Rupees in thousand -----							
Habib Bank Limited	65,587	80,460	SBP rate for LTF + 0.50%	Three hundred and eight 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 million on plant and machinery of the Company with 25% margin.
	149,306	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	
	214,893	229,766					
Habib Bank Limited	32,193	40,776	SBP rate for LTF + 0.50%	Thirty nine equal quarterly instalments commenced on 06 January 2018 and ending on 06 July 2027.	-	Quarterly	
Allied Bank Limited	38,666	43,834	SBP rate for LTF + 0.25%	Three hundred and thirty two unequal instalments commenced on 23 July 2020 and ending on 16 July 2031.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 196.5 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.
	10,980	12,357	3-months KIBOR + 0.25%	One hundred and seventy nine unequal instalments commenced on 21 April 2021 and ending on 29 October 2030.	Quarterly	Quarterly	
	49,646	56,191					
Allied Bank Limited (Note 5.2)	65,632	75,081	SBP rate for LTF + 0.25%		-	Quarterly	
	362,364	401,814					

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.

6 EMPLOYEES' RETIREMENT BENEFIT

The latest actuarial valuation of the fund as at 31 December 2023 was carried out using the 'Projected Unit Credit Method'. Details of the fund as per the actuarial valuation are as follows:

	2023	2022
	Amount	Amount
	Rupees in thousand	
6.1 Amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligation	247,100	185,141
Fair value of plan assets	(30,996)	(27,750)
Net defined benefit obligation	216,104	157,391
6.2 Movement in net defined benefit obligation		
Net liability at the beginning of the year	157,391	113,864
Current service cost	10,665	8,823
Net interest on defined benefit obligation	22,254	13,204
Net remeasurements for the year	31,642	16,860
Contributions made during the year	(7,824)	(2,978)
Liability transferred from the Holding Company	1,976	7,618
Net liability at the end of the year	216,104	157,391
6.3 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	185,141	144,067
Current service cost	10,665	8,823
Interest cost	26,278	16,753
Benefits paid during the year	(7,824)	(2,978)
Liability transferred from the Holding Company	1,976	7,618
Remeasurements on obligation:		
Actuarial losses from changes in financial assumptions	14,761	680
Experience adjustments	16,103	10,178
Present value of defined benefit obligation at the end of the year	247,100	185,141
6.4 Movement in the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	27,750	30,203
Contributions made during the year	7,824	2,978
Interest income on plan assets	4,024	3,549
Benefits paid during the year	(7,824)	(2,978)
Return on plan assets, excluding interest income	(778)	(6,002)
Fair value of plan assets at the end of the year	30,996	27,750

Notes to the Financial Statements

For the year ended December 31, 2023

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.

	2023	2022
	Amount	Amount
	Rupees in thousand	
Mutual funds	107,455	96,810
Bank balances	1,660	880
Total plan assets	109,115	97,690
Allocated to the Company	(30,996)	(27,750)
Allocated to Service Industries Limited - Holding Company	(78,119)	(69,940)
	-	-

6.5 Amounts recognized in the statement of profit or loss

Current service cost	10,665	8,823
Interest cost	26,278	16,753
Interest income on plan assets	(4,024)	(3,549)
Net expense charged in the statement of profit or loss	32,919	22,027

6.5.1 Charge for the year has been allocated as follows:

Cost of sales	(Note.28)	28,985	19,096
Distribution cost	(Note.29)	185	103
Administrative expenses	(Note.30)	3,749	2,828
		32,919	22,027

6.6 Remeasurements recognized in statement of other comprehensive income

Experience adjustments	16,103	10,178
Actuarial losses from changes in financial assumptions	14,761	680
Return on plan assets, excluding interest income	778	6,002
	31,642	16,860

6.7 Principal actuarial assumptions used:

Discount rate used for interest cost	% per annum	14.50	11.75
Discount rate used for year end obligation	% per annum	15.50	14.50
Expected rate of salary increase	% per annum	15.50	13.50

6.8 Historical information

	2023	2022	2021	2020	2019
	Amount	Amount	Amount	Amount	Amount
-----Rupees in thousand-----					
Present value of defined benefit obligation	247,100	185,141	144,067	126,819	89,273
Fair value of plan assets	(30,996)	(27,750)	(30,203)	(28,177)	(25,456)
Deficit	216,104	157,391	113,864	98,642	63,817
Remeasurement loss / (gain) on obligation	30,864	10,858	586	2,354	(2,909)
Remeasurement (loss) / gain on plan assets	(778)	(6,002)	(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 2024 will be Rupees 46.713 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	232,903	263,139
Future salary increase	100	263,173	232,622

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 -----					
33,781	8,081	171,288	165,568	2,099,325	2,478,043

Notes to the Financial Statements

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
		Rupees in thousand	
7. DEFERRED LIABILITIES			
Deferred income tax	(Note 7.1)	67,093	-
Deferred income - Government grant	(Note 7.2)	-	-
		67,093	-

7.1 This represents deferred income tax liability on investment in associate (with significant influence). The gross movement in deferred income tax liability recognised in these financial statements during the year is opening balance of Rupees Nil, charged to statement of profit or loss of Rupees 67.093 million and closing balance of Rupees 67.093 million. 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.

		2023	2022
		Amount	Amount
		Rupees in thousand	
7.2 Deferred income - Government grant			
Balance at the beginning of the year		-	3,476
Less: Amortized during the year	(Note 32)	-	(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 could 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. 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 was measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit was accounted for and presented as deferred grant in accordance with IAS 20. The grant was amortised in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

		2023	2022
		Amount	Amount
		Rupees in thousand	
8 TRADE AND OTHER PAYABLES			
Trade creditors	(Note 8.1)	1,919,919	1,261,315
Accrued liabilities		546,715	539,137
Contract liabilities - unsecured	(Note 8.2)	142,885	88,014
Fair value of forward exchange contracts		443	9,425
Provident fund payable		31,281	25,699
Workers' profit participation fund	(Note 8.3)	33,558	17,181
Workers' welfare fund	(Note 8.4)	45,199	26,431
Income tax deducted at source		14,702	5,004
		2,734,702	1,972,206

- 8.1** These include Rupees 8.199 million (2022: Rupees Nil), Rupees 6.912 million (2022: Rupees Nil) and Rupees 169.707 million (2022: Rupees Nil) due to Service Industries Limited - Holding Company, SIL GULF (FZE) - subsidiary of the Holding Company and Dongguan Service Global Limited - subsidiary company respectively. These are in ordinary course of business and interest free.
- 8.2** These include Rupees Nil (2022: Rupees 1.17 million) relating to Service Shoes Lanka (Private) Limited - subsidiary company of the Holding Company.

	2023	2022
	Amount	Amount
	Rupees in thousand	
8.3 Workers' profit participation fund		
Balance at the beginning of the year	17,181	16,372
Add: Provision for the year (Note 31)	33,990	17,609
Add: Interest for the year (Note 33)	1,270	1,500
Less: Payments made during the year	(18,883)	(18,300)
Balance at the end of the year	33,558	17,181

- 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	26,431	23,846
Add: Provision for the year (Note 31)	32,527	14,040
Less: Payments made during the year	(13,759)	(11,455)
Balance at the end of the year	45,199	26,431

9. ACCRUED MARK-UP

Long term financing	22,195	8,492
Short term borrowings	146,916	167,695
	169,111	176,187

10. SHORT TERM BORROWINGS

From banking companies - secured

Short term running finances (Note 10.1 and Note 10.2)	1,539,341	1,626,304
Export refinances (Note 10.1 and Note 10.3)	3,485,726	3,712,595
Export finance scheme (Note 10.1 and Note 10.4)	2,708,589	149,415
Export loans (Note 10.1 and Note 10.5)	548,691	-
	8,282,347	5,488,314

- 10.1** 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 10,800 million (2022: Rupees 9,250 million).

Notes to the Financial Statements

For the year ended December 31, 2023

10.2 The rates of mark-up range from 16.65% to 23.91% (2022: 10.63% to 17.63%) per annum.

10.3 The rates of mark-up range from 9.25% to 19.00% (2022: 2.25% to 10%) per annum.

10.4 The effective rates of mark-up range from 2% to 3% (2022: 1% to 3%) per annum.

10.5 The rates of mark-up range from 6.5% to 6.75% (2022: Nil) per annum.

11 DIVIDEND PAYABLE

The board of directors of the Company declared an interim cash dividend for the year ended 31 December 2023 of Rupees 3 per share (i.e. 30%) in their meeting held on 19 December 2023. This interim cash dividend has been credited electronically into the designated bank accounts of the shareholders of the Company, subsequent to the reporting period, on 11 January 2024.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 On 03 December 2013, 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. On 25 June 2019, 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 (2022: 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 On 10 September 2017, 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. On 11 September 2017, 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 30.157 million (2022: Rupees 11.168 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 dated 22 June 2022, 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 was decided in favour of the Company.

12.15 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 1,180.514 million (2022: Rupees 2,471.501 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. The Company is availing Export Facilitation Scheme (EFS) License issued by Collector of Custom, Lahore with a face value of Rupees 2,000 million for the duty and tax free imports of plant, machinery, equipment, component parts, raw material, packing material and accessories. The said limit was allowed by Collector of Customs, Lahore after securing a post dated cheque of Rupees 2,000 million from the Company.

12.16 The Company's share in contingency of associate accounted for under equity method is Rupees 168.326 million (2022: Rupees 109.672 million).

12.2 Commitments

12.2.1 Contracts for capital expenditure are approximately of Rupees 35.851 million (2022: Rupees 30.710 million).

12.2.2 Letters of credit other than capital expenditure are of Rupees 504.628 million (2022: Rupees 363.578 million).

12.2.3 Outstanding foreign currency forward contracts are of Rupees 3,194.370 million (2022: Rupees 2,133.05 million).

12.2.4 The Company has obtained vehicles under ijarah arrangements from 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:

	2023	2022
	Amount	Amount
	Rupees in thousand	
Not later than one year	10,926	10,508
Later than one year and not later than five years	5,977	16,162
	16,903	26,670

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:

	2023	2022
	Amount	Amount
	Rupees in thousand	
Not later than 1 year	2,020	4,310

13. FIXED ASSETS

Operating fixed assets	(Note 13.1)	2,967,697	2,321,674
Capital work-in-progress	(Note 13.4)	100,285	272,904
		3,067,982	2,594,578

Notes to the Financial Statements

For the year ended December 31, 2023

13.1 Reconciliation of carrying amount of operating fixed assets at the beginning and at the end of the year is as follows:

Description	Freehold land	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Vehicles	Service equipment	Total
Rupees in thousand							
At 31 December 2021							
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)
Net book value	383,031	556,451	875,815	13,494	8,982	234,395	2,072,168
Year ended 31 December 2022							
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
	-	-	(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
	-	(7,009)	(2,617)	-	-	(773)	(10,399)
Depreciation	-	(52,477)	(94,133)	(1,716)	(5,739)	(32,797)	(186,862)
Closing net book value	383,031	601,084	994,510	19,516	37,774	285,759	2,321,674
At 31 December 2022							
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)
Net book value	383,031	601,084	994,510	19,516	37,774	285,759	2,321,674
Year ended 31 December 2023							
Opening net book value	383,031	601,084	994,510	19,516	37,774	285,759	2,321,674
Additions	-	438,036	131,194	3,852	180,501	141,757	895,340
Disposals:							
Cost	-	-	(5,198)	-	(6,242)	(1,701)	(13,141)
Accumulated depreciation	-	-	4,913	-	1,311	1,506	7,730
	-	-	(285)	-	(4,931)	(195)	(5,411)
Depreciation	-	(71,057)	(106,772)	(1,997)	(22,778)	(41,302)	(243,906)
Closing net book value	383,031	968,063	1,018,647	21,371	190,566	386,019	2,967,697
At 31 December 2023							
Cost	383,031	1,295,282	1,758,742	30,315	219,256	608,966	4,295,592
Accumulated depreciation	-	(327,219)	(740,095)	(8,944)	(28,690)	(222,947)	(1,327,895)
Net book value	383,031	968,063	1,018,647	21,371	190,566	386,019	2,967,697
Annual rate of depreciation (%)		5-10	10	10	20	10-30	

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-----								
Vehicles								
Changan Oshan X7 - 2022	1	6,200	1,274	4,926	5,946	1,020	Negotiation	Mr. Hassan Ehsan -Director of the Company, Lahore
Aggregate of items of operating fixed assets with individual book values not exceeding Rupees 500,000								
	91	6,941	6,456	485	604	119		
		13,141	7,730	5,411	6,550	1,139		

13.1.2 During the previous 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 10.399 million. The Company claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

	Note	2023 (Rupees in thousand)	2022
Cost of sales	(Note 28)	223,552	179,822
Administrative expenses	(Note 30)	20,354	7,040
		243,906	186,862

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 Otari, Raiwind, Lahore	211,500	-

Notes to the Financial Statements

For the year ended December 31, 2023

13.4 Capital work in progress

	Buildings on freehold land	Plant and machinery	Furniture, fixture and fittings	Service equipment	Vehicles	Total
-----Rupees in thousand-----						
At 31 December 2021	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)
At 31 December 2022	259,429	9,528	-	2,469	1,478	272,904
Add: Additions during the year	214,239	162,991	4,025	155,784	6,659	543,698
Less: Transferred to operating fixed assets during the year	(438,036)	(131,194)	(3,852)	(141,757)	(1,478)	(716,317)
At 31 December 2023	35,632	41,325	173	16,496	6,659	100,285

- 13.5** During the previous 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 claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

2023	2022
Amount	Amount
Rupees in thousand	

14. LONG TERM SECURITY DEPOSITS

Security deposits against Ijarah	6,756	7,920
Security deposits - others	4,301	3,529
	11,057	11,449
Less: Current portion shown under current assets	(Note 23)	-
	11,057	10,572

		2023	2022
		Amount	Amount
		Rupees in thousand	
15. LONG TERM LOANS TO EMPLOYEES			
Considered good:			
Executives	(Note 15.1, Note 15.2 and Note 15.3)	13,353	20,248
Other employees	(Note 15.3)	2,478	1,060
		15,831	21,308
Less: Current portion shown under current assets	(Note 21)		
Executives		(6,437)	(7,314)
Other employees		(1,027)	(360)
		(7,464)	(7,674)
		8,367	13,634

15.1 Reconciliation of carrying amount of loans to executives:

Balance as at the beginning of the year	20,248	12,996
Add: Disbursements	2,325	13,581
Less: Repayments	(9,220)	(6,329)
Balance as at the end of the year	13,353	20,248

15.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 17.743 million (2022: Rupees 22.126 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.

		2023	2022
		Amount	Amount
		Rupees in thousand	
16. LONG TERM INVESTMENT			
Investment in subsidiary company - at cost	(Note 16.1)	89,167	-
Investment in associate (with significant influence) - under equity method	(Note 16.2)	2,691,689	2,217,650
		2,780,856	2,217,650

16.1 Investment in subsidiary company - at cost

Dongguan Service Global Limited

Equity held 100% (2022: Nil)

(Note 16.1.1)

Notes to the Financial Statements

For the year ended December 31, 2023

16.1.1 Dongguan Service Global Limited is a limited liability company (wholly owned by foreign legal person) registered with Dongguan Administration of Market Regulations, China. Dongguan Service Global Limited was incorporated on 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, 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 registered capital of Dongguan Service Global Limited is USD 1,250,000 which is being subscribed by the Company. The Company wholly owns Dongguan Service Global Limited.

	2023	2022
	Amount	Amount
	Rupees in thousand	

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

Service Long March Tyres (Private) Limited

242,331,650 (2022: 242,331,650) fully paid ordinary shares of Rupees 10 each (Note 16.2.1)	2,691,689	2,217,650
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16.2.1 Investment in associate (with significant influence) - under equity method

Cost of investment	2,434,575	2,434,575
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Share of post acquisition changes in investee's net assets:

As at the beginning of the year	(216,925)	7,149
Add: Share of post acquisition profit / (loss) - net of tax	474,039	(224,074)
	257,114	(216,925)
Balance at the end of the year	2,691,689	2,217,650

16.2.2 Summary of financial information of associate as per audited financial statements for the year:

Current assets	13,047,573	10,661,478
Non-current assets	20,821,253	19,570,318
Total assets	33,868,826	30,231,796
Current liabilities	11,077,467	9,078,397
Non-current liabilities	8,538,456	9,407,310
Share deposit money	18,697	18,697
Total liabilities	19,634,620	18,504,404
Net assets	14,234,206	11,727,392

	2023	2022
	Amount	Amount
	Rupees in thousand	
16.2.3 Reconciliation to carrying amounts:		
Balance at the beginning of the year	11,727,392	9,547,338
Transaction with owners in their capacity as owners	-	3,365,000
Profit / (loss) after income tax	2,506,814	(1,184,946)
Other comprehensive income	-	-
Balance at the end of the year	14,234,206	11,727,392
Percentage of holding	18.91%	18.91%
Company's share	2,691,689	2,217,650

16.2.4 Summarized statement of comprehensive income:

Revenue	26,768,189	8,307,127
Profit / (loss) for the year	2,506,814	(1,184,946)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	2,506,814	(1,184,946)

16.2.5 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.

	2023	2022
	Amount	Amount
	Rupees in thousand	
17. LONG TERM LOAN TO HOLDING COMPANY		
Balance at the beginning of the year	2,250,000	2,500,000
Less: Loan repaid by the Holding Company	(1,000,000)	(250,000)
	1,250,000	2,250,000
Less: Current portion shown under current assets (Note 21)	(500,000)	(500,000)
Balance at the end of the year	750,000	1,750,000

17.1 This represents unsecured loan to Service Industries Limited - Holding Company. This carries mark-up at 6-months KIBOR plus 0.25 percent per annum or average borrowing cost of the Company, whichever is higher. The maximum aggregate amount receivable from the Holding Company at the end of any month during the year was Rupees 2,250 million (2022: Rupees 2,500 million). It is neither past due nor impaired. Effective rate of mark-up charged on this long term loan ranges from 17.29% to 23.22% (2022: 11.71% to 17.29%) per annum.

Notes to the Financial Statements

For the year ended December 31, 2023

		2023 Amount	2022 Amount
Rupees in thousand			
18. STORES, SPARES AND LOOSE TOOLS			
Stores		45,718	34,487
Machinery spares		77,614	43,566
Loose tools		8,617	11,146
		131,949	89,199
Less: Provision for slow moving and obsolete items	(Note 18.1)	(8,456)	(7,243)
		123,493	81,956
18.1 Provision for slow moving and obsolete items			
Balance at the beginning of the year		7,243	3,918
Add: Provision for the year		1,213	3,325
Balance at the end of the year		8,456	7,243
19. STOCK-IN-TRADE			
Raw materials	(Note 19.1)	1,926,537	1,463,833
Packing materials		69,899	70,413
Work-in-process	(Note 19.2)	877,342	802,489
Finished goods	(Note 19.3 and Note 19.4)	1,704,823	1,072,894
		4,578,601	3,409,629
Less: Provision for slow moving and obsolete stocks	(Note 19.7)	(24,465)	(49,270)
		4,554,136	3,360,359

19.1 These include stock-in-transit of Rupees 478.231 million (2022: Rupees 143.205 million).

19.2 This includes stock of Rupees 166.903 million (2022: Rupees 160.843 million) sent to outside parties for processing.

19.3 These include stock in transit of Rupees 404.498 million (2022: Rupees 249.932 million).

19.4 Finished goods of Rupees 17.455 million (2022: Rupees 41.088 million) are being carried at net realizable value.

19.5 The aggregate amount of Rupees 10.097 million (2022: Rupees 14.149 million) has been charged to cost of sales, being the cost of inventory written down during the year.

19.6 During the previous 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 claimed such loss from its insurance providers in accordance with relevant insurance policies as referred to in note 32.1.

	2023	2022
	Amount	Amount
	Rupees in thousand	
19.7 Provision for slow moving and obsolete stocks		
Balance at the beginning of the year	49,270	45,190
Less: (Reversal of provision) / provision for the year	(24,805)	4,080
Balance at the end of the year	24,465	49,270
20. TRADE DEBTS		
Considered good:		
Secured:		
- Against irrevocable letters of credit	916,305	1,094,395
Unsecured:		
- Related parties (Note 20.3, 20.4 and 20.5)	11,471	91,081
- Others (Note 20.6)	788,890	662,854
	800,361	753,935
Less: Allowance for expected credit losses (Note 20.7)	(6,300)	(8,610)
	1,710,366	1,839,720
20.1 Types of counterparties:		
Export		
Corporate	1,675,463	1,756,617
Other	-	-
	1,675,463	1,756,617
Local		
Corporate	37,630	45,702
Other	3,573	46,011
	41,203	91,713
	1,716,666	1,848,330
20.2 Foreign jurisdictions of trade debts:		
Europe	1,081,412	1,211,012
Asia, Africa and Australia	199,995	318,307
United States of America and Canada	394,056	227,298
	1,675,463	1,756,617

Notes to the Financial Statements

For the year ended December 31, 2023

20.3 This represents amounts due from following related parties:

	2023	2022
	Amount	Amount
	Rupees in thousand	
Service Industries Limited - Holding Company	11,471	-
Service Shoes Lanka (Private) Limited - subsidiary company of the Holding Company	-	85,123
Jomo Technologies (Private) Limited - associated company	-	5,958

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	87,462	26,922
Service Shoes Lanka (Private) Limited - subsidiary company of the Holding Company	81,924	194,314
Jomo Technologies (Private) Limited - associated company	8,994	65,230

20.5 As at the reporting date, trade debts due from related parties amounting to Rupees 1.490 million (2022: Rupees 61.303 million) were past due but not impaired. The ageing analysis of this trade debts is as follows:

Upto 1 month	1,490	26,175
1 to 6 months	-	30,793
More than 6 months	-	4,335
	1,490	61,303

20.6 As at the reporting date, trade debts due from other than related parties of Rupees 138.086 million (2022: Rupees 296.675 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	44,668	45,008
1 to 6 months	77,214	250,406
More than 6 months	16,204	1,261
	138,086	296,675

20.7 Allowance for expected credit losses

Balance at the beginning of the year		8,610	4,243
(Less) / Add: (Reversal of allowance) / allowance recognized during the year (Note 32 and Note 31)		(2,310)	4,367
Balance at the end of the year		6,300	8,610

		2023	2022
		Amount	Amount
		Rupees in thousand	
21. LOANS AND ADVANCES			
Considered good:			
Short term loan to Holding Company	(Note 21.1)	-	7,618
Current portion of long term loan to Holding Company	(Note 17)	500,000	500,000
Advances against letters of credit		847,564	423,452
Advances to suppliers	(Note 21.2)	95,195	288,910
Advances to staff		6,982	2,700
Current portion of long term loans to employees	(Note 15)	7,464	7,674
		1,457,205	1,230,354

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 of the Company, whichever is higher. The maximum aggregate amount receivable from the Holding Company at the end of any month during the year was Rupees 1,718.297 million (2022: Rupees 2,746.29 million). It is neither past due nor impaired. Effective rate of mark-up charged on this short term loan ranged from 17.57% to 22.66% per annum (2022: 10.40% to 16.63% per annum).

		2023	2022
		Amount	Amount
		Rupees in thousand	
21.2 Advances to suppliers			
Advances to suppliers		95,195	294,793
Less: Provision against doubtful advances to suppliers	(Note 21.2.1)	-	(5,883)
		95,195	288,910

21.2.1 Provision against doubtful advances to suppliers

Balance at the beginning of the year		5,883	-
(Less) / Add: (Reversal of provision) / provision for doubtful advances to suppliers	(Note 32 and Note 31)	(5,883)	5,883
Balance at the end of the year		-	5,883

22. ACCRUED MARK-UP

On short term loan to Holding Company	(Note 22.1)	-	-
On long term loan to Holding Company	(Note 22.2)	-	-
On saving account		5,357	-
		5,357	-

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 62.475 million (2022: Rupees 37.074 million).

Notes to the Financial Statements

For the year ended December 31, 2023

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 113.237 million (2022: Rupees 90.949 million).

	2023	2022
	Amount	Amount
	Rupees in thousand	
23. SHORT TERM DEPOSITS AND PREPAYMENTS		
Short term security deposits	3,300	4,650
Prepayments	5,016	7,461
Current portion of long term security deposits (Note 14)	-	877
	8,316	12,988
24. OTHER RECEIVABLES		
Considered good:		
Custom duty rebate	620,068	292,239
Duty drawback	10,740	10,740
Sales tax refundable	790,497	484,527
Lab testing charges (Note 24.1)	14,065	3,159
Claims receivable (Note 24.2)	-	53,529
Insurance claim receivable (Note 32.1)	444	14,407
Miscellaneous (Note 24.3)	5,697	12,904
	1,441,511	871,505
24.1 Lab testing charges		
Lab testing charges	14,065	4,214
Less: Allowance for expected credit losses (Note 24.1.1)	-	(1,055)
	14,065	3,159
24.1.1 Allowance for expected credit losses		
Balance at the beginning of the year	1,055	1,055
Less: Reversal of allowance during the year (Note 32)	(1,055)	-
Balance at the end of the year	-	1,055
24.2 Claims receivable		
Claims receivable	13,621	53,529
Less: Allowance for expected credit losses (Note 24.2.1)	(13,621)	-
	-	53,529
24.2.1 Allowance for expected credit losses		
Balance at the beginning of the year	-	-
Add: Allowance recognized during the year (Note 31)	13,621	-
Balance at the end of the year	13,621	-

		2023 Amount	2022 Amount
Rupees in thousand			
24.3 Miscellaneous			
Miscellaneous		13,346	12,904
Less: Allowance for expected credit losses	(Note 24.3.1)	(7,649)	-
		5,697	12,904
24.3.1 Allowance for expected credit losses			
Balance at the beginning of the year		-	-
Add: Allowance recognized during the year	(Note 31)	7,649	-
Balance at the end of the year		7,649	-
25. ADVANCE INCOME TAX - NET			
Advance income tax		721,692	630,715
Less: Provision for taxation		(588,127)	(410,365)
		133,565	220,350
26. CASH AND BANK BALANCES			
Cash in hand		2,026	1,107
With banks:			
Current accounts:			
Local currency		488,902	128,026
Foreign currency	(Note 26.1)	259,024	32,487
		747,926	160,513
Saving accounts:			
Local currency	(Note 26.2)	2,153,098	-
		2,903,050	161,620
26.1	This represents EURO 831,930.31 (2022: EURO 134,550.85).		
26.2	Rate of profit on bank deposits range from 6.50% to 21.5% (2022: 4.25% to 6.50%) per annum.		
27. REVENUE - NET			
Revenue from contracts with customers:			
Export sales		14,933,100	11,699,022
Local sales	(Note 27.1)	281,788	257,491
		15,214,888	11,956,513
Less: Discounts, commissions etc.		(153,071)	(203,425)
		15,061,817	11,753,088

Notes to the Financial Statements

For the year ended December 31, 2023

2023 2022
Amount Amount
Rupees in thousand

27.1 Local sales

Local sales	334,174	297,890
Less: Sales tax	(52,386)	(40,399)
	281,788	257,491

27.2 The amount of Rupees 88.014 million (2022: Rupees 56.775 million) included in contract liabilities (Note 8) at 31 December 2022 has been recognized as revenue in 2023.

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	2023	2022
-------------	------	------

Rupees in thousand

Region

Europe	11,783,358	9,293,188
United States of America and Canada	2,170,311	1,356,869
Asia, Africa, Australia	826,360	845,540
Pakistan	281,788	257,491
	15,061,817	11,753,088

Timing of revenue recognition

Products and services transferred at a point in time	15,061,817	11,753,088
Products and services transferred over time	-	-
	15,061,817	11,753,088

Major products / service lines

Raw material	-	170,400
Footwear	15,061,817	11,582,688
	15,061,817	11,753,088

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

		2023 Amount	2022 Amount
Rupees in thousand			
28. COST OF SALES			
Raw materials consumed	(Note 28.1)	6,910,269	5,942,443
Processing charges		117,502	165,341
Salaries, wages and other benefits	(Note 28.2, Note 28.3 and Note 28.4)	3,003,986	2,386,761
Packing materials consumed		878,626	700,049
Stores and spares consumed		504,872	332,658
Fuel and power		343,451	198,061
Repair and maintenance		41,264	42,683
Insurance		20,330	9,598
Travelling		31,527	24,135
Entertainment		6,715	4,166
Rent, rates and taxes	(Note 28.5)	642	2,951
Provision for slow moving and obsolete inventory		(23,592)	7,405
Depreciation	(Note 13.2)	223,552	179,822
Other manufacturing charges		72,653	44,008
		12,131,797	10,040,081
Work-in-process:			
Opening stock		802,489	489,315
Closing stock		(877,342)	(802,489)
		(74,853)	(313,174)
Cost of goods manufactured		12,056,944	9,726,907
Finished goods:			
Opening stock		1,072,894	854,374
Finished goods purchased		335,681	59,050
Closing stock		(1,704,823)	(1,072,894)
		(296,248)	(159,470)
		11,760,696	9,567,437

28.1 Raw materials consumed

Opening stock		1,463,833	745,827
Add: Purchases during the year	(Note 28.6)	7,372,973	6,660,449
Less: Closing stock		(1,926,537)	(1,463,833)
		6,910,269	5,942,443

28.2 Salaries, wages and other benefits include contributions of Rupees 101.659 million (2022: Rupees 85.195 million) and Rupees 28.985 million (2022: Rupees 19.096 million) in respect of provident fund and gratuity fund respectively.

Notes to the Financial Statements

For the year ended December 31, 2023

28.3 Salaries, wages and other benefits include compensated absences expense of Rupees 26.176 million (2022: Rupees 19.426 million).

28.4 Salaries, wages and other benefits include share options expense of Rupees 0.552 million (2022: Rupees 16.619 million).

28.5 These include rent expense of Rupees 0.428 million (2022: Rupees 2.445 million) related to short term leases.

28.6 Custom duty rebate for the year amounting to Rupees 507.770 million (2022: Rupees 368.933 million) has been adjusted against raw materials consumed.

		2023	2022
		Amount	Amount
		Rupees in thousand	
29. DISTRIBUTION COST			
Salaries and other benefits	(Note 29.1 and Note 29.2)	104,018	80,735
Freight and insurance		377,283	396,968
Samples, claims and product development		501,024	317,859
Postage and courier		116,972	82,908
Fuel and power		12,377	7,864
Travelling and conveyance		58,062	23,300
Entertainment		12,890	9,273
Rent, rates and taxes	(Note 29.3)	4,154	1,877
		1,186,780	920,784

29.1 Salaries and other benefits include contributions of Rupees 3.734 million (2022: Rupees 2.892 million) and Rupees 0.185 million (2022: Rupees 0.103 million) in respect of provident fund and gratuity fund respectively.

29.2 Salaries, and other benefits include share options expense of Rupees 0.127 million (2022: Rupees 1.948 million).

29.3 These include rent expense of Rupees 4.154 million (2022: Rupees 1.324 million) related to short term leases.

		2023	2022
		Amount	Amount
		Rupees in thousand	
30. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	(Note 30.1, Note 30.2 and Note 30.3)	454,740	335,497
Communication		2,539	3,693
Printing and stationery		8,565	7,266
Travelling and conveyance		12,731	13,880
Entertainment		15,393	11,897
Vehicles' running		25,438	21,515
Insurance		5,023	2,093
Rent, rates and taxes		7,679	7,632
Fuel and power		20,730	16,131
Repairs and maintenance		10,116	12,011
Auditor's remuneration	(Note 30.4)	3,629	2,963
Legal and professional		30,562	33,820
Subscription		112	138
Depreciation	(Note 13.2)	20,354	7,040
Ijarah rentals		11,876	13,192
Computer running		11,548	11,605
Advertisement		161	-
General		29,998	22,969
		671,194	523,342

30.1 Salaries and other benefits include contributions of Rupees 13.605 million (2022: Rupees 10.063 million) and Rupees 3.749 million (2022: Rupees 2.828 million) in respect of provident fund and gratuity fund respectively.

30.2 Salaries and other benefits include share options expense of Rupees 0.216 million (2022: Rupees 6.464 million).

30.3 Salaries and other benefits include compensated absences expense of Rupees 2.415 million (2022: Rupees 1.753 million).

30.4 Auditor's remuneration

Statutory audit fee		1,670	1,518
Statutory audit fee of consolidated financial statements		354	-
Half yearly review		605	550
Certification charges		550	500
Reimbursable expenses		450	395
		3,629	2,963

Notes to the Financial Statements

For the year ended December 31, 2023

		2023 Amount	2022 Amount
Rupees in thousand			
31. OTHER EXPENSES			
Donations	(Note 31.1)	-	4,226
Allowance for expected credit losses - trade debts	(Note 20.7)	-	4,367
Provision against doubtful advances to suppliers	(Note 21.2.1)	-	5,883
Allowance for expected credit losses - claims receivable	(Note 24.2.1)	13,621	-
Allowance for expected credit losses - miscellaneous other receivables	(Note 24.3.1)	7,649	-
Workers' profit participation fund	(Note 8.3)	33,990	17,609
Workers' welfare fund	(Note 8.4)	32,527	14,040
		87,787	46,125

31.1 These represented donations 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.

		2023 Amount	2022 Amount
Rupees in thousand			
32. OTHER INCOME			
Income from financial assets			
Interest on loans to Holding Company		532,170	544,882
Interest on term deposit receipts and saving accounts		16,398	25,382
Exchange gain - net		182,352	88,284
Income From Non-Financial Assets			
Gain on disposal of operating fixed assets - net	(Note 13.1.1)	1,139	581
Insurance claim against business interruption loss	(Note 32.1)	-	4,908
Amortization of deferred income - Government grant	(Note 7.2)	-	3,476
Scrap sales		30,822	16,291
Reversal of allowance for expected credit losses - trade debts	(Note 20.7)	2,310	-
Reversal of provision for doubtful advances to suppliers	(Note 21.2.1)	5,883	-
Reversal of allowance for expected credit losses - Lab testing charges	(Note 24.1.1)	1,055	-
		772,129	683,804

32.1 As referred to in notes 13.1.2, 13.5, and 19.6, during the previous 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 appointed a surveyor who completed his survey during the previous 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 509.556 million from the insurer as of 31 December 2023. Subsequent to the reporting period, remaining amount has been received.

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

		2023 Amount	2022 Amount Rupees in thousand
33. FINANCE COST			
Mark-up on:			
- Short term borrowings		893,977	403,785
- Long term financing		37,689	21,082
Interest on workers' profit participation fund	(Note 8.3)	1,270	1,500
Bank charges and commission		74,785	40,813
		1,007,721	467,180

34. TAXATION			
Current	(Note 34.1)	285,892	325,682
Prior period adjustment		59,215	22,970
Deferred tax		67,093	(2,761)
		412,200	345,891

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.

Notes to the Financial Statements

For the year ended December 31, 2023

	2023	2022
	Amount	Amount
	Rupees in thousand	
34.3 Reconciliation between tax expense and accounting profit:		
Accounting profit before taxation	1,593,807	687,950
Applicable tax rate	29%	29%
Tax on accounting profit	462,204	199,506
Prior period adjustment	59,215	22,970
Deferred tax	67,093	(2,761)
Super tax	73,306	39,477
Tax effect of final tax regime income taxed at a lower rate	(4,319,857)	(3,377,104)
Tax effect of expenses / income that are not considered in determining taxable liability	4,070,239	3,463,803
	412,200	345,891

	2023	2022
35 EARNINGS PER SHARE - BASIC AND DILUTED		
35.1 Basic earnings per share		
Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	1,181,607	342,059
Weighted average number of ordinary shares (Numbers) (Note 35.3)	205,464,979	204,734,897
Basic earnings per share (Rupees)	5.75	1.67

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)	1,181,607	342,059
Weighted average number of ordinary shares (Numbers) (Note 35.3)	205,464,979	204,734,897
Adjustment for share options (Numbers)	75,348	645,178
Weighted average number of ordinary shares for diluted earnings per share (Numbers)	205,540,327	205,380,075
Diluted earnings per share (Rupees)	5.75	1.67

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	205,087,500	204,437,500
Effect of ordinary shares issued under Employees Stock Option Scheme	377,479	297,397
Weighted average number of ordinary shares at the end of the year	205,464,979	204,734,897

	2023	2022
	Amount	Amount
	Rupees in thousand	
36. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before taxation	1,593,807	687,950
Adjustments for non-cash charges and other items:		
Depreciation (Note 13.2)	243,906	186,862
Provision for gratuity (Note 6.5.1)	32,919	22,027
Provision for workers' profit participation fund (Note 8.3)	33,990	17,609
Provision for workers' welfare fund (Note 8.4)	32,527	14,040
Amortization of deferred income - Government grant (Note 7.2)	-	(3,476)
(Reversal of provision) / provision for slow moving and obsolete inventory (Note 28)	(23,592)	7,405
(Reversal of allowance) / allowance for expected credit losses - trade debts (Note 20.7)	(2,310)	4,367
Reversal of allowance for expected credit losses - lab testing charges (Note 24.1.1)	(1,055)	-
Allowance for expected credit losses - claims receivable (Note 24.2.1)	13,621	-
Allowance for expected credit losses - miscellaneous other receivables (Note 24.3.1)	7,649	-
(Reversal of provision) / provision against doubtful advances to suppliers (Note 21.2.1)	(5,883)	5,883
Finance cost (Note 33)	1,007,721	467,180
Gain on disposal of operating fixed assets - net (Note 32)	(1,139)	(581)
Insurance claim against business interruption loss (Note 32)	-	(4,908)
Interest on loans to Holding Company (Note 32)	(532,170)	(544,882)
Interest on saving accounts and term deposit receipt (Note 32)	(16,398)	(25,382)
Exchange gain - net (Note 32)	(182,352)	(88,284)
Share of (profit) / loss of equity accounted investee - net of taxation (Note 16.2.1)	(474,039)	224,074
Employees' share option expense (Note 4.2.2)	895	25,031
Working capital changes (Note 36.1)	(1,000,890)	(2,924,815)
	727,207	(1,929,900)

36.1 Working capital changes

(Increase) / decrease in current assets:		
Stores, spares and loose tools	(42,750)	(42,220)
Stock-in-trade	(1,168,972)	(1,758,335)
Trade debts	314,016	(938,089)
Loans and advances	(228,796)	(437,826)
Prepayments	2,445	(6,676)
Other receivables	(604,184)	(350,677)
	(1,728,241)	(3,533,823)
Increase in trade and other payables	727,351	609,008
	(1,000,890)	(2,924,815)

Notes to the Financial Statements

For the year ended December 31, 2023

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

	Year ended 31 December 2023			
	Liabilities from financing activities			
	Long term financing	Short term borrowings	Unclaimed dividend	Dividend payable
	------(Rupees in thousand)-----			
Balance at the beginning of the year	401,814	5,488,314	4,850	-
Add: Borrowings obtained	-	32,169,613	-	-
Less: Repayment of financing / borrowings	(39,450)	(29,375,580)	-	-
Add: Dividends declared	-	-	205,088	617,753
Less: Dividends paid	-	-	(204,994)	-
Balance at the end of the year	362,364	8,282,347	4,944	617,753

	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)	-
Add: Dividends declared	-	-	921,594
Less: 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

2023 2022
Amount Amount
 Rupees in thousand

36.3 Non-cash financing activities

Other changes - non-cash movement	-	3,477
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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	
	2023	2022	2023	2022	2023	2022
	------(Rupees in thousand)-----					
Managerial remuneration	46,431	40,375	26,629	21,791	150,165	89,003
Bonus	48,000	20,833	13,236	5,673	55,906	36,020
Allowances:						
House rent	4,643	4,038	7,135	5,516	42,200	32,834
Conveyance	4,643	4,038	489	480	17,287	7,293
Medical	-	-	3,867	3,269	21,598	12,476
Special allowance	-	-	4,304	4,034	1,886	4,233
Retirement and other benefits	3,482	3,028	4,285	8,960	41,619	4,122
Total	107,199	72,312	59,945	49,723	330,661	185,981
Number of persons	1	1	2	2	61	39
Employee share options granted (No. of options)	-	-	100,000	250,000	605,000	598,000
Issuance of ordinary shares (No. of shares)	-	-	250,000	450,000	580,000	200,000

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

37.2 Chief Executive, directors 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 three (2022: three) directors was Rupees 2.16 million (2022: Rupees 1.840 million).

37.4 During the year ended 31 December 2023, 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 50,000 (2022: 150,000), 50,000 (2022: 100,000), 40,000 (2022: 35,000), 40,000 (2022: 35,000), 40,000 (2022: 101,500) and 40,000 (2022: 100,000) employee share options respectively. 150,000 (2022: 250,000), 100,000 (2022: 200,000), 35,000 (2022: Nil), 35,000 (2022: Nil), 101,500 (2022: Nil) and 100,000 (2022: 200,000) number of ordinary shares were issued during the year ended 31 December 2023 to 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 respectively.

38. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of the Holding Company, subsidiary 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:

Notes to the Financial Statements

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
		Rupees in thousand	
Nature of relationship	Nature of transactions		
Holding Company			
Service Industries Limited	Sale of goods	305,772	68,244
	Expenses charged to the Company	280,647	235,853
	Purchase of goods	390,094	140,844
	Processing charges	109,186	118,947
	Loans given	11,589,162	9,886,995
	Loans repaid	12,596,780	11,156,097
	Interest income	532,170	544,882
	Dividend paid	163,550	735,975
Sub-subsidiary of the Holding Company			
Service Shoes Lanka (Private) Limited	Sale of goods	-	170,401
	Purchase of goods	-	39,011
	Sale of operating fixed assets	-	6,189
Subsidiary of the Holding Company			
SIL GULF (FZE)	Purchase of machinery	43,904	-
	Purchase of goods	73,391	-
Subsidiary company			
Dongguan Service Global Limited	Purchase of goods	422,686	-
	Investment made	89,167	-
Associated company			
Jomo Technologies (Private) Limited	Sale of goods	3,035	11,985
	Purchase of goods	15,134	668
Service Long March Tyres (Private) Limited	Investment made	-	636,322
Service Foundation	Donation made	-	4,226
Key management personnel			
	Dividends paid	2,888	10,794
Post employment benefit plans			
	Company's contribution to gratuity fund trust	32,919	22,027
	Company's contribution to provident fund trust	118,998	98,150

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

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 of shareholding
		2023	2022	
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 the 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	No	Yes	18.91%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company of Service Industries Limited - Holding Company)	No	Yes	Nil
Servis Foundation	Common directorship	No	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
SIL GULF FZE	Subsidiary of Holding Company	Yes	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
Service Tyres (Private) Limited	Common directorship	No	No	Nil
Service Retail (Private) Limited	Common directorship	No	No	Nil
Dongguan Service Global	Subsidiary Company	Yes	No	100%
Mr. Hassan Javed	Chief Executive	Yes	Yes	Nil
Mr. Arif Saeed	Director	Yes	Yes	Nil
Chaudhry Ahmed Javed	Director	Yes	Yes	Nil
Mr. Omar Saeed	Director	Yes	Yes	Nil
Mr. Azmat Ali Ranjha	Director	Yes	Yes	Nil
Mr. Abdul Rashid Lone	Director	Yes	Yes	Nil
Mr. Qadeer Ahmed Vaseer	Director	Yes	Yes	Nil
Mr. Hassan Ehsan Cheema	Director	Yes	Yes	Nil
Ms. Maleeha Humayun Bangash	Director	Yes	Yes	Nil

Notes to the Financial Statements

For the year ended December 31, 2023

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 of 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 Service Global Limited	China	Subsidiary company	100%

38.4 As on 31 December 2023, 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		
	Service Shoes Lanka (Private) Limited	SIL GULF (FZE)	Dongguan Service Global Limited
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	2023
Investment in			
Local currency	PKR 62,770,000	PKR 7,215,000	PKR 89,166,721
Foreign currency	USD 600,000	AED 150,000	EURO 287,645
Terms and conditions of investment	Investment in shares of subsidiary company	Investment in shares of subsidiary company	Investment in shares of subsidiary company
Amount of returns received	None	None	None
Litigation against investee company	None	None	None
Default / breach related to foreign company	None	None	None
Gain / (loss) on disposal of investment	Not applicable	Not applicable	Not applicable

39. PLANT CAPACITY

	Installed capacity		Actual production	
	(Pairs in thousand)		(Pairs in thousand)	
	2023	2022	2023	2022
Strobel construction	1,662	1,600	1,467	1,526
lasted construction	2,338	2,250	2,062	2,145
	4,000	3,850	3,529	3,671

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, British Pound Sterling (GBP) and Chinese Yuan (CNY). Currently, the Company's foreign exchange risk exposure is restricted to bank balance, amounts receivable from / payable to the foreign entities and short term borrowings. The Company's exposure to currency risk was as follows:

Notes to the Financial Statements

For the year ended December 31, 2023

	2023 Amount	2022 Amount
Cash at banks - EURO	831,930	134,551
Trade debts - USD	2,252,146	2,892,102
Trade debts - EURO	3,192,348	4,478,120
Trade debts - GBP	124,857	75,526
Other receivables - USD	33,566	207,918
Other receivables - EURO	-	60,256
Trade and other payables - USD	(1,401,560)	(2,096,919)
Trade and other payables - EURO	(281,673)	(702,812)
Trade and other payables - CNY	-	(65,725)
Trade and other payables - GBP	(1,526)	-
Short term borrowings - USD	(1,925,000)	-
Net exposure - USD	(1,040,848)	1,003,101
Net exposure - EURO	3,742,605	3,970,115
Net exposure - GBP	123,331	75,526
Net exposure - CNY	-	(65,725)

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	283.35	204.92
Reporting date rate	281.86	226.40

Rupees per EURO

Average rate	307.13	213.99
Reporting date rate	311.50	241.45

Rupees per GBP

Average rate	353.63	250.83
Reporting date rate	358.60	273.02

Rupees per CNY

Average rate	39.99	30.22
Reporting date rate	39.63	32.53

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, profit after taxation for the year would have been higher / lower by Rupees 29.835 million (2022: Rupees 55.133 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.

(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 assets are loans to Service Industries Limited - Holding Company and the Company's interest rate risk arises mainly from long term financing, short term borrowings, loans to the Holding Company and bank balances - saving accounts. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

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

	2023	2022
	Amount	Amount
	(Rupees in thousand)	
Fixed rate instruments		
Financial asset	-	-
Financial liabilities		
Long term financing	202,078	240,151
Short term borrowings	6,743,006	3,862,010
Floating rate financial instruments		
Financial asset		
Bank balances - saving accounts	2,153,098	-
Loans to Holding Company	1,250,000	2,257,618
Financial liabilities		
Long term financing	160,286	161,663
Short term borrowings	1,539,341	1,626,304

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.

Notes to the Financial Statements

For the year ended December 31, 2023

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 21.77 million (2022: Rupees 1.721 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:

	2023 Amount (Rupees in thousand)	2022 Amount
Security deposits	14,357	16,099
Trade debts	1,710,366	1,839,720
Loans and advances	1,272,813	2,281,626
Accrued mark-up	5,357	-
Other receivables	20,206	83,999
Bank balances	2,901,024	160,513
	5,924,123	4,381,957

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			2023	2022
	Short term	Long term	Agency	Amount	Amount
Banks				(Rupees in thousand)	
Meezan Bank Limited	A1+	AAA	VIS	2,142	10,975
United Bank Limited	A1+	AAA	VIS	92	72
MCB Bank Limited	A1+	AAA	PACRA	21,856	4,430
Habib Bank Limited	A1+	AAA	VIS	17,083	1,228
MCB Islamic Bank Limited	A1	A	PACRA	3,309	21,659
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	17,824	362
Askari Bank Limited	A1+	AA+	PACRA	21,770	12,440
Soneri Bank Limited	A1+	AA-	PACRA	2,592,081	81,594
Faysal Bank Limited	A1+	AA	PACRA	3,097	316
Bank AL Habib Limited	A1+	AAA	PACRA	21,527	562
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	713	157
Samba Bank Limited	A1	AA	VIS	-	22
Dubai Islamic Bank Pakistan Limited	A1+	AA	VIS	73,247	19
BankIslami Pakistan Limited	AA-	A1	PACRA	91,555	26,591
The Bank of Punjab	A1+	AA+	PACRA	34,728	86
				2,901,024	160,513

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 2023 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 2023 and 31 December 2022 was determined as follows:

At 31 December 2023

	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%	36,435	-	0%	712,636	-
Up to 30 days	9.88%	-	-	1.66%	34,487	574
31 to 60 days	22.75%	1	-	6.53%	11,360	742
61 to 90 days	29.21%	-	-	10.90%	-	-
91 to 180 days	43.43%	4	1	22.13%	-	-
181 to 360 days	50.57%	-	-	32.58%	675	220
Above 360 days	100.00%	4,763	4,763	100.00%	-	-
		41,203	4,764		759,158	1,536
Trade debts which are not subject to risk of default		-	-		916,305	-
Green Trade debts		41,203	4,764		1,675,463	1,536

Notes to the Financial Statements

For the year ended December 31, 2023

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	-	0.00%	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	-
Gross Trade debts		91,713	3,913		1,756,617	4,697

(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 2023, the Company had Rupees 2,604.268 million (2022: Rupees 3,761.686 million) available borrowing limits from financial institutions and Rupees 2,903.050 million (2022: Rupees 161.620 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 2023:

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
------(Rupees in thousand)-----						
Non-derivative financial liabilities:						
Long term financing	362,364	505,719	25,644	40,356	94,749	344,971
Trade and other payables	2,466,634	2,466,634	2,466,634	-	-	-
Accrued mark-up	169,111	169,111	169,111	-	-	-
Short term borrowings	8,282,347	8,428,134	8,428,134	-	-	-
Dividend payable	617,753	617,753	617,753	-	-	-
Unclaimed dividend	4,944	4,944	4,944	-	-	-
Derivative financial liabilities	443	443	443	-	-	-
	11,903,596	12,192,738	11,712,663	40,356	94,749	344,971

Contractual maturities of financial liabilities as at 31 December 2022:

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

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.

2023	2022
At amortized cost	
(Rupees in thousand)	

40.2 Financial instruments by categories

Assets as per statement of financial position

Security deposits	14,357	16,099
Trade debts	1,710,366	1,839,720
Loans and advances	1,272,813	2,281,626
Accrued mark-up	5,357	-
Other receivables	20,206	83,999
Cash and bank balances	2,903,050	161,620
	5,926,149	4,383,064

Notes to the Financial Statements

For the year ended December 31, 2023

2023		2022	
At amortized cost	FVTPL	At amortized cost	FVTPL

(Rupees in thousand)

Liabilities as per statement of financial position

Long term financing	362,364	-	401,814	-
Trade and other payables	2,466,634	443	1,800,452	9,425
Accrued mark-up	169,111	-	176,187	-
Short term borrowings	8,282,347	-	5,488,314	-
Dividend payable	617,753	-	-	-
Unclaimed dividend	4,944	-	4,850	-
	11,903,153	443	7,871,617	9,425

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

2023		
Financial assets	Non-financial assets	Assets as per statement of financial position

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

Assets

Long term security deposits	11,057	-	11,057
Trade debts	1,710,366	-	1,710,366
Loans and advances	1,272,813	942,759	2,215,572
Accrued markup	5,357	-	5,357
Short term deposits and prepayments	3,300	5,016	8,316
Other receivables	20,206	1,421,305	1,441,511
Cash and bank balances	2,903,050	-	2,903,050
	5,926,149	2,369,080	8,295,229

2023		
Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position

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

Liabilities

Long term financing	362,364	-	362,364
Accrued mark-up	169,111	-	169,111
Short term borrowings	8,282,347	-	8,282,347
Trade and other payables	2,467,077	267,625	2,734,702
Dividend payable	617,753	-	617,753
Unclaimed dividend	4,944	-	4,944
	11,903,596	267,625	12,171,221

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

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

Assets

Long term security deposits	11,449	-	11,449
Trade debts	1,839,720	-	1,839,720
Loans and advances	2,281,626	712,362	2,993,988
Short term deposits and prepayments	4,650	7,461	12,111
Other receivables	83,999	787,506	871,505
Cash and bank balances	161,620	-	161,620
	4,383,064	1,507,329	5,890,393

Notes to the Financial Statements

For the year ended December 31, 2023

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	-	-
	7,881,042	162,329	8,038,521

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'.

	2023 Amount	2022 Amount
	Rupees in thousand	
Borrowings	8,644,711	5,890,128
Total equity	6,500,843	6,164,524
Total capital employed	15,145,554	12,054,652
Gearing ratio	57.08%	48.86%

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

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 2023	Level 1	Level 2	Level 3	Total
------(Rupees in thousand)-----				

Financial liabilities

Derivative financial liabilities	-	443	-	443
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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
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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 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 the Securities and Exchange Commission of Pakistan.

Notes to the Financial Statements

For the year ended December 31, 2023

43. OPERATING SEGMENTS

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

1.87% (2022: 2.19%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 40.39% (2022: 46.19%) of those sales are made to customers in Germany.

All non-current assets of the Company as at 31 December 2023 were located in Pakistan.

13.32% (2022: 17.87%) of the local sales of the Company are made to a single customer in Pakistan.

44. NUMBER OF EMPLOYEES

	2023	2022
Number of employees	5,679	5,886
Average number of employees during the year	5,714	5,522

45. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2023	2022	2023	2022
	(Rupees in thousand)		(Rupees in thousand)	
Total facilities	8,483,000	2,635,000	10,886,615	9,250,000
Utilized at the end of the year	(912,030)	(228,352)	(8,282,347)	(5,488,314)
Unutilized at the end of the year	7,570,970	2,406,648	2,604,268	3,761,686

46. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

	2023	2022
	Amount	Amount
	(Rupees in thousand)	
Description		
Loan / advances obtained as per Islamic mode:		
Loans	3,654,133	2,502,778
Advances from customers	142,885	88,014
Shariah compliant bank deposits / bank balances		
Bank balances	173,350	59,560
Profit earned from shariah compliant bank deposits / bank balances		
Profit on deposits with banks	-	133
Revenue earned from shariah compliant business	15,061,817	11,753,088
Gain / (loss) or dividend earned from shariah compliant investments	-	-
Exchange gain earned	182,352	88,284
Mark-up paid on Islamic mode of financing	433,023	120,089
Profits earned or interest paid on any conventional loan		
Profits earned	16,398	25,249
Interest paid on loans	504,449	154,646

Relationship with shariah compliant banks

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

47. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2023 of Rupees 2 per share (i.e 20%) at their meeting held on 21 February 2024. 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.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 21 February 2024 by the Board of Directors of the Company.

49. CORRESPONDING FIGURES

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

50. 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)

Consolidated Financial Statements



Independent Auditor's Report

On Consolidated Financial Statements

To the members of Service Global Footwear Limited

Qualified Opinion

We have audited the annexed consolidated financial statements of Service Global Footwear Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Qualified Opinion

The financial statements of Dongguan Service Global Limited – Subsidiary Company for the period from 03 April 2023 to 31 December 2023 are un-audited and have been prepared by the management in accordance with Chinese Accounting Standards for Small Business Enterprises. Hence, total assets of Rupees 283.666 million as at 31 December 2023 and total turnover and net loss of Rupees 432.032 million and Rupees 10.275 million respectively for the period from 03 April 2023 to 31 December 2023 pertaining to the aforesaid Subsidiary Company have been consolidated without incorporating adjustments necessary to give effect to uniform accounting policies adopted by the Group and disclosures required under the provisions of and directives issued under the Companies Act, 2017 and accounting and reporting standards as applicable in Pakistan.

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1	<p>Revenue recognition</p> <p>The Group recognized net revenue of Rupees 15,071.163 million for the year ended 31 December 2023.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue, refer to the following:</p> <ul style="list-style-type: none"> • Material accounting policy information, Revenue recognition note 2.24 to the consolidated financial statements. • Revenue - net note 27 to the consolidated financial statements. 	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting year; • Assessing whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • We also considered the appropriateness of disclosures in the consolidated financial statements.
2	<p>Stock-in-trade</p> <p>As at 31 December 2023, stock-in-trade amounted to Rupees 4,554.136 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 23.99% of total assets of the Group as at 31 December 2023, and the judgment involved in valuation.</p> <p>For further information on stock-in-trade, refer to the following:</p> <ul style="list-style-type: none"> • Material accounting policy information, Stock-in-trade note 2.21 to the consolidated financial statements. • Stock-in-trade note 19 to the consolidated financial statements. 	<p>Our audit procedures to assess the existence and valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over valuation of stock-in-trade including determination of net realizable values; • Attending inventory counts and reconciling the count results to the inventory listings to test the completeness of data; • Assessing the net realizable value of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products with selling prices achieved subsequent to the end of the reporting year; • Comparing the net realizable value to the cost of a sample of stock-in-trade and comparison to the associated provision to assess whether stock-in-trade provisions are complete;

Sr.No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> • Assessing accuracy of inventory ageing reports and adequacy of provisions; • In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs; • We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.
3	<p>Capital expenditures</p> <p>The Group is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Group's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Group and there is significant management judgment required that has significant impact on the reporting of the financial position for the Group. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> • Material accounting policy information, Fixed assets note 2.9 to the consolidated financial statements. • Fixed assets note 13 to the consolidated financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature; • We evaluated the appropriateness of capitalization policies and depreciation rates; • We performed tests of details on costs capitalized; • We verified the accuracy of management's calculation used for the impairment testing.

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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Group should have consolidated Dongguan Service Global

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Syed Mustafa Al.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: 21 February 2024

UDIN : AR202310168QWH8kyAp2

Consolidated Statement of Financial Position

As at December 31, 2023

	Note	2023 Amount Rupees in thousand	2022 Amount
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 250,000,000 (2022: 250,000,000) ordinary shares of Rupees 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up share capital	3	2,059,175	2,050,875
Reserves	4	4,426,786	4,113,649
Total equity		6,485,961	6,164,524
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	310,565	360,852
Employees' retirement benefit	6	216,104	157,391
Deferred liabilities	7	67,093	-
		593,762	518,243
CURRENT LIABILITIES			
Trade and other payables	8	2,774,376	1,972,206
Accrued mark-up	9	169,111	176,187
Short term borrowings	10	8,282,347	5,488,314
Current portion of long term financing	5	51,799	40,962
Dividend payable	11	617,753	-
Unclaimed dividend		4,944	4,850
		11,900,330	7,682,519
Total liabilities		12,494,092	8,200,762
Contingencies and commitments	12		
TOTAL EQUITY AND LIABILITIES		18,980,053	14,365,286

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



Hassan Javed
(Chief Executive)

	Note	2023 Amount Rupees in thousand	2022 Amount
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	13	3,082,262	2,594,578
Long term security deposits	14	11,057	10,572
Long term loans to employees	15	8,367	13,634
Long term investment	16	2,691,689	2,217,650
Long term loan to Ultimate Holding Company	17	750,000	1,750,000
		6,543,375	6,586,434
CURRENT ASSETS			
Stores, spares and loose tools	18	123,733	81,956
Stock-in-trade	19	4,554,136	3,360,359
Trade debts	20	1,710,366	1,839,720
Loans and advances	21	1,479,789	1,230,354
Accrued mark-up	22	5,357	-
Short term deposits and prepayments	23	9,011	12,988
Other receivables	24	1,469,492	871,505
Advance income tax - net	25	133,565	220,350
Cash and bank balances	26	2,951,229	161,620
		12,436,678	7,778,852
TOTAL ASSETS		18,980,053	14,365,286



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2023

	Note	2023 Amount Rupees in thousand	2022 Amount
Revenue - net	27	15,071,163	11,753,088
Cost of sales	28	(11,724,689)	(9,567,437)
Gross profit		3,346,474	2,185,651
Distribution cost	29	(1,230,663)	(920,784)
Administrative expenses	30	(681,460)	(523,342)
Other expenses	31	(87,787)	(46,125)
		(1,999,910)	(1,490,251)
		1,346,564	695,400
Other income	32	772,129	683,804
Profit from operations		2,118,693	1,379,204
Finance cost	33	(1,009,198)	(467,180)
		1,109,495	912,024
Share of profit / (loss) from equity accounted investee - net of taxation	16.1	474,039	(224,074)
Profit before taxation		1,583,534	687,950
Taxation	34	(412,200)	(345,891)
Profit after taxation		1,171,334	342,059
EARNINGS PER SHARE - BASIC (RUPEES)	35	5.70	1.67
EARNINGS PER SHARE - DILUTED (RUPEES)	35	5.70	1.67

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	2023 Amount	2022 Amount
	Rupees in thousand	
Profit after taxation	1,171,334	342,059
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Remeasurements of employees' retirement benefit obligation - net of tax	(31,642)	(16,860)
Items that may be reclassified subsequently to profit or loss	-	-
Exchange difference on translation of foreign subsidiary	(4,609)	-
Other comprehensive loss for the year - net of tax	(36,251)	(16,860)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,135,083	325,199

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Reserves							Total equity
	Share Capital	Capital reserves			Revenue reserve		Total reserves	
		Exchange translation reserve	Reserve for issuance of bonus shares	Share premium	Share options reserve	Un-appropriated profit		
Balance as at 31 December 2021	2,044,375	-	1,390,684	1,669,274	18,723	1,606,332	4,685,013	6,729,388
(Rupees in thousand)								
Transactions with owners:								
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	(18,723)	-	-	6,500
Recognition of share options reserve	-	-	-	-	25,031	-	25,031	25,031
Profit for the year	6,500	-	18,723	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
Balance as at 31 December 2022	2,050,875	-	1,390,684	1,687,997	25,031	1,009,937	4,113,649	6,164,524
Transactions with owners:								
Final dividend for the year ended 31 December 2022 @ Rupee 1 per share	-	-	-	-	-	(205,088)	(205,088)	(205,088)
Interim dividend for the year ended 31 December 2023 @ Rupees 3 per share	-	-	-	-	-	(617,753)	(617,753)	(617,753)
Ordinary shares issued under Employees Stock Option Scheme	8,300	-	24,500	24,500	(24,500)	-	-	8,300
Employee share options lapsed	-	-	531	531	(531)	-	-	-
Recognition of share options reserve	-	-	-	-	895	-	895	895
Profit for the year	8,300	-	25,031	25,031	(24,136)	(822,841)	(821,946)	(813,646)
Other comprehensive loss for the year	-	-	-	-	-	1,171,334	1,171,334	1,171,334
Total comprehensive income for the year	-	(4,609)	-	-	-	(31,642)	(36,251)	(36,251)
	-	(4,609)	-	-	-	1,139,692	1,135,083	1,135,083
Balance as at 31 December 2023	2,059,175	(4,609)	1,390,684	1,713,028	895	1,326,788	4,426,786	6,485,961

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
	Note	Rupees in thousand	
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM / (USED IN) OPERATIONS	36	708,796	(1,929,900)
Finance cost paid		(1,015,004)	(317,080)
Income tax paid		(258,322)	(221,661)
Workers' profit participation fund paid	8.3	(18,883)	(18,300)
Workers' welfare fund paid	8.4	(13,759)	(11,455)
Employees' retirement benefit paid - net		(5,848)	(2,978)
Net decrease / (increase) in long term loans to employees		5,477	(6,579)
Net decrease in security deposits		1,210	796
Insurance claim received against loss of assets due to fire and business interruption loss		13,963	477,492
NET CASH USED IN OPERATIONS		(582,370)	(2,029,665)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on fixed assets		(738,759)	(684,225)
Interest on term deposit receipts and saving accounts received		11,041	28,115
Loans given to Ultimate Holding Company		(11,589,162)	(9,886,995)
Loans repaid by Ultimate Holding Company		12,596,780	11,156,097
Interest on loans to Ultimate Holding Company received		532,170	599,986
Investment made		-	(636,322)
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		6,550	6,270
NET CASH USED IN INVESTING ACTIVITIES		818,620	601,027
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		8,300	6,500
Proceeds from long term financing		-	149,306
Repayment of long term financing		(39,450)	(148,460)
Short term borrowings - net		2,794,033	1,564,239
Dividends paid		(204,994)	(916,744)
NET CASH FROM FINANCING ACTIVITIES		2,557,889	654,841
Effects of exchange rate changes on cash and cash equivalents		(4,530)	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2,789,609	(773,797)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	26	161,620	935,417
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	2,951,229	161,620

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1 THE COMPANY AND ITS OPERATIONS

a) The Group consists of:

Holding Company

- Service Global Footwear Limited

Subsidiary Company

- Dongguan Service Global Limited

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017 and got listed on 28 April 2021. The shares of the Holding Company are quoted on Pakistan Stock Exchange. The principal activities of the Holding Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. The Holding Company is a subsidiary of Service Industries Limited (Ultimate Holding Company). Geographical location and addresses of all business units are as follows:

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

Dongguan Service Global Limited

Dongguan Service Global Limited is a limited liability company (wholly owned by foreign legal person) registered with Dongguan Administration of Market Regulations, China. Date of incorporation of Dongguan Service Global Limited is 18 December 2022. Business scope of Dongguan Service Global Limited is wholesale of shoes and hats, sales of leather products, sales of needle textiles and raw materials, wholesale of hardware products, sales of bags, sales of daily necessities, inspection of clothing and apparel, finishing services, technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion, import and export of goods, technology import and export (except for projects subject to approval according to law, independently carry out business activities according to law with a business license). Commercial address of Dongguan Service Global Limited is Room 302, No. 18, Houjie Town, Dongguan City, Guangdong Province, China. The registered capital of Dongguan Service Global Limited is USD 1,250,000 which is being subscribed by the Holding Company. The Holding Company wholly owns Dongguan Service Global Limited.

b) Significant restrictions

Cash and bank balances held in foreign country are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from the country, other than through normal dividends. The carrying amount of these assets included within the consolidated financial statements to which these restrictions apply is Rupees 48.180 million (2022: Rupees Nil).

2 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information applied in the preparation of these consolidated financial statements are set out below. Further, accounting policies related to material class of accounts does not necessarily means it is material. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of preparation

a) Statement of compliance

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

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

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

b) Accounting convention

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

c) Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the 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 Group's consolidated 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 Group. Further, the Group reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

ii) Inventories

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

iii) Income tax

In making the estimates for income tax currently payable by the Group, 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 Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

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 consolidated statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2023

vii) Contingencies

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

viii) Impairment of investment in equity method accounted for associated company

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

ix) Employees' retirement benefit

The actuarial valuation of employees' retirement benefit requires the use of certain assumptions related to future periods, including increase in future salary, expected returns on plan assets and the discount rate used to discount future cash flows to present values.

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

Following amendments to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after 01 January 2023:

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current;
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement' - Disclosure of Accounting Policies;
- Amendments to IAS 12 'Income taxes' - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Change in definition of Accounting Estimate;
- Amendments to IAS 12 'Income Taxes' - International Tax Reform – Pillar Two Model Rules.

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

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

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

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

Following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 01 January 2024 or later periods:

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.

Supplier Finance Arrangements (Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures'). The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after 01 January 2024.

Lack of Exchangeability (Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'). The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after 01 January 2025.

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

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2024 but are considered not to be relevant or do not have any significant impact on the Group's consolidated financial statements and are therefore not detailed in these consolidated financial statements.

2.2 Consolidation

a) Subsidiary

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

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

Intragroup balances and transactions have been eliminated.

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

b) Associate

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

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

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

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

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

c) Translation of the financial statements of foreign subsidiary

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

2.3 Functional and presentation currency

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

2.4 Foreign currency transactions and translation

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

2.5 Employees' retirement benefits

i) Contributory provident fund

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

ii) Defined benefit plan

The Holding 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 Holding 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 Holding 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 Holding 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 Holding Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

iii) **Compensated absences**

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

2.6 **Taxation**

Current

a) **Holding Company**

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

b) **Subsidiary Company**

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

Deferred

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

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

2.7 **Borrowings**

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

2.8 **Borrowing costs**

Interest, mark-up and other charges on 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 consolidated statement of profit or loss

2.9 **Fixed assets**

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

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

Depreciation

Depreciation on operating fixed assets except for leasehold improvements is charged to the consolidated statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in note 13.1. Depreciation on leasehold improvements is charged to the consolidated statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives or the shorter lease term 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 consolidated statement of profit or loss in the year the asset is de-recognized.

2.10 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 Group. The useful life and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

2.11 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 Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

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

2.12 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 Group'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 consolidated statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.13 Employees' share option scheme

The Holding Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board of Directors of the Holding 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 Holding 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 Holding Company initially recognizes employee compensation expense with corresponding credit to equity as employee share options reserve at the fair value of option at the grant date. The fair value of option determined at the grant date is recognized as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

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

2.14 Ijarah contracts

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

2.15 Investments and other financial assets

a) Classification

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

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

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

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

b) Measurement

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

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

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Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss (FVTPL)

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.16 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 consolidated statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.17 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

2.18 De-recognition of financial assets and financial liabilities

a) Financial assets

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

b) Financial liabilities

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

2.19 Offsetting of financial instruments

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

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

2.21 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.

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 and subsequently measured at amortized cost using the effective interest method.

2.23 Trade debts and other receivables

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

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

2.24 Revenue recognition

(a) Sale of goods

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

(b) Interest

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

(c) Dividend

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

2.25 Contract assets

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

2.26 Customer acquisition costs

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

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

2.27 Customer fulfilment costs

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

2.28 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.

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2.29 Contract liabilities

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

2.30 Refund liabilities

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

2.31 Cash and cash equivalents

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

2.32 Provisions

Provisions are recognized when the Group 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 Group presents basic and diluted earnings per share (EPS) for ordinary shares of the Holding Company. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares of Holding Company outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Holding Company and the weighted average number of ordinary shares of the Holding Company outstanding for the effects of all dilutive potential ordinary shares of the Holding Company.

2.34 Contingent assets

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

2.35 Contingent liabilities

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

2.36 Derivative financial instruments

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

2.37 Share capital

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

2.38 Government grants

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

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

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

2.39 Dividend and other appropriations

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

2.40 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

	2023 (Number of shares)	2022	2023 (Rupees in thousand)	2022
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	1,480,000	1,480,000	14,800	6,500
	205,917,500	205,087,500	2,059,175	2,050,875

3.1 Movement during the year

	2023 (Number of shares)	2022	2023 (Rupees in thousand)	2022
Balance at the beginning of the year	205,087,500	204,437,500	2,050,875	2,044,375
Issue of ordinary shares of Rupees 10 each under Employees Stock Option Scheme	830,000	650,000	8,300	6,500
Balance at the end of the year	205,917,500	205,087,500	2,059,175	2,050,875

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 - Ultimate Holding Company and its members and Service Global Footwear Limited - Holding Company and its members), net assets including surplus on revaluation of land, building and plant and machinery of the Holding Company amounting to Rupees 2,890.684 million had been determined by Service Industries Limited - Ultimate Holding Company in accordance with approved accounting standards as applicable in Pakistan. In return, the Holding Company issued share capital of Rupees 1,500 million (150,000,000 ordinary shares of Rupees 10 each) to Service Industries Limited - Ultimate 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 Holding Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

- 3.2** 163,550,000 (2022: 163,550,000) ordinary shares of the Holding Company are held by Service Industries Limited - Ultimate Holding Company.
- 3.3** The share capital of the Holding Company consists only of fully paid ordinary shares with a nominal (par) value of Rupees 10 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of the Holding Company.

		2023	2022
		Amount	Amount
		Rupees in thousand	
4 RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Exchange translation reserve	[Note 2.2(c)]	(4,609)	-
Reserve for issuance of bonus shares	(Note 3.1.1)	1,390,684	1,390,684
Share premium	(Note 4.1)	1,713,028	1,687,997
Share options reserve	(Note 4.2)	895	25,031
		3,099,998	3,103,712
Revenue reserve			
Un-appropriated profit		1,326,788	1,009,937
		4,426,786	4,113,649

- 4.1** This reserve can be utilized by the Holding 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 Holding 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 is six months of the completion of respective vesting period. Initially, the Holding Company planned to grant 1,500,000, 712,500, 712,500, 712,500 and 712,500 share options in grant year 2020, 2021, 2022, 2023 and 2024 respectively. However, according to the 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 705,000 options having vesting period started from 01 January 2023 and ending on 31 December 2026 with exercise price of Rupees 30 per share. Remaining 2,147,000 options will be granted in subsequent years in accordance with scheme.

	2023	2022
	Amount	Amount
	Rupees in thousand	
Balance at the beginning of the year	25,031	18,723
Add: Recognized during the year at the fair value	895	25,031
Less: Transferred to share premium	(25,031)	(18,723)
Balance at the end of the year	895	25,031

4.2.2 Movement in employees' share options 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 price (WAEP) of, and movements in, share options during the year:

	2023		2022	
	Number of options	WAEP (Rupees)	Number of options	WAEP (Rupees)
Outstanding at the beginning of the year	848,000	10	650,000	10
Add: Options granted during the year	705,000	30	848,000	10
Less: Options exercised during the year	(830,000)	10	(650,000)	10
Less: Options lapsed during the year	(18,000)	10	-	-
Outstanding at the end of the year	705,000	30	848,000	10
Exercisable at the end of the year	176,250	30	848,000	10

4.2.4 The weighted average share price at the date of the exercise of options exercised during the year was Rupees 34.95 (2022: Rupees 38.96).

4.2.5 The weighted average remaining contractual life for the share options outstanding as at 31 December 2023 is 1.5 years (2022: Nil).

4.2.6 The weighted average fair value of options granted during the year was Rupees 2.14 (2022: Rupees 29.51).

4.2.7 Exercise price for options outstanding at the end of the year is Rupees 30 (2022: Rupees 10).

4.2.8 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:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
Fair value at grant date	Rupees	1.41 to 2.92	29,5180
Share price at grant date	Rupees	33.00	47.00
Exercise price	Rupees	30.00	10.00
Expected volatility	%	31.77%	15.96%
Expected life	Years	1 - 4	1
Expected dividend	%	27%	20%
Risk-free interest rate	%	15.03%	10.75%

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

2023	2022
Amount	Amount
Rupees in thousand	

5 LONG TERM FINANCING

From banking companies - secured

Long term loans	(Note 5.1)	362,364	401,814
Less: Current portion shown under current liabilities		(51,799)	(40,962)
		310,565	360,852

5.1 Long term loans

LENDER	2023	2022	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
------(Rupees in thousand)-----							
Service Global Footwear Limited - Holding Company							
Habib Bank Limited	65,587	80,460	SBP rate for LTF + 0.50%	Three hundred and eight 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 million on plant and machinery of the Holding Company with 25% margin.
	149,306	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	
	214,893	229,766					
Habib Bank Limited	32,193	40,776	SBP rate for LTF + 0.50%	Thirty nine equal quarterly instalments commenced on 06 January 2018 and ending on 06 July 2027.	-	Quarterly	
Allied Bank Limited	38,666	43,834	SBP rate for LTF + 0.25%	Three hundred and thirty-two unequal instalments commenced on 23 July 2020 and ending on 16 July 2031.	-	Quarterly	First joint pari passu hypothecation charge of Rupees 196.5 million of the Holding Company and exclusive charge of Rupees 466.667 million on land and building of the Holding Company with 25% margin.
	10,980	12,357	3-months KIBOR + 0.25%		Quarterly	Quarterly	
	49,646	56,191					
Allied Bank Limited (Note 5.2)	65,632	75,081	SBP rate for LTF + 0.25%	One hundred and seventy-nine unequal instalments commenced on 21 April 2021 and ending on 29 October 2030.	-	Quarterly	
	362,364	401,814					

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023 Amount	2022 Amount
	Rupees in thousand	
6 EMPLOYEES' RETIREMENT BENEFIT		
Service Global Footwear Limited - Holding Company (Note 6.1 and Note 6.2)	216,104	157,391
6.1 Service Global Footwear Limited - Holding Company		
The latest actuarial valuation of the fund as at 31 December 2023 was carried out using the 'Projected Unit Credit Method'. Details of the fund as per the actuarial valuation are as follows:		
6.2 Amounts recognized in the consolidated statement of financial position are as follows:		
Present value of defined benefit obligation	247,100	185,141
Fair value of plan assets	(30,996)	(27,750)
Net defined benefit obligation	216,104	157,391
6.3 Movement in net defined benefit obligation		
Net liability at the beginning of the year	157,391	113,864
Current service cost	10,665	8,823
Net interest on defined benefit obligation	22,254	13,204
Net remeasurements for the year	31,642	16,860
Contributions made during the year	(7,824)	(2,978)
Liability transferred from the Ultimate Holding Company	1,976	7,618
Net liability at the end of the year	216,104	157,391
6.4 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	185,141	144,067
Current service cost	10,665	8,823
Interest cost	26,278	16,753
Benefits paid during the year	(7,824)	(2,978)
Liability transferred from the Ultimate Holding Company	1,976	7,618
Remeasurements on obligation:		
Actuarial losses from changes in financial assumptions	14,761	680
Experience adjustments	16,103	10,178
Present value of defined benefit obligation at the end of the year	247,100	185,141
6.5 Movement in the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	27,750	30,203
Contributions made during the year	7,824	2,978
Interest income on plan assets	4,024	3,549
Benefits paid during the year	(7,824)	(2,978)
Return on plan assets, excluding interest income	(778)	(6,002)
Fair value of plan assets at the end of the year	30,996	27,750

6.5.1 Service Industries Limited Employees Gratuity Fund Trust as a gratuity fund of the Ultimate Holding Company is also managing all the affairs relating to gratuity fund of the employees of the Holding 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 Holding Company and Service Industries Limited - Ultimate Holding Company.

	2023	2022
	Amount	Amount
	Rupees in thousand	
Mutual funds	107,455	96,810
Bank balances	1,660	880
Total plan assets	109,115	97,690
Allocated to the Holding Company	(30,996)	(27,750)
Allocated to Service Industries Limited - Ultimate Holding Company	(78,119)	(69,940)
	-	-

6.6 Amounts recognized in the consolidated statement of profit or loss

Current service cost	10,665	8,823
Interest cost	26,278	16,753
Interest income on plan assets	(4,024)	(3,549)
Net expense charged in the consolidated statement of profit or loss	32,919	22,027

6.6.1 Charge for the year has been allocated as follows:

Cost of sales	(Note.28)	28,985	19,096
Distribution cost	(Note.29)	185	103
Administrative expenses	(Note.30)	3,749	2,828
		32,919	22,027

6.7 Remeasurements recognized in consolidated statement of other comprehensive income

Experience adjustments	16,103	10,178
Actuarial losses from changes in financial assumptions	14,761	680
Return on plan assets, excluding interest income	778	6,002
	31,642	16,860

6.8 Principal actuarial assumptions used

Discount rate used for interest cost	% per annum	14.50	11.75
Discount rate used for year end obligation	% per annum	15.50	14.50
Expected rate of salary increase	% per annum	15.50	13.50

Notes to the Consolidated Financial Statements

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6.9 Historical information

	2023	2022	2021	2020	2019
	Amount	Amount	Amount	Amount	Amount
	Rupees in thousand				
Present value of defined benefit obligation	247,100	185,141	144,067	126,819	89,273
Fair value of plan assets	(30,996)	(27,750)	(30,203)	(28,177)	(25,456)
Deficit	216,104	157,391	113,864	98,642	63,817
Remeasurement loss / (gain) on obligation	30,864	10,858	586	2,354	(2,909)
Remeasurement (loss) / gain on plan assets	(778)	(6,002)	(906)	42	1,784

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

6.10 The expected charge to statement of profit or loss for the year ending on 31 December 2024 will be Rupees 46.713 million.

6.11 Sensitivity analysis for actuarial assumptions

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

	Defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
	Bps	Rupees in thousand	
Discount rate	100	232,903	263,139
Future salary increase	100	263,173	232,622

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.

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

6.13 The average duration of the benefit obligation is 6 years.

6.14 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
----- Rupees in thousand -----					
33,781	8,081	171,288	165,568	2,099,325	2,478,043

		2023 Amount	2022 Amount
Rupees in thousand			
7 DEFERRED LIABILITIES			
Deferred income tax	(Note 7.1)	67,093	-
Deferred income - Government grant	(Note 7.2)	-	-
		67,093	-

7.1 This represents deferred income tax liability on investment in associate (with significant influence). The gross movement in deferred income tax liability recognised in these consolidated financial statements during the year is opening balance of Rupees Nil, charged to consolidated statement of profit or loss of Rupees 67.093 million and closing balance of Rupees 67.093 million. Provision for deferred income tax on other temporary differences was not considered necessary as the Holding 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		-	3,476
Less: Amortized during the year	(Note 32)	-	(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 could 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 Holding Company obtained this loan. 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 was measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit was accounted for and presented as deferred grant in accordance with IAS 20. The grant was amortised in the consolidated statement of profit or loss, in line with the recognition of interest expense the grant is compensating.

		2023 Amount	2022 Amount
Rupees in thousand			
8 TRADE AND OTHER PAYABLES			
Trade creditors	(Note 8.1)	1,942,404	1,261,315
Accrued liabilities		563,904	539,137
Contract liabilities - unsecured	(Note 8.2)	142,885	88,014
Fair value of forward exchange contracts		443	9,425
Provident fund payable		31,281	25,699
Workers' profit participation fund	(Note 8.3)	33,558	17,181
Workers' welfare fund	(Note 8.4)	45,199	26,431
Income tax deducted at source		14,702	5,004
		2,774,376	1,972,206

Notes to the Consolidated Financial Statements

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8.1 These include Rupees 8.199 million (2022: Rupees Nil) and Rupees 6.912 million (2022: Rupees Nil) due to Service Industries Limited - Ultimate Holding Company and SIL GULF (FZE) - subsidiary company of the Ultimate Holding Company respectively. These are in ordinary course of business and interest free.

8.2 These include Rupees Nil (2022: Rupees 1.17 million) relating to Service Shoes Lanka (Private) Limited - subsidiary company of the Ultimate Holding Company.

	2023	2022
	Amount	Amount
	Rupees in thousand	
8.3 Workers' profit participation fund		
Balance at the beginning of the year	17,181	16,372
Add: Provision for the year (Note 31)	33,990	17,609
Add: Interest for the year (Note 33)	1,270	1,500
Less: Payments made during the year	(18,883)	(18,300)
Balance at the end of the year	33,558	17,181

8.3.1 The Holding 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 Holding Company till the date of allocation to workers.

8.4 Workers' welfare fund		
Balance at the beginning of the year	26,431	23,846
Add: Provision for the year (Note 31)	32,527	14,040
Less: Payments made during the year	(13,759)	(11,455)
Balance at the end of the year	45,199	26,431

9. ACCRUED MARK-UP		
Long term financing	22,195	8,492
Short term borrowings	146,916	167,695
	169,111	176,187

10. SHORT TERM BORROWINGS		
From banking companies - secured		
Short term running finances (Note 10.1 and Note 10.2)	1,539,341	1,626,304
Export refinances (Note 10.1 and Note 10.3)	3,485,726	3,712,595
Export finance scheme (Note 10.1 and Note 10.4)	2,708,589	149,415
Export loans (Note 10.1 and Note 10.5)	548,691	-
	8,282,347	5,488,314

10.1 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 Holding Company and ranking charge over present and future current assets of the Holding Company. These form part of total credit facilities of Rupees 10,800 million (2022: Rupees 9,250 million).

10.2 The rates of mark-up range from 16.65% to 23.91 % (2022: 10.63% to 17.63 %) per annum.

10.3 The rates of mark-up range from 9.25% to 19.00% (2022: 2.25% to 10%) per annum.

10.4 The effective rates of mark-up range from 2% to 3% (2022: 1% to 3%) per annum.

10.5 The rates of mark-up range from 6.5% to 6.75% (2022: Nil) per annum.

11 DIVIDEND PAYABLE

The board of directors of the Holding Company declared an interim cash dividend for the year ended 31 December 2023 of Rupees 3 per share (i.e. 30%) in their meeting held on 19 December 2023. This interim cash dividend has been credited electronically into the designated bank accounts of the shareholders of the Holding Company, subsequent to the reporting period, on 11 January 2024.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 On 03 December 2013, the Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. On 25 June 2019, the learned single judge of Honourable Lahore High Court has dismissed the writ petition of the Holding Company, therefore intra-court appeal has been filled. Consequently, the Holding Company has claimed input sales tax on packing material of Rupees 9.142 million (2022: Rupees 9.142 million) in its monthly sales tax returns. The management of the Holding Company, based on advice of the legal counsel, is confident of favourable outcome of its appeal.

12.1.2 On 10 September 2017, the Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. On 11 September 2017, the Honourable Lahore High Court, Lahore has passed order whereby tax department shall consider whether the Holding 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 Holding Company has claimed input sales tax of Rupees 30.157 million (2022: Rupees 11.168 million) on such goods in its respective monthly sales tax returns. The management of the Holding Company, 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 - Ultimate Holding Company and the Holding Company, the tax authorities through order dated 29 October 2021 alleged that the Holding 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 Holding Company filed appeal before Commissioner Inland Revenue (Appeals) - VI [CIR(A)] who upheld the order on 28 February 2022. The Holding Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) on 01 March 2022. ATIR on 20 June 2022 accepted the Holding Company's contentions and remanded the issue on account of verification of the Holding Company's claim that the sales tax liability (if any) on revenue reported by the Holding Company in its audited financial statements, had been discharged by Service Industries Limited - Ultimate Holding Company. On 14 November 2022, ACIR raised the original demand through appeal effect order, ignoring the findings and directions of ATIR. The Holding 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 Holding Company and Service Industries Limited - Ultimate 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 Holding Company.

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12.1.4 Assistant Commissioner Inland Revenue (ACIR) completed assessment proceedings and passed an order dated 22 June 2022, 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 Holding Company filed an appeal before ATIR which was heard on 13 December 2022 and was decided in favour of the Holding Company.

12.1.5 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 1,180.514 million (2022: Rupees 2,471.501 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. The Company is availing Export Facilitation Scheme (EFS) License issued by Collector of Custom, Lahore with a face value of Rupees 2,000 million for the duty and tax free imports of plant, machinery, equipment, component parts, raw material, packing material and accessories. The said limit was allowed by Collector of Customs, Lahore after securing a post dated cheque of Rupees 2,000 million from the Company.

12.1.6 The Holding Company's share in contingency of associate accounted for under equity method is Rupees 168.326 million (2022: Rupees 109.672 million).

12.2 Commitments

12.2.1 Contracts for capital expenditure are approximately of Rupees 35.851 million (2022: Rupees 30.710 million).

12.2.2 Letters of credit other than capital expenditure are of Rupees 504.628 million (2022: Rupees 363.578 million).

12.2.3 Outstanding foreign currency forward contracts are of Rupees 3,194.370 million (2022: Rupees 2,133.05 million).

12.2.4 The Holding Company has obtained vehicles under ijarah arrangements from 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:

	2023	2022
	Amount	Amount
	Rupees in thousand	
Not later than one year	10,926	10,508
Later than one year and not later than five years	5,977	16,162
	16,903	26,670

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 Holding Company. The amount of future payments under these leases and the period in which these payments will become due are as follows:

Not later than 1 year	2,020	4,310
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13. FIXED ASSETS

Operating fixed assets	(Note 13.1)	2,981,977	2,321,674
Capital work-in-progress	(Note 13.4)	100,285	272,904
		3,082,262	2,594,578

13.1 Reconciliation of carrying amount of operating fixed assets at the beginning and at the end of the year is as follows:

Description	Freehold land	Buildings on freehold land	Plant and machinery	Leasehold Improvements	Furniture, fixture and fittings	Vehicles	Service equipment	Total
-----Rupees in thousand-----								
At 31 December 2021								
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)
Net book value	383,031	556,451	875,815	-	13,494	8,982	234,395	2,072,168
Year ended 31 December 2022								
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
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)	-	(1,716)	(5,739)	(773)	(10,399)
Closing net book value	383,031	601,084	994,510	-	19,516	37,774	285,759	2,321,674
At 31 December 2022								
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)
Net book value	383,031	601,084	994,510	-	19,516	37,774	285,759	2,321,674
Year ended 31 December 2023								
Opening net book value	383,031	601,084	994,510	-	19,516	37,774	285,759	2,321,674
Additions	-	438,036	133,038	1,045	3,931	191,536	143,792	911,378
Disposals:								
Cost	-	-	(5,198)	-	-	(6,242)	(1,701)	(13,141)
Accumulated depreciation	-	-	4,913	-	-	1,311	1,506	7,730
Depreciation	-	-	(285)	-	(4,931)	(195)	(195)	(5,411)
Currency retranslation	-	(71,057)	(106,887)	(61)	(2,002)	(24,211)	(41,367)	(245,585)
Currency retranslation	-	-	(10)	(6)	-	(53)	(10)	(79)
Closing net book value	383,031	968,063	1,020,366	978	21,445	200,115	387,979	2,981,977
At 31 December 2023								
Cost	383,031	1,295,282	1,760,586	1,045	30,394	230,291	611,001	4,311,630
Currency retranslation	-	-	(11)	(6)	-	(60)	(11)	(88)
Accumulated depreciation	383,031	1,295,282	1,760,575	1,039	30,394	230,231	610,990	4,311,542
Currency retranslation	-	(327,219)	(740,210)	(61)	(8,949)	(30,123)	(223,012)	(1,329,574)
Currency retranslation	-	-	1	-	-	7	1	9
Net book value	383,031	968,063	1,020,366	978	21,445	200,115	387,979	2,981,977
Annual rate of depreciation (%)		5-10	10	33	10	20	10-30	

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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-----								
Vehicles								
Changan Oshan X7 - 2022	1	6,200	1,274	4,926	5,946	1,020	Negotiation	Mr. Hassan Ehsan -Director of the Company, Lahore
Aggregate of items of operating fixed assets with individual book values not exceeding Rupees 500,000								
	91	6,941	6,456	485	604	119		
		13,141	7,730	5,411	6,550	1,139		

13.1.2 During the previous year, fire outbreak at factory premises of the Holding Company at Muridke damaged certain items of operating fixed assets with an aggregate book value of Rupees 10.399 million. The Holding Company claimed such loss from its insurance providers in accordance with the relevant insurance policies as referred to in note 32.1.

2023 2022
(Rupees in thousand)

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

Cost of sales	(Note 28)	223,552	179,822
Distribution expenses	(Note 29)	163	-
Administrative expenses	(Note 30)	21,870	7,040
		245,585	186,862

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-----						
At 31 December 2021	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)
At 31 December 2022	259,429	9,528	-	2,469	1,478	272,904
Add: Additions during the year	214,239	162,991	4,025	155,784	6,659	543,698
Less: Transferred to operating fixed assets during the year	(438,036)	(131,194)	(3,852)	(141,757)	(1,478)	(716,317)
At 31 December 2023	35,632	41,325	173	16,496	6,659	100,285

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

	2023	2022
	Amount	Amount
	Rupees in thousand	
<hr/>		

14. LONG TERM SECURITY DEPOSITS

Security deposits against Ijarah	6,756	7,920
Security deposits - others	4,301	3,529
	11,057	11,449
Less: Current portion shown under current assets (Note 23)	(Note 23)	(877)
	11,057	10,572

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023 Amount	2022 Amount
Rupees in thousand			
15. LONG TERM LOANS TO EMPLOYEES			
Considered good:			
Executives	(Note 15.1, Note 15.2 and Note 15.3)	13,353	20,248
Other employees	(Note 15.3)	2,478	1,060
		15,831	21,308
Less: Current portion shown under current assets	(Note 21)		
Executives		(6,437)	(7,314)
Other employees		(1,027)	(360)
		(7,464)	(7,674)
		8,367	13,634

15.1 Reconciliation of carrying amount of loans to executives:

Balance as at the beginning of the year	20,248	12,996
Add: Disbursements	2,325	13,581
Less: Repayments	(9,220)	(6,329)
Balance as at the end of the year	13,353	20,248

15.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 17.743 million (2022: Rupees 22.126 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.

	2023 Amount	2022 Amount
Rupees in thousand		

16. LONG TERM INVESTMENT

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

Service Long March Tyres (Private) Limited

242,331,650 (2022: 242,331,650) fully paid ordinary shares of Rupees 10 each	(Note 16.1)	2,691,689	2,217,650
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	2023 Amount	2022 Amount
	Rupees in thousand	
16.1 Cost of investment	2,434,575	2,434,575

Share of post acquisition changes in investee's net assets:

As at the beginning of the year	(216,925)	7,149
Add: Share of post acquisition profit / (loss) - net of tax	474,039	(224,074)
	257,114	(216,925)
Balance at the end of the year	2,691,689	2,217,650

16.2 Summary of financial information of associate as per audited financial statements for the year:

Current assets	13,047,573	10,659,078
Non-current assets	20,821,253	19,572,718
Total assets	33,868,826	30,231,796
Current liabilities	11,077,467	9,078,646
Non-current liabilities	8,538,456	9,407,310
Share deposit money	18,697	18,448
Total liabilities	19,634,620	18,504,404
Net assets	14,234,206	11,727,392

16.3 Reconciliation to carrying amounts:

Balance at the beginning of the year	11,727,392	9,547,338
Transaction with owners in their capacity as owners	-	3,365,000
Profit / (loss) after income tax	2,506,814	(1,184,946)
Other comprehensive income	-	-
Balance at the end of the year	14,234,206	11,727,392

Percentage of holding	18.91%	18.91%
Company's share	2,691,689	2,217,650

16.4 Summarized statement of comprehensive income:

Revenue	26,768,189	8,307,127
Profit / (loss) for the year	2,506,814	(1,184,946)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	2,506,814	(1,184,946)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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.

	2023	2022
	Amount	Amount
	Rupees in thousand	
17. LONG TERM LOAN TO ULTIMATE HOLDING COMPANY		
Balance at the beginning of the year	2,250,000	2,500,000
Less: Loan repaid by the Ultimate Holding Company	(1,000,000)	(250,000)
	1,250,000	2,250,000
Less: Current portion shown under current assets (Note 21)	(500,000)	(500,000)
Balance at the end of the year	750,000	1,750,000

17.1 This represents unsecured loan to Service Industries Limited - Ultimate Holding Company. This carries mark-up at 6-months KIBOR plus 0.25 percent per annum or average borrowing cost of the Holding Company, whichever is higher. The maximum aggregate amount receivable from the Ultimate Holding Company at the end of any month during the year was Rupees 2,250 million (2022: Rupees 2,500 million). It is neither past due nor impaired. Effective rate of mark-up charged on this long term loan ranges from 17.29% to 23.22% (2022: 11.71% to 17.29%) per annum.

	2023	2022
	Amount	Amount
	Rupees in thousand	
18. STORES, SPARES AND LOOSE TOOLS		
Stores	45,718	34,487
Machinery spares	77,614	43,566
Loose tools	8,857	11,146
	132,189	89,199
Less: Provision for slow moving and obsolete items (Note 18.1)	(8,456)	(7,243)
	123,733	81,956

18.1 Provision for slow moving and obsolete items

Balance at the beginning of the year	7,243	3,918
Add: Provision for the year	1,213	3,325
Balance at the end of the year	8,456	7,243

19. STOCK-IN-TRADE

Raw materials (Note 19.1)	1,926,537	1,463,833
Packing materials	69,899	70,413
Work-in-process (Note 19.2)	877,342	802,489
Finished goods (Note 19.3 and Note 19.4)	1,704,823	1,072,894
	4,578,601	3,409,629
Less: Provision for slow moving and obsolete stocks (Note 19.7)	(24,465)	(49,270)
	4,554,136	3,360,359

- 19.1** These include stock-in-transit of Rupees 478.231 million (2022: Rupees 143.205 million).
- 19.2** This includes stock of Rupees 166.903 million (2022: Rupees 160.843 million) sent to outside parties for processing.
- 19.3** These include stock in transit of Rupees 404.498 million (2022: Rupees 249.932 million).
- 19.4** Finished goods of Rupees 17.455 million (2022: Rupees 41.088 million) are being carried at net realizable value.
- 19.5** The aggregate amount of Rupees 10.097 million (2022: Rupees 14.149 million) has been charged to cost of sales, being the cost of inventory written down during the year.
- 19.6** During the previous year, fire outbreak at factory premises of the Holding 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 Holding Company claimed such loss from its insurance providers in accordance with relevant insurance policies as referred to in note 32.1.

	2023	2022
	Amount	Amount
	Rupees in thousand	
19.7 Provision for slow moving and obsolete stocks		
Balance at the beginning of the year	49,270	45,190
Add: (Reversal of provision) / provision for the year	(24,805)	4,080
Balance at the end of the year	24,465	49,270
20. TRADE DEBTS		
Considered good:		
Secured:		
- Against irrevocable letters of credit	916,305	1,094,395
Unsecured:		
- Related parties (Note 20.3, 20.4 and 20.5)	11,471	91,081
- Others (Note 20.6)	788,890	662,854
	800,361	753,935
Less: Allowance for expected credit losses (Note 20.7)	(6,300)	(8,610)
	1,710,366	1,839,720

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023 Amount	2022 Amount
	Rupees in thousand	
20.1 Types of counter-parties		-
Export		
Corporate	1,675,463	1,756,617
Other	-	-
	1,675,463	1,756,617
Local		
Corporate	37,630	45,702
Other	3,573	46,011
	41,203	91,713
	1,716,666	1,848,330

20.2 Foreign jurisdictions of trade debts:

Europe	1,081,412	1,211,012
Asia, Africa and Australia	199,995	318,307
United States of America and Canada	394,056	227,298
	1,675,463	1,756,617

20.3 This represents amounts due from following related parties:

Service Industries Limited - Ultimate Holding Company	11,471	-
Service Shoes Lanka (Private) Limited - subsidiary company of the Ultimate Holding Company	-	85,123
Jomo Technologies (Private) Limited - associated company of the Holding Company	-	5,958

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 - Ultimate Holding Company	87,462	26,922
Service Shoes Lanka (Private) Limited - subsidiary company of the Ultimate Holding Company	81,924	194,314
Jomo Technologies (Private) Limited - associated company	8,994	65,230

20.5 As at the reporting date, trade debts due from related parties amounting to Rupees 1.490 million (2022: Rupees 61.303 million) were past due but not impaired. The ageing analysis of this trade debts is as follows:

Upto 1 month	1,490	26,175
1 to 6 months	-	30,793
More than 6 months	-	4,335
	1,490	61,303

20.6 As at the reporting date, trade debts due from other than related parties of Rupees 138.086 million (2022: Rupees 296.675 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:

	2023	2022
	Amount	Amount
	Rupees in thousand	
Upto 1 month	44,668	45,008
1 to 6 months	77,214	250,406
More than 6 months	16,204	1,261
	138,086	296,675

20.7 Allowance for expected credit losses

Balance at the beginning of the year	8,610	4,243
(Less) / Add: (Reversal of allowance) / allowance recognized during the year (Note 32 and Note 31)	(2,310)	4,367
Balance at the end of the year	6,300	8,610

21. LOANS AND ADVANCES

Considered good:

Short term loan to Ultimate Holding Company (Note 21.1)	-	7,618
Current portion of long term loan to Ultimate Holding Company (Note 17)	500,000	500,000
Advances against letters of credit	847,564	423,452
Advances to suppliers (Note 21.2)	117,779	288,910
Advances to staff	6,982	2,700
Current portion of long term loans to employees (Note 15)	7,464	7,674
	1,479,789	1,230,354

21.1 This represented unsecured loan to Service Industries Limited - Ultimate Holding Company for working capital requirement. This carried mark-up at 1 - month KIBOR plus 0.05 percent per annum or average borrowing cost of the Holding Company, whichever is higher. The maximum aggregate amount receivable from the Ultimate Holding Company at the end of any month during the year was Rupees 1,718.297 million (2022: Rupees 2,746.29 million). It is neither past due nor impaired. Effective rate of mark-up charged on this short term loan ranged from 17.57% to 22.66% per annum (2022: 10.40% to 16.63% per annum).

21.2 Advances to suppliers

Advances to suppliers	117,779	294,793
Less: Provision against doubtful advances to suppliers (Note 21.2.1)	-	(5,883)
	117,779	288,910

21.2.1 Provision against doubtful advances to suppliers

Balance at the beginning of the year	5,883	-
(Less) / Add: (Reversal of provision) / provision for doubtful advances to suppliers (Note 31 and Note 32)	(5,883)	5,883
Balance at the end of the year	-	5,883

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
		Rupees in thousand	
22. ACCRUED MARK-UP			
On short term loan to Ultimate Holding Company	(Note 22.1)	-	-
On long term loan to Ultimate Holding Company	(Note 22.2)	-	-
On saving account		5,357	-
		5,357	-
22.1	This represented accrued mark-up on short term loan given to Service Industries Limited - Ultimate Holding Company. The maximum aggregate outstanding amount at the end of any month during the year was Rupees 62.475 million (2022: Rupees 37.074 million).		
22.2	This represented accrued mark-up on long term loan given to Service Industries Limited - Ultimate Holding Company. The maximum aggregate outstanding amount at the end of any month during the year was Rupees 113.237 million (2022: Rupees 90.949 million).		
23. SHORT TERM DEPOSITS AND PREPAYMENTS			
Short term security deposits		3,832	4,650
Prepayments		5,179	7,461
Current portion of long term security deposits	(Note 14)	-	877
		9,011	12,988
24. OTHER RECEIVABLES			
Considered good:			
Custom duty rebate		620,068	292,239
Duty drawback		10,740	10,740
Sales tax refundable		818,478	484,527
Lab testing charges	(Note 24.1)	14,065	3,159
Claims receivable	(Note 24.2)	-	53,529
Insurance claim receivable	(Note 32.1)	444	14,407
Miscellaneous	(Note 24.3)	5,697	12,904
		1,469,492	871,505
24.1 Lab testing charges			
Lab testing charges		14,065	4,214
Less: Allowance for expected credit losses	(Note 24.1.1)	-	(1,055)
		14,065	3,159
24.1.1 Allowance for expected credit losses			
Balance at the beginning of the year		1,055	1,055
Less: Reversal of allowance recognized during the year	(Note 32)	(1,055)	-
Balance at the end of the year		-	1,055

		2023	2022
		Amount	Amount
		Rupees in thousand	
24.2 Claims receivable			
Claims receivable		13,621	53,529
Less: Allowance for expected credit losses	(Note 24.2.1)	(13,621)	-
		-	53,529
24.2.1 Allowance for expected credit losses			
Balance at the beginning of the year		-	-
Add: Allowance recognized during the year	(Note 31)	13,621	-
Balance at the end of the year		13,621	-
24.3 Miscellaneous			
Miscellaneous		13,346	12,904
Less: Allowance for expected credit losses	(Note 24.3.1)	(7,649)	-
		5,697	12,904
24.3.1 Allowance for expected credit losses			
Balance at the beginning of the year		-	-
Add: Allowance recognized during the year	(Note 31)	7,649	-
Balance at the end of the year		7,649	-
25. ADVANCE INCOME TAX - NET			
Advance income tax		721,692	630,715
Less: Provision for taxation		(588,127)	(410,365)
		133,565	220,350
26. CASH AND BANK BALANCES			
Cash in hand		2,282	1,107
With banks:			
Current accounts:			
Local currency	(Note 26.1)	491,593	128,026
Foreign currency	(Note 26.2)	297,669	32,487
		789,262	160,513
Saving accounts:			
Local currency	(Note 26.3 and Note 26.4)	2,159,685	-
		2,951,229	161,620

26.1 This includes CNY 67,783 (2022: CNY Nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

26.2 This represents EURO 831,930.31 (2022: EURO 134,550.85) and USD 143,156 (2022: USD Nil).

26.3 Rate of profit on bank deposits range from 0.80% to 21.5% (2022: 4.25% to 6.50%) per annum.

26.4 This includes CNY 165,935 (2022: CNY Nil).

	2023	2022
	Amount	Amount
	Rupees in thousand	
27. REVENUE - net		
Revenue from contracts with customers:		
Export sales	14,942,446	11,699,022
Local sales	281,788	257,491
	15,224,234	11,956,513
Less: Discounts, commissions etc.	(153,071)	(203,425)
	15,071,163	11,753,088

27.1 Local sales

Local sales	334,174	297,890
Less: Sales tax	(52,386)	(40,399)
	281,788	257,491

27.2 The amount of Rupees 88.014 million (2022: Rupees 56.775 million) included in contract liabilities (Note 8) at 31 December 2022 has been recognized as revenue in 2023.

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	2023	2022
	Rupees in thousand	
Region		
Europe	11,783,358	9,293,188
United States of America and Canada	2,170,311	1,356,869
Asia, Africa, Australia	835,706	845,540
Pakistan	281,788	257,491
	15,071,163	11,753,088
Timing of revenue recognition		
Products and services transferred at a point in time	15,071,163	11,753,088
Products and services transferred over time	-	-
	15,071,163	11,753,088
Major products / service lines		
Raw material	-	170,400
Footwear	15,071,163	11,582,688
	15,071,163	11,753,088

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
		Rupees in thousand	
28. COST OF SALES			
Raw materials consumed	(Note 28.1)	6,866,535	5,942,443
Processing charges		117,502	165,341
Salaries, wages and other benefits	(Note 28.2, Note 28.3 and Note 28.4)	3,009,372	2,386,761
Packing materials consumed		878,626	700,049
Stores and spares consumed		504,872	332,658
Fuel and power		343,451	198,061
Repair and maintenance		41,264	42,683
Insurance		20,330	9,598
Travelling		32,522	24,135
Entertainment		6,715	4,166
Rent, rates and taxes	(Note 28.5)	1,498	2,951
Provision for slow moving and obsolete inventory		(23,592)	7,405
Depreciation	(Note 13.2)	223,552	179,822
Other manufacturing charges		73,143	44,008
		12,095,790	10,040,081
Work-in-process:			
Opening stock		802,489	489,315
Closing stock		(877,342)	(802,489)
		(74,853)	(313,174)
Cost of goods manufactured		12,020,937	9,726,907
Finished goods:			
Opening stock		1,072,894	854,374
Finished goods purchased		335,681	59,050
Closing stock		(1,704,823)	(1,072,894)
		(296,248)	(159,470)
		11,724,689	9,567,437

28.1 Raw materials consumed

Opening stock		1,463,833	745,827
Add: Purchases during the year	(Note 28.6)	7,329,239	6,660,449
Less: Closing stock		(1,926,537)	(1,463,833)
		6,866,535	5,942,443

28.2 Salaries, wages and other benefits include contributions of Rupees 101.659 million (2022: Rupees 85.195 million) and Rupees 28.985 million (2022: Rupees 19.096 million) in respect of provident fund and gratuity fund respectively.

- 28.3** Salaries, wages and other benefits include compensated absences expense of Rupees 26.176 million (2022: Rupees 19.426 million).
- 28.4** Salaries, wages and other benefits include share options expense of Rupees 0.552 million (2022: Rupees 16.619 million).
- 28.5** These include rent expense of Rupees 0.428 million (2022: Rupees 2.445 million) related to short term leases.
- 28.6** Custom duty rebate for the year amounting to Rupees 507.770 million (2022: Rupees 368.933 million) has been adjusted against raw materials consumed.

		2023	2022
		Amount	Amount
		Rupees in thousand	
29. DISTRIBUTION COST			
Salaries and other benefits	(Note 29.1 and Note 29.2)	118,383	80,735
Freight and insurance		377,283	396,968
Samples, claims and product development		525,938	317,859
Postage and courier		117,136	82,908
Fuel and power		12,377	7,864
Travelling and conveyance		60,406	23,300
Entertainment		13,146	9,273
Rent, rates and taxes	(Note 29.3)	5,831	1,877
Depreciation	(Note 13.2)	163	-
		1,230,663	920,784

- 29.1** Salaries and other benefits include contributions of Rupees 3.734 million (2022: Rupees 2.892 million) and Rupees 0.185 million (2022: Rupees 0.103 million) in respect of provident fund and gratuity fund respectively.
- 29.2** Salaries, wages and other benefits include share options expense of Rupees 0.127 million (2022: Rupees 1.948 million).
- 29.3** These include rent expense of Rupees 4.154 million (2022: Rupees 1.324 million) related to short term leases.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
		Rupees in thousand	
30. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	(Note 30.1, Note 30.2 and Note 30.3)	454,740	335,497
Communication		2,539	3,693
Printing and stationery		8,610	7,266
Travelling and conveyance		12,912	13,880
Entertainment		15,835	11,897
Vehicles' running		25,438	21,515
Insurance		5,189	2,093
Rent, rates and taxes		10,952	7,632
Fuel and power		20,730	16,131
Repairs and maintenance		11,719	12,011
Auditor's remuneration	(Note 30.4)	3,629	2,963
Legal and professional		33,120	33,820
Subscription		112	138
Depreciation	(Note 13.2)	21,870	7,040
Ijarah rentals		11,876	13,192
Computer running		11,580	11,605
Advertisement		161	-
General		30,448	22,969
		681,460	523,342

30.1 Salaries and other benefits include contributions of Rupees 13.605 million (2022: Rupees 10.063 million) and Rupees 3.749 million (2022: Rupees 2.828 million) in respect of provident fund and gratuity fund respectively.

30.2 Salaries and other benefits include share options expense of Rupees 0.216 million (2022: Rupees 6.464 million).

30.3 Salaries and other benefits include compensated absences expense of Rupees 2.415 million (2022: Rupees 1.753 million).

		2023	2022
		Amount	Amount
		Rupees in thousand	
30.4 Auditor's remuneration			
Statutory audit fee		1,670	1,518
Statutory audit fee of consolidated financial statements		354	-
Half yearly review		605	550
Certification charges		550	500
Reimbursable expenses		450	395
		3,629	2,963

		2023	2022
		Amount	Amount
Rupees in thousand			
31. OTHER EXPENSES			
Donations	(Note 31.1)	-	4,226
Allowance for expected credit losses - trade debts	(Note 20.7)	-	4,367
Provision against doubtful advances to suppliers	(Note 21.2.1)	-	5,883
Allowance for expected credit losses - claims receivable	(Note 24.2.1)	13,621	-
Allowance for expected credit losses - miscellaneous other receivables	(Note 24.3.1)	7,649	-
Workers' profit participation fund	(Note 8.3)	33,990	17,609
Workers' welfare fund	(Note 8.4)	32,527	14,040
		87,787	46,125

31.1 These represented donations given to Servis Foundation - related party. Mr. Chaudhry Ahmed Javed, Director of the Holding Company, Mr. Arif Saeed, Chairman of the Holding Company, Mr. Omar Saeed, Director of the Holding Company and Mr. Hassan Javed, Chief Executive of the Holding Company are directors of Servis Foundation.

		2023	2022
		Amount	Amount
Rupees in thousand			
32. OTHER INCOME			
Income from financial assets			
Interest on loans to Ultimate Holding Company		532,170	544,882
Interest on term deposit receipts and saving accounts		16,398	25,382
Exchange gain - net		182,352	88,284
Income From Non-Financial Assets			
Gain on disposal of operating fixed assets - net	(Note 13.1.1)	1,139	581
Insurance claim against business interruption loss	(Note 32.1)	-	4,908
Amortization of deferred income - Government grant	(Note 7.2)	-	3,476
Scrap sales		30,822	16,291
Reversal of allowance for expected credit losses - trade debts	(Note 20.7)	2,310	-
Reversal of provision for doubtful advances to suppliers	(Note 21.2.1)	5,883	-
Reversal of allowance for expected credit losses - Lab testing charges	(Note 24.1.1)	1,055	-
		772,129	683,804

32.1 As referred to in notes 13.1.2, 13.5, and 19.6, during the previous year fire outbreak at factory premises of the Holding Company at Muridke damaged certain items of operating fixed assets, capital work-in-progress and stock-in-trade. The Holding Company filed the insurance claim in respect of these assets. The insurer appointed a surveyor who completed his survey during the previous 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 Holding Company has received proceeds of Rupees 509.556 million from the insurer as of 31 December 2023. Subsequent to the reporting period, remaining amount has been received.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

		2023 Amount	2022 Amount Rupees in thousand
33. FINANCE COST			
Mark-up on:			
- Short term borrowings		893,977	403,785
- Long term financing		37,689	21,082
Interest on workers' profit participation fund	(Note 8.3)	1,270	1,500
Bank charges and commission		76,262	40,813
		1,009,198	467,180

34. TAXATION			
Current	(Note 34.1)	285,892	325,682
Prior period adjustment		59,215	22,970
Deferred tax		67,093	(2,761)
		412,200	345,891

34.1 The Holding 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. Provision for current tax of Dongguan Service Global Limited - Subsidiary Company is computed in accordance with the tax legislation in force in China.

34.2 Provision for deferred income tax is not required as the Holding 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.

	2023	2022
	Amount	Amount
	Rupees in thousand	
35 EARNINGS PER SHARE - BASIC AND DILUTED		
35.1 Basic earnings per share		
Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)	1,171,334	342,059
Weighted average number of ordinary shares of the Holding Company (Numbers) (Note 35.3)	205,464,979	204,734,897
Basic earnings per share (Rupees)	5.75	1.67

35.2 Diluted earnings per share

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

	2023	2022
Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)	1,171,334	342,059
Weighted average number of ordinary shares (Numbers) (Note 35.3)	205,464,979	204,734,897
Adjustment for share options (Numbers)	75,348	645,178
Weighted average number of ordinary shares of the Holding Company for diluted earnings per share (Numbers)	205,540,327	205,380,075
Diluted earnings per share (Rupees)	5.70	1.67

35.2.1 Share options issued by the Holding 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.

	2023	2022
35.3 Weighted average number of ordinary shares outstanding during the year :		
Issued ordinary shares of the Holding Company at the beginning of the year	205,087,500	204,437,500
Effect of ordinary shares of the Holding Company issued under Employees Stock Option Scheme	377,479	297,397
Weighted average number of ordinary shares of the Holding Company at the end of the year	205,464,979	204,734,897

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2023

		2023	2022
		Amount	Amount
		Rupees in thousand	
36. CASH GENERATED FROM / (USED IN) OPERATIONS			
Profit before taxation		1,583,534	687,950
Adjustments for non-cash charges and other items:			
Depreciation	(Note 13.2)	245,585	186,862
Provision for gratuity	(Note 6.6.1)	32,919	22,027
Provision for workers' profit participation fund	(Note 8.3)	33,990	17,609
Provision for workers' welfare fund	(Note 8.4)	32,527	14,040
Amortization of deferred income - Government grant	(Note 7.2)	-	(3,476)
(Reversal of provision) / provision for slow moving and obsolete inventory	(Note 28)	(23,592)	7,405
(Reversal of allowance) / allowance for expected credit losses - trade debts	(Note 20.7)	(2,310)	4,367
Reversal of allowance for expected credit losses - lab testing charges	(Note 24.1.1)	(1,055)	-
Allowance for expected credit losses - claims receivable	(Note 24.2.1)	13,621	-
Allowance for expected credit losses - miscellaneous other receivables	(Note 24.3.1)	7,649	-
(Reversal of provision) / provision against doubtful advances to suppliers	(Note 21.2.1)	(5,883)	5,883
Finance cost	(Note 33)	1,009,198	467,180
Gain on disposal of operating fixed assets - net	(Note 32)	(1,139)	(581)
Insurance claim against business interruption loss	(Note 32)	-	(4,908)
Interest on loans to Ultimate Holding Company	(Note 32)	(532,170)	(544,882)
Interest on term deposit receipts and saving accounts	(Note 32)	(16,398)	(25,382)
Exchange gain - net	(Note 32)	(182,352)	(88,284)
Share of profit / (loss) of equity accounted investee - net of taxation	(Note 16.1)	(474,039)	224,074
Employees' share option expense	(Note 4.2.2)	895	25,031
Working capital changes	(Note 36.1)	(1,012,184)	(2,924,815)
		708,796	(1,929,900)

36.1 Working capital changes

(Increase) / decrease in current assets:			
Stores, spares and loose tools		(42,990)	(42,220)
Stock-in-trade		(1,168,972)	(1,758,335)
Trade debts		314,016	(938,089)
Loans and advances		(251,380)	(437,826)
Prepayments		2,282	(6,676)
Other receivables		(632,165)	(350,677)
		(1,779,209)	(3,533,823)
Increase in trade and other payables		767,025	609,008
		(1,012,184)	(2,924,815)

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

Year ended 31 December 2023				
Liabilities from financing activities				
Long term financing	Short term borrowings	Unclaimed dividend	Dividend payable	
------(Rupees in thousand)-----				
Balance at the beginning of the year	401,814	5,488,314	4,850	-
Add: Borrowings obtained	-	32,169,613	-	-
Less: Repayment of financing / borrowings	(39,450)	(29,375,580)	-	-
Add: Dividends declared	-	-	205,088	617,753
Less: Dividends paid	-	-	(204,994)	-
Balance at the end of the year	362,364	8,282,347	4,944	617,753

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)		-
Add: Dividends declared	-	-	921,594	
Less: 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

2023 2022
Amount Amount
Rupees in thousand

36.3 Non-cash financing activities

Other changes - non-cash movement	-	3,477
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Notes to the Cosolidated Financial Statements

For the year ended December 31, 2023

37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	------(Rupees in thousand)-----					
Managerial remuneration	46,431	40,375	26,629	21,791	150,165	89,003
Bonus	48,000	20,833	13,236	5,673	55,906	36,020
Allowances:						
House rent	4,643	4,038	7,135	5,516	42,200	32,834
Conveyance	4,643	4,038	489	480	17,287	7,293
Medical	-	-	3,867	3,269	21,598	12,476
Special allowance	-	-	4,304	4,034	1,886	4,233
Retirement and other benefits	3,482	3,028	4,285	8,960	41,619	4,122
Total	107,199	72,312	59,945	49,723	330,661	185,981
Number of persons	1	1	2	2	61	39
Employee share options granted (No. of options)	-	-	100,000	250,000	605,000	598,000
Issuance of ordinary shares (No. of shares)	-	-	250,000	450,000	580,000	200,000

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

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

37.3 Aggregate amount charged in these consolidated financial statements for meeting fee to three (2022: three) directors was Rupees 2.160 million (2022: Rupees 1.840 million).

37.4 During the year ended 31 December 2023, Mr. Hassan Ehsan Cheema, Executive Director of the Holding Company, Mr. Qadeer Ahmed Vaseer, Executive Director of the Holding Company, Mr. Amer Ahmad Javed, Key management personnel of the Holding Company, Mr. Syed Arshad Hussain Shah, Key management personnel of the Holding Company, Mr. Usman Liaqat, Key management personnel of the Holding Company and Mr. Muhammad Ashfaq, Key management personnel of the Holding Company were granted 50,000 (2022: 150,000), 50,000 (2022: 100,000), 40,000 (2022: 35,000), 40,000 (2022: 35,000), 40,000 (2022: 101,500) and 40,000 (2022: 100,000) employee share options respectively. 150,000 (2022: 250,000), 100,000 (2022: 200,000), 35,000 (2022: Nil), 35,000 (2022: Nil), 101,500 (2022: Nil) and 100,000 (2022: 200,000) number of ordinary shares were issued during the year ended 31 December 2023 to Mr. Hassan Ehsan Cheema, Executive Director of the Holding Company, Mr. Qadeer Ahmed Vaseer, Executive Director of the Holding Company, Mr. Amer Ahmad Javed, Key management personnel of the Holding Company, Mr. Syed Arshad Hussain Shah, Key management personnel of the Holding Company, Mr. Usman Liaqat, Key management personnel of the Holding Company and Mr. Muhammad Ashfaq, Key management personnel of the Holding Company respectively.

38. TRANSACTIONS WITH RELATED PARTIES

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

		2023	2022
		Amount	Amount
		(Rupees in thousand)	
Nature of relationship	Nature of transactions		
Ultimate Holding Company			
Service Industries Limited	Sale of goods	305,772	68,244
	Expenses charged	280,647	235,853
	Purchase of goods	390,094	140,844
	Processing charges	109,186	118,947
	Loans given	11,589,162	9,886,995
	Loans repaid	12,596,780	11,156,097
	Interest income	532,170	544,882
	Dividend paid	163,550	735,975
Sub-subsidiary of the Ultimate Holding Company			
Service Shoes Lanka (Private) Limited	Sale of goods	-	170,401
	Purchase of goods	-	39,011
	Sale of operating fixed assets	-	6,189
Subsidiary of the Ultimate Holding Company			
SIL GULF (FZE)	Purchase of machinery	43,904	-
	Purchase of goods	73,391	-
Associated company of the Holding Company			
Jomo Technologies (Private) Limited	Sale of goods	3,035	11,985
	Purchase of goods	15,134	668
Service Long March Tyres (Private) Limited	Investment made	-	636,322
	Sale of goods	9,346	-
Service Foundation	Donation made	-	4,226
Key management personnel	Dividends paid	2,888	10,794
Post employment benefit plans	Company's contribution to gratuity fund trust	32,919	22,027
	Company's contribution to provident fund trust	118,998	98,150

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

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

Name of the related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage of shareholding
		2023	2022	
Service Industries Limited	Ultimate 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 the Ultimate 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	No	Yes	18.91%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (Subsidiary Company of Service Industries Limited - Ultimate Holding Company)	No	Yes	Nil
Servis Foundation	Common directorship	No	Yes	Nil
Shalamar Hospital	Directors of the Holding Company are Trustees	No	No	Nil
Kidney Centre Gujrat	Directors of the Holding Company are members of Board of Governors	No	No	Nil
Shahid Arif Investment (Private) Limited	Common directorship	No	No	Nil
SIL GULF FZE	Subsidiary of Ultimate Holding Company	Yes	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 Holding Company are Trustees	No	No	Nil
Service Tyres (Private) Limited	Common directorship	No	No	Nil
Service Tyres (Private) Limited	Common directorship	No	No	Nil
Mr. Hassan Javed	Chief Executive	Yes	Yes	Nil
Mr. Arif Saeed	Director	Yes	Yes	Nil
Chaudhry Ahmed Javed	Director	Yes	Yes	Nil
Mr. Omar Saeed	Director	Yes	Yes	Nil
Mr. Azmat Ali Ranjha	Director	Yes	Yes	Nil
Mr. Abdul Rashid Lone	Director	Yes	Yes	Nil
Mr. Qadeer Ahmed Vaseer	Director	Yes	Yes	Nil
Mr. Hassan Ehsan Cheema	Director	Yes	Yes	Nil
Ms. Maleeha Humayun Bangash	Director	Yes	Yes	Nil

38.3 Particulars of companies incorporated outside Pakistan with whom the Group had entered into transactions or had agreements and / or arrangements in place is as follows:

Name	Country of incorporation	Basis of association	Percentage of shareholding
Service Shoes Lanka (Private) Limited	Sri Lanka	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company of Service Industries Limited - Ultimate Holding Company)	Nil
SIL GULF (FZE)	United Arab Emirates	Subsidiary of Service Industries Limited - Ultimate Holding Company	Nil
Dongguan Service Global Limited	China	Subsidiary Company of the Holding Company	100%

38.4 As on 31 December 2023, disclosure relating to subsidiary company, subsidiary of Service Industries Capital (Private) Limited - associated company and subsidiary of Service Industries Limited - Ultimate 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	2023
Investment in			
Local currency	PKR 62,770,000	PKR 7,215,000	PKR 89,166,721
Foreign currency	USD 600,000	AED 150,000	EURO 287,645
Terms and conditions of investment	Investment in shares of subsidiary company	Investment in shares of subsidiary company	Investment in shares of subsidiary company
Amount of returns received	None	None	None
Litigation against investee company	None	None	None
Default / breach related to foreign company	None	None	None
Gain / (loss) on disposal of investment	Not applicable	Not applicable	Not applicable

39. PLANT CAPACITY

	Installed capacity		Actual production	
	(Pairs in thousand)		(Pairs in thousand)	
	2023	2022	2023	2022
Strobel construction	1,662	1,600	1,467	1,526
lasted construction	2,338	2,250	2,062	2,145
	4,000	3,850	3,529	3,671

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

39.1 The deviation in actual production from installed capacity is due to rapidly growing trends as the Holding 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 Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

(a) Market risk

(i) Currency risk

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

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

	2023 Amount	2022 Amount
Cash at banks - EURO	831,930	134,551
Cash at banks - USD	143,156	-
Cash at banks - CNY	233,718	-
Trade debts - USD	2,252,146	2,892,102
Trade debts - EURO	3,192,348	4,478,120
Trade debts - GBP	124,857	75,526
Other receivables - USD	33,566	207,918
Other receivables - EURO	-	60,256
Trade and other payables - USD	(1,401,560)	(2,096,919)
Trade and other payables - EURO	(281,673)	(702,812)
Trade and other payables - CNY	-	(65,725)
Trade and other payables - GBP	(1,526)	-
Short term borrowings - USD	(1,925,000)	-
Net exposure - USD	(897,692)	1,003,101
Net exposure - EURO	3,742,605	3,970,115
Net exposure - GBP	123,331	75,526
Net exposure - CNY	233,718	(65,725)

The following significant exchange rates were applied during the year :

Rupees per US Dollar

Average rate	283.35	204.92
Reporting date rate	281.86	226.40

Rupees per EURO

Average rate	307.13	213.99
Reporting date rate	311.50	241.45

Rupees per GBP

Average rate	353.63	250.83
Reporting date rate	358.60	273.02

Rupees per CNY

Average rate	39.99	30.22
Reporting date rate	39.63	32.53

Notes to the Consolidated Financial Statements

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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, profit after taxation for the year would have been higher / lower by Rupees 32.316 million (2022: Rupees 55.133 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.

(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 Group 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 Group's significant interest-bearing financial assets are loans to Service Industries Limited - Ultimate Holding Company and the Group's interest rate risk arises mainly from long term financing, short term borrowings, loans to the Ultimate Holding Company and bank balances - saving accounts. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Group to fair value interest rate risk.

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

	2023	2022
	Amount	Amount
	(Rupees in thousand)	
Fixed rate instruments		
Financial asset	-	-
Financial liabilities		
Long term financing	202,078	240,151
Short term borrowings	6,743,006	3,862,010
Floating rate financial instruments		
Financial asset		
Bank balances - saving accounts	2,159,685	-
Loans to Ultimate Holding Company	1,250,000	2,257,618
Financial liabilities		
Long term financing	160,286	161,663
Short term borrowings	1,539,341	1,626,304

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 21.836 million (2022: Rupees 1.721 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:

	2023	2022
	Amount	Amount
	(Rupees in thousand)	
Security deposits	14,889	16,099
Trade debts	1,710,366	1,839,720
Loans and advances	1,265,831	2,278,926
Accrued mark-up	5,357	-
Other receivables	20,206	83,999
Bank balances	2,948,947	160,513
	5,965,596	4,379,257

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2023

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			2023	2022
	Short term	Long term	Agency	Amount	Amount
Banks				(Rupees in thousand)	
Meezan Bank Limited	A1+	AAA	VIS	2,142	10,975
United Bank Limited	A1+	AAA	VIS	92	72
MCB Bank Limited	A1+	AAA	PACRA	21,856	4,430
Habib Bank Limited	A1+	AAA	VIS	17,083	1,228
MCB Islamic Bank Limited	A1	A	PACRA	3,309	21,659
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	17,824	362
Askari Bank Limited	A1+	AA+	PACRA	21,770	12,440
Soneri Bank Limited	A1+	AA-	PACRA	2,592,081	81,594
Faysal Bank Limited	A1+	AA	PACRA	3,097	316
Bank AL Habib Limited	A1+	AAA	PACRA	21,527	562
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	713	157
Samba Bank Limited	A1	AA	VIS	-	22
Dubai Islamic Bank Pakistan Limited	A1+	AA	VIS	73,247	19
BankIslami Pakistan Limited	AA-	A1	PACRA	91,555	26,591
The Bank of Punjab	A1+	AA+	PACRA	34,728	86
Industrial and Commercial Bank of China Limited	P1	A1	Moody's	6,587	-
China Merchants Bank Limited	P1	A2	Moody's	41,336	-
				2,948,947	160,513

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

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

Trade debts

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product, Unemployment, Interest and the inflation Index to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows:

At 31 December 2023

	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%	36,435	-	0%	712,636	-
Up to 30 days	9.88%	-	-	1.66%	34,487	574
31 to 60 days	22.75%	1	-	6.53%	11,360	742
61 to 90 days	29.21%	-	-	10.90%	-	-
91 to 180 days	43.43%	4	1	22.13%	-	-
181 to 360 days	50.57%	-	-	32.58%	675	220
Above 360 days	100.00%	4,763	4,763	100.00%	-	-
		41,203	4,764		759,158	1,536
Trade debts which are not subject to risk of default		-	-		916,305	-
Gross Trade debts		41,203	4,764		1,675,463	1,536

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	-	0.00%	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	-
Gross Trade debts		91,713	3,913		1,756,617	4,697

(c) Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 31 December 2023, the Group had Rupees 2,604.268 million (2022: Rupees 3,761.686 million)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

available borrowing limits from financial institutions and Rupees 2,951.229 million (2022: Rupees 161.620 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 2023:

Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
-----------------	------------------------	------------------	-------------	-----------	-------------------

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

Non-derivative financial liabilities:

Long term financing	362,364	505,720	25,644	40,356	94,749	344,971
Short term borrowings	8,282,347	8,428,134	8,428,134	-	-	-
Trade and other payables	2,506,308	2,506,308	2,506,308	-	-	-
Accrued mark-up	169,111	169,111	169,111	-	-	-
Dividend payable	617,753	617,753	617,753	-	-	-
Unclaimed dividend	4,944	4,944	4,944	-	-	-
Derivative financial liabilities	443	443	443	-	-	-
	11,943,270	12,232,413	11,752,337	40,356	94,749	344,971

Contractual maturities of financial liabilities as at 31 December 2022:

Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
-----------------	------------------------	------------------	-------------	-----------	-------------------

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

Non-derivative financial liabilities:

Long term financing	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	-	-	-
Derivative financial liabilities	9,425	9,425	9,425	-	-	-
	7,881,042	8,148,543	7,078,193	614,619	80,939	374,792

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 consolidated financial statements.

2023	2022
At amortized cost	
(Rupees in thousand)	

40.2 Financial instruments by categories

Assets as per consolidated statement of financial position

Security deposits	14,889	16,099
Trade debts	1,710,366	1,839,720
Loans and advances	1,265,831	2,278,926
Accrued mark-up	5,357	-
Other receivables	20,206	83,999
Cash and bank balances	2,951,229	161,620
	5,967,878	4,380,364

2023		2022	
At amortized cost	FVTPL	At amortized cost	FVTPL
(Rupees in thousand)			

Liabilities as per consolidated statement of financial position

Long term financing	362,364	-	401,814	-
Accrued mark-up	169,111	-	176,187	-
Short term borrowings	8,282,347	-	5,488,314	-
Trade and other payables	2,506,308	443	1,800,452	9,425
Dividend payable	617,753	-	-	-
Unclaimed dividend	4,944	-	4,850	-
	11,942,827	443	7,871,617	9,425

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

2023		
Financial assets	Non-financial assets	Assets as per consolidated statement of financial position

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

Assets

Long term security deposits	11,057	-	11,057
Trade debts	1,710,366	-	1,710,366
Loans and advances	1,265,831	972,325	2,238,156
Accrued markup	5,357	-	5,357
Short term deposits and prepayments	3,832	5,179	9,011
Other receivables	20,206	1,449,286	1,469,492
Cash and bank balances	2,951,229	-	2,951,229
	5,967,878	2,426,790	8,394,668

2023		
Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position

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

Liabilities

Long term financing	362,364	-	362,364
Accrued mark-up	169,111	-	169,111
Short term borrowings	8,282,347	-	8,282,347
Trade and other payables	2,506,751	267,625	2,774,376
Dividend payable	617,753	-	617,753
Unclaimed dividend	4,944	-	4,944
	11,943,270	267,625	12,210,895

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

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

Assets

Long term security deposits	11,449	-	11,449
Trade debts	1,839,720	-	1,839,720
Loans and advances	2,278,926	715,062	2,993,988
Short term deposits and prepayments	4,650	7,461	12,111
Other receivables	83,999	787,506	871,505
Cash and bank balances	161,620	-	161,620
	4,380,364	1,510,029	5,890,393

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	-	-
	7,881,042	162,329	8,038,521

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

	2023 Amount	2022 Amount
	(Rupees in thousand)	
Borrowings	8,644,711	5,890,128
Total equity	6,485,961	6,164,524
Total capital employed	15,130,672	12,054,652
Gearing ratio	57.13%	48.86%

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

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

Recurring fair value measurements At 31 December 2023	Level 1	Level 2	Level 3	Total
	------(Rupees in thousand)-----			

Financial liabilities

Derivative financial liabilities	-	443	-	443
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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
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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 Group'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 Group is the current bid price. These instruments are included in level 1.

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

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

(ii) **Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments..

42. PROVIDENT FUND RELATED DISCLOSURES

Employees provident fund of Service Industries Limited - Ultimate Holding Company namely Service Provident Fund Trust is also managing provident fund benefits of the employees of the Holding 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 the Securities and Exchange Commission of Pakistan.

43. OPERATING SEGMENTS

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

1.93% (2022: 2.19%) of the sales of the Group relates to customers in Pakistan. Of the remaining sales of the Group relating to customers outside Pakistan, 40.19% (2022: 46.19%) of those sales are made to customers in Germany.

All non-current assets of the Group as at 31 December 2023 were located in Pakistan and China.

13.32% (2022: 17.87%) of the local sales of the Company are made to a single customer in Pakistan.

44. NUMBER OF EMPLOYEES

	2023	2022
Number of employees	5,898	5,886
Average number of employees during the year	5,523	5,522

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

45. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2023	2022	2023	2022
	(Rupees in thousand)		(Rupees in thousand)	
Total facilities	8,483,000	2,635,000	10,886,615	9,250,000
Utilized at the end of the year	(912,030)	(228,352)	(8,282,347)	(5,488,314)
Unutilized at the end of the year	7,570,970	2,406,648	2,604,268	3,761,686

46. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company has proposed final cash dividend for the year ended 31 December 2023 of Rupees 2 per share (i.e 20%) at their meeting held on 21 February 2024. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these consolidated financial statements.

47. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 21 February 2024 by the Board of Directors of the Holding Company.

48. CORRESPONDING FIGURES

During the year, the Holding Company made investment in Dongguan Service Global Limited - wholly owned subsidiary company. Corresponding figures reported in these consolidated financial statements relate to the Holding Company, therefore, are not comparable.

49. 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, 2023

Number of Shareholders	Shareholding		Total Shares held
	From	To	
216	1	100	4,080
895	101	500	432,290
638	501	1,000	610,581
567	1,001	5,000	1,486,160
115	5,001	10,000	933,141
60	10,001	15,000	752,821
46	15,001	20,000	836,554
38	20,001	25,000	874,179
16	25,001	30,000	460,756
9	30,001	35,000	297,788
9	35,001	40,000	342,792
11	40,001	45,000	473,266
16	45,001	50,000	777,404
3	50,001	55,000	158,005
5	55,001	60,000	288,736
2	60,001	65,000	128,874
2	65,001	70,000	136,500
3	70,001	75,000	222,461
1	75,001	80,000	77,454
3	85,001	90,000	264,026
1	90,001	95,000	95,000
10	95,001	100,000	999,303
4	100,001	105,000	416,267
2	105,001	110,000	216,000
2	110,001	115,000	226,500
5	115,001	120,000	596,000
4	125,001	130,000	514,180
2	145,001	150,000	300,000
1	175,001	180,000	177,500
2	180,001	185,000	365,603
1	185,001	190,000	189,772
1	190,001	195,000	191,500
3	195,001	200,000	600,000
3	210,001	215,000	642,500

Pattern of Shareholding

As at December 31, 2023

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	235,001	240,000	237,500
2	245,001	250,000	493,818
1	265,001	270,000	265,304
1	280,001	285,000	283,000
2	295,001	300,000	600,000
1	360,001	365,000	366,500
1	370,001	375,000	371,325
1	395,001	400,000	400,000
1	430,001	435,000	435,000
1	445,001	450,000	448,000
1	450,001	455,000	451,000
1	475,001	480,000	479,165
1	495,001	500,000	500,000
1	505,001	510,000	509,000
1	510,001	515,000	512,337
1	515,001	520,000	518,000
1	565,001	570,000	569,317
1	570,001	575,000	574,325
1	595,001	600,000	600,000
1	600,001	605,000	604,500
1	615,001	620,000	616,544
1	620,001	625,000	621,793
1	645,001	650,000	648,000
1	710,001	715,000	710,500
1	780,001	785,000	782,000
1	810,001	815,000	812,000
1	820,001	825,000	822,514
1	1,165,001	1,170,000	1,168,000
1	1,230,001	1,235,000	1,231,598
1	1,455,001	1,460,000	1,455,500
1	3,855,001	3,860,000	3,855,124
1	5,335,001	5,340,000	5,337,852
1	163,545,001	163,550,000	163,549,991
2,731			205,917,500

Pattern of Shareholding

As at December 31, 2023

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	13	2,937,509	1.4265
Associated Companies, Parent Company, undertakings and related Parties	1	163,549,991	79.4250
NIT and ICP	4	1,522,951	0.7396
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	2,399,598	1.1653
Modarabas and Mutual Funds	15	7,635,761	3.7082
General Public			
a. Local	2,640	19,580,923	9.5091
b. Foreign	5	5,370,852	2.6083
Others (to be specified)			
1- Joint Stock Companies	39	2,291,824	1.1130
2- Investment Companies	3	458,567	0.2227
3- Pension Funds	1	20,500	0.0100
4- Others	8	149,024	0.0724
	2,731	205,917,500	100.0000
Shareholders holding 10% or more	1	163,549,991	79.4250

Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shares held	Percentage
Associated Companies, undertakings and related parties		
SERVICE INDUSTRIES LIMITED (CDC)	163,549,991	79.4250
Mutual Funds		
CDC - TRUSTEE ABL STOCK FUND (CDC)	435,000	0.2112
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	14,307	0.0069
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	246,318	0.1196
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC)	3,855,124	1.8722
CDC - TRUSTEE APIF - EQUITY SUB FUND (CDC)	90,000	0.0437
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND (CDC)	822,514	0.3994
CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	512,337	0.2488
CDC - TRUSTEE AWT ISLAMIC STOCK FUND (CDC)	18,000	0.0087
CDC - TRUSTEE GOLDEN ARROW STOCK FUND (CDC)	130,000	0.0631
CDC - TRUSTEE MEEZAN BALANCED FUND (CDC)	22,930	0.0111
CDC - TRUSTEE MEEZAN ISLAMIC FUND (CDC)	574,325	0.2789
CDC - TRUSTEE MEEZAN DEDICATED EQUITY FUND (CDC)	24,113	0.0117
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	621,793	0.3020
MCBFSL TRUSTEE ABL ISLAMIC STOCK FUND (CDC)	247,500	0.1202
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND (CDC)	21,500	0.0104
Directors and their spouses and minor children		
CHAUDHRY AHMED JAVED	1	0.0000
MR. ARIF SAEED	1	0.0000
MR. ARIF SAEED (CDC)	782,000	0.3798
MR. OMAR SAEED	1	0.0000
MR. OMAR SAEED (CDC)	1,455,500	0.7068
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)	400,000	0.1943
MR. QADEER AHMED VASEER	1	0.0000
MR. QADEER AHMED VASEER (CDC)	300,000	0.1457

Pattern of Shareholding

As at December 31, 2023

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	2,420,098	1.1753
Shareholders holding five percent or more voting rights		
SERVICE INDUSTRIES LIMITED (CDC)	163,549,991	79.4250

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

Name	Purchase
MR. HASSAN EHSAN CHEEMA - DIRECTOR	150,000
MR. QADEER AHMED VASEER - DIRECTOR	100,000
MR. USMAN LIAQAT - CFO	101,500

Form of Proxy

5th 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 5th Annual General Meeting to be held on April 26, 2024 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 _____ 2024
 in the presence of _____ Signed this _____ day of _____ 2024

Folio No.	CDC Account No.		Signature on Fifty - Rupees Revenue Stamp
	Participant I.D.	Account No.	
			The Signature should agree with the specimen registered with the Company.

Important:

- 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.
- 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.
- 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.



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

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پراکسی فارم

پانچواں سالانہ اجلاس عام

میں / ہم _____ سروس گلوبل فٹ وئیر 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 پانچویں سالانہ اجلاس عام جو کہ مورخہ 26 اپریل 2024
 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 _____

پچاس روپے مالیت کی
 ریونیوٹکٹ پر دستخط کریں۔

(دستخط کمپنی میں درج نمونہ دستخط
 کے مطابق ہونے چاہئیں)

سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
اکاؤنٹ نمبر	پارٹیشن آئی ڈی	

اہم ہدایات:

1. پراکسی کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ پراکسی کمپنی کے ممبرز میں سے ہی ہونا چاہیے۔
2. ایک سے زیادہ پراکسی مقرر کرنا یا جمع کروانا، ناقابل قبول ہوگا۔
3. سی ڈی سی اکاؤنٹ ہولڈرز / کارپوریٹ اداروں کیلئے۔

اوپر دی گئی ہدایت کے علاوہ مندرجہ ذیل شرائط بھی پوری کرنا ہونگی:

- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے 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۔



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

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POSTAGE**



SERVICE GLOBAL FOOTWEAR LIMITED
 Registered Office: Servis House 2-Main Gulberg, Lahore.
 Phone: +92 42- 35751990-6
 Email: shareholders@servis.com
 Website: www.serviceglobalfootwear.com

Ballot Paper For Voting Through Post

(in person and virtual 5th Annual General Meeting to be held at 10:00 a.m. on Friday, April 26, 2024)

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

Name of shareholder/joint shareholders	
Registered Address	
Number of Shares held (on close of April 19, 2024) and folio number	
CNIC No./Passport No (in case of foreigner) (Copy to be attached)	
Additional information and enclosures (In case of representative of body corporate, Corporation and Federal Government)	

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

Sr. No.	Name and Description of Resolutions	I/We assent to the resolution (FOR)	I/We dissent to the resolution (AGAINST)
1.	<p>“Resolved that 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, 2023 and expiring on June 30, 2024, for a further period of one year till June 30, 2025 with all other terms and conditions of the investment to remain unchanged.</p> <p>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.”</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
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 25, 2024 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. Members may download the ballot paper form the website or use original/photocopy published in newspapers.

ایگزیکٹوز میں چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، ہیڈ آف انٹرنل آڈٹ اور کمپنی سیکرٹری شامل ہیں۔

منجانب بورڈ

کمپلائنس پر ایک نظر

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی کمپلائنس کا بیان مقررہ شکل میں سالانہ رپورٹ میں شائع کیا جاتا ہے جس کا کمپنی کے قانونی آڈیٹرز کی طرف سے جائزہ لیا جاتا ہے اور تصدیق کی جاتی ہے کہ کمپلائنس کا بیان کمپنی کے بورڈ آف ڈائریکٹرز نے منظور کیا ہے۔

عارف سعید

چیئر مین

حسن جاوید

چیف ایگزیکٹو

سالانہ گوشواروں کی تیاری کے بعد تبدیلیاں

31 دسمبر 2023 سے لے کر 21 فروری 2024 (آڈٹ رپورٹ کی تاریخ) تک اس سالانہ رپورٹ میں کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو ماسوائے 31 دسمبر 2023 کو ختم ہونے والے مالی سال کا اعلان برائے حتمی ڈیویڈنڈ 2 روپے فی شیئر (یعنی 20 فیصد) جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔

اظہار تشکر

ڈائریکٹرز حصص یافتگان کی تہہ دل سے تعریف کا اظہار کرنا چاہیں گے جنہوں نے کمپنی کی غیر متزلزل حمایت جاری رکھی۔

ہم سروس گروپ کے تمام ملازمین کی انتھک کوششوں، لگن اور عزم کے لیے اپنی مخلصانہ تعریف بھی بر ملا کرنا چاہتے ہیں اور یقین رکھتے ہیں کہ وہ مستقبل میں بھی ایسا کرتے رہیں گے۔

ہم اپنے صارفین، سپلائرز اور بینکرز کا ان کی کمپنی کے ساتھ مسلسل تعاون اور حمایت کا بھی شکریہ ادا کرتے ہیں۔

اس کی تعمیل کرنے کا مشورہ دیا گیا ہے۔

ڈائریکٹرز

موجودہ بورڈ آف ڈائریکٹرز ("بورڈ") کا انتخاب 26 مئی 2023 کو ہوا تھا۔ یہ نو (9) ڈائریکٹرز پر مشتمل ہے جس میں تین (3) انڈیپنڈنٹ ڈائریکٹرز، ایک (1) خاتون ڈائریکٹر سمیت، تین (3) نان ایگزیکٹو ڈائریکٹرز، چیئر مین سمیت اور تین (3) ایگزیکٹو ڈائریکٹرز، چیف ایگزیکٹو آفیسر، شامل ہیں۔

جو مالی سال کے دوران کسی بھی وقت ادارے کے ڈائریکٹر تھے ان افراد کے نام درج ذیل ہیں:

- جناب عارف سعید، چیئر مین، نان ایگزیکٹو ڈائریکٹر
- جناب حسن جاوید، چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹر
- چوہدری احمد جاوید، نان ایگزیکٹو ڈائریکٹر
- جناب عمر سعید، نان ایگزیکٹو ڈائریکٹر
- جناب عظمت علی رانجھا، انڈیپنڈنٹ ڈائریکٹر
- جناب عبدالرشید لون، انڈیپنڈنٹ ڈائریکٹر
- محترمہ ملیحہ ہمایوں بگٹش، انڈیپنڈنٹ ڈائریکٹر
- جناب حسن احسان چیمہ، ایگزیکٹو ڈائریکٹر
- جناب قدیر احمد وسیر، ایگزیکٹو ڈائریکٹر

بورڈ آف ڈائریکٹرز کے اجلاس

اس سال 7 بورڈ میٹنگز ہوئیں۔ ممبران کی حاضری مندرجہ ذیل ہے۔

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

ہیومن ریسورس اور ریمیسو نیویشن کمیٹی

یہ ہیومن ریسورس اور ریمیسو نیویشن کمیٹی تین اراکین پر مشتمل ہے جن میں سے ایک انڈیپنڈنٹ ڈائریکٹر، 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 جان نشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

کمیٹی کی اس سال 2 میٹنگز ہوئیں۔ ہر ممبر کی حاضری درج ذیل ہے:

ممبران	عہدہ	حاضری
جناب عظمت علی رانجھا	چیئر مین / انڈیپنڈنٹ ڈائریکٹر	2/2
جناب حسن جاوید	ممبر / ایگزیکٹو ڈائریکٹر	2/2
جناب عمر سعید	ممبر / نان ایگزیکٹو ڈائریکٹر	2/2

بیرونی آڈیٹرز

موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اپنی اہلیت کی بنیاد پر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز کمیٹی کے آڈیٹرز کے طور پر ان کی دوبارہ تقرری کے لئے آڈٹ کمیٹی کی سفارش کی توثیق کرتے ہیں۔

ریٹائرمنٹ کی سہولیات میں سرمایہ کاری

کمپنی اپنے ملازمین کے لیے ریٹائرمنٹ کی سہولیات کی منصوبہ بندی رکھتی ہے جو کہ متعلقہ بورڈ آف ٹرسٹیز کے مطابق ہے۔ سروس انڈسٹریز لمیٹڈ کی ڈائریکٹرز رپورٹ میں متعلقہ غیر آڈٹ شدہ مالیاتی بیانات کے مطابق ان فنڈز کی سرمایہ کاری کی تفصیل واضح طور پر بیان کی گئی ہے۔

حصص یافتگان کی تفصیل

مقررہ فارم 34 میں 31 دسمبر 2023 کو حصص یافتگان کی تفصیل کے بارے میں معلومات سالانہ رپورٹ میں شامل ہے۔ ڈائریکٹرز، ایگزیکٹوز اور ان کی شریک حیات اور نابالغ بچوں کی کمیٹی کے حصص کی خرید و فروخت کی تفصیل بھی اس رپورٹ میں شامل ہے۔

آڈٹ کمیٹی

آڈٹ کمیٹی اس وقت تین اراکین پر مشتمل ہے جس میں سے دو انڈیپنڈنٹ ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو ڈائریکٹر ہے۔ کمیٹی کا چیئر مین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو

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

ڈائریکٹرز	عہدہ	حاضری
جناب عارف سعید	چیئر مین	7/7
جناب حسن جاوید	چیف ایگزیکٹو آفیسر	7/7
چوہدری احمد جاوید	ڈائریکٹر	0/7
جناب عمر سعید	ڈائریکٹر	6/7
جناب عظمت علی رانجھا	ڈائریکٹر	5/7
جناب عبدالرشید لون	ڈائریکٹر	7/7
محترمہ ملیحہ ہمایوں بگٹش	ڈائریکٹر	5/7
جناب حسن احسان چیمہ	ڈائریکٹر	7/7
جناب قدیر احمد وسیر	ڈائریکٹر	7/7

کو یقینی بناتا ہے، دھوکہ دہی کی شناخت کرتا ہے، اس سے بچاتا ہے اور متعلقہ قوانین کی پاسداری کو یقینی بناتا ہے۔ بورڈ اپنی مجموعی ذمہ داری کو نبھاتا ہے، اندرونی آڈٹ کا شعبہ جو کہ بورڈ نے احتیاط سے کے منٹم کیا ہے، اندرونی کنٹرول کے نظام کی مناسب وقفہ سے نظر ثانی اور نگرانی کرتا ہے۔ بورڈ کی آڈٹ کمیٹی اپنے موجودہ طریقے کے مطابق سہ ماہی بنیاد پر اندرونی کنٹرول سسٹم کے موثر ہونے کا جائزہ لیتی ہے۔

متعلقہ پارٹی سے لین دین

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) کے ریگولیشنز، 2019 اور قابل اطلاق قوانین اور ضوابط، تمام متعلقہ فریق کے لین دین کی تفصیلات آڈٹ کمیٹی کے سامنے رکھی جاتی ہیں اور آڈٹ کمیٹی کی سفارشات کو بورڈ کے سامنے جائزہ اور منظوری کے لیے پیش کیا جاتا ہے۔ مندرجہ بالا کے علاوہ، جیسا کہ کمپنیز ایکٹ، 2017 کے تحت ضروری ہے، معاہدوں کی تفصیلات اور اس طرح کے معاہدوں میں داخل ہونے کے جواز کو متعلقہ مالی بیانات کے نوٹس میں ظاہر کیا گیا ہے۔

ڈائریکٹرز کا معاوضہ

کمپنی کے پاس کمپنیز ایکٹ، 2017، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس)، ریگولیشنز، 2019 اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کی دفعات کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لیے ایک باضابطہ پالیسی اور شفاف طریقہ کار ہے۔ اس بورڈ سے منظور شدہ پالیسی کے اہم نکات درج ذیل ہیں:

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز کو کوئی معاوضہ نہیں ادا کرے گی، ماسوائے اس کے کہ وہ کسی بورڈ یا کمیٹی اجلاس میں شامل ہوں۔
- کمپنی بورڈ یا کمیٹی اجلاس میں شامل ہونے سے متعلقہ سفری اور رہائشی اخراجات ادا کرے گی۔
- ڈائریکٹرز کے معاوضہ کی پالیسی پر وقتاً فوقتاً نظر ثانی کی جائے گی اور اس کی منظوری دی جائے گی۔

31 دسمبر 2023 کو ختم ہونے والے سال کے دوران، معاوضے کے لیے مالیاتی گوشواروں میں درج ذیل رقم وصول کی گئی جن میں چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹرز اور نان ایگزیکٹو ڈائریکٹرز کی دیگر مراعات شامل ہیں:

- 107.199 ملین روپے (2022: 73.312 ملین روپے) چیف ایگزیکٹو آفیسر کو ادا کیے گئے۔
- دو ایگزیکٹو ڈائریکٹرز کو 59.945 ملین روپے (2022: 49.723 ملین) ادا کیے گئے۔
- ایپلائنگ اسٹاک آپشنز اسکیم (ESOS) 2020 کے تحت دو ایگزیکٹو ڈائریکٹرز کو 30 روپے فی شیئر کی قیمت پر 100,000 شیئر آپشنز دیئے گئے تھے۔ (2022: 250,000 شیئر آپشنز 10 روپے فی شیئر کی قیمت پر دیئے گئے تھے۔)
- اس سال کے دوران 250,000 شیئرز (2022: 450,000 شیئرز) دو ایگزیکٹو ڈائریکٹرز کو پہلے سالوں میں دیئے گئے شیئر آپشنز کے عوض الاٹ کیے گئے تھے۔
- 2.16 ملین روپے (2022: 1.84 ملین روپے) تین ڈائریکٹرز کو میٹنگ فیس کے طور پر ادا کیے گئے۔

سروس لاگ مارچ تا مئی کی غیر معمولی کارکردگی نے اس منصوبے پر ہمارے اعتماد کی توثیق کر دی ہے۔ مستقبل کی غیر معمولی طور پر امید افزا نظر آرہا ہے، اور ہم امید کرتے ہیں کہ سروس لاگ مارچ تا مئی، سروس گلوبل فٹ ویئر لمیٹڈ کے مستقبل کے منافع میں خاطر خواہ حصہ ڈالے گی۔

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 پر عزم 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 مواقع دے جس سے وہ اعلیٰ اہداف کو حاصل کرنے والے بن جائیں۔ کمپنی لگاتار اپنی مصنوعات کی اقسام کا جائزہ لیتی رہتی ہے تاکہ معاشرے کے سب سے اہم مسئلہ کا حل نکال سکے، اور اس طرح اپنے حصص یافتگان کے لیے لگاتار منافع پیدا کرتی رہے۔

کمپنی اندرونی کنٹرولز اور کام کرنے کے طریقوں کا جائزہ لیتی رہتی ہے تاکہ شفاف مالی معلومات فراہم ہو سکے، قواعد و قوانین سے ہم آہنگی اور اندرونی کنٹرول کے نظام کی پابندی کو یقینی بنایا جا سکے۔ اس طرح ہمیں اپنی پروڈکشن میں قدر بڑھانے کا ہدف بھی حاصل ہوتا 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 کنٹرول کے نظام کا باقاعدگی سے جائزہ لیا جاتا ہے۔ اس نظام کو بورڈ کی حسب کمیٹی نے باضابطہ شکل دی ہے اور حسب ضرورت بہتر کیا جاتا ہے۔
- 6۔ کمپنی کے لگاتار چلنے میں کسی قسم کا کوئی ٹیک نہیں ہے۔
- 7۔ کارپوریٹ گورننس کے بہترین طریقوں سے ہٹنے کے کوئی شواہد نہیں ہے۔
- 8۔ پچھلے 4 سالوں کے اہم آپریشننگ اور مالی اعداد و شمار اس سالانہ رپورٹ میں درج ہے۔

مستند اندرونی مالی کنٹرولز

ڈائریکٹرز اندرونی مالیاتی کنٹرول کے موثر ہونے کا جائزہ لیتے رہنے کے ذمہ دار ہیں۔ کمپنی نے اندرونی اور مالی کنٹرول کا انتہائی موثر نظام اختیار کیا ہے جو کہ کمپنی کے اثاثہ جات کی حفاظت

کمپنی کارادہ بالکل سادہ ہے: لوٹانا، خوشحالی بانٹنا اور احسن طریقے سے لوگوں کی تعمیر و ترقی کرنے میں مدد کرنا۔ یہ کمپنی کی سماجی ذمہ داری کے ایک جامع نقطہ نظر کی عکاسی کرتا ہے، جو مختلف اسٹیک ہولڈرز پر مثبت اثرات پر زور دیتا ہے۔

عزم کو پورا کرنے کے مواقع کی جگہ بنے رہیں گے۔

(3) گورننس

(ا) کارپوریٹ گورننس

سال 2023 کے دوران، کمپنی نے سماجی ذمہ داری سرگرمیوں کی مد میں 10 ملین روپے کا عطیہ کیا۔ یہ مالی تعاون کمپنی کی سماجی بہبود، آبادیوں کی ترقی، اور ماحولیاتی پائیداری میں حصہ ڈالنے کی ٹھوس کوششوں کو ظاہر کرتی ہے۔

کارپوریٹ گورننس بھی کمپنی کیلئے اہم مقام رکھتی ہے، SGFL نے ایک جامع IMS پر وگرام نافذ کیا ہے جو ISO 9001/2015 (کوالٹی مینجمنٹ)، ISO 14001/2015 (ماحولیاتی مینجمنٹ)، ISO 45001/2018 (کام کرنے کے طریقوں میں کارکنوں کی حفاظت) اور ISO 17025/2017 (لیبارٹری مینجمنٹ سسٹم) سے تصدیق شدہ ہے۔ ہم CTPAT (کسٹمز ٹریڈ پارٹنرشپ ایگینسٹ ٹیریزم) سے بھی تصدیق شدہ ہیں۔

مستقبل پر ایک نظر

ہمیں یقین ہے کہ موجودہ معاشی حالات کے قب قطع نظر سال 2024 اور اس کے بعد SGFL کا مستقبل روشن ہے۔ یہ اعتماد اس حقیقت سے حاصل ہوا ہے کہ کمپنی نے سال 2023 میں مشکل کاروباری منظر نامے کے باوجود غیر معمولی نتائج حاصل کیے ہیں۔

یہ سرٹیفیکیشنز ہمارے پیداواری عمل، مختلف شعبوں کے انتظامات کی صحت کی توثیق کرتے ہیں، جبکہ عالمی سطح پر ہماری کوالٹی کو تسلیم کروانے، معیار کی بہتری، پیداواری صلاحیت میں اضافہ، رسک مینجمنٹ، مارکیٹ تک رسائی کے طریقہ کار، قوانین و ضوابط کی تعمیل، ماحولیاتی کاتھف، گاہکوں اور سپلائرز سے متعلقہ معاملات، ملازمین کی اہم معاملات میں شمولیت اور کام کے طریقوں میں مسلسل بہتری لانے کیلئے ایک طریقہ کار فراہم کرتے ہیں۔

(ب) کاروباری اخلاقیات

ہم نے سب کے نظام کو مزید منظم کر کے اپنی سبزی کی کوششوں کو تقویت بخشی ہے اور اس طرح اہمیت کے حامل مزید گاہکوں کو شامل کیا جاسکتا ہے۔ کچھ نئے گاہکوں سے سال 2023 میں ہی معاملات طے پا چکے ہیں، جبکہ سال 2024 اور اس کے بعد نمو حاصل کرنے کے لئے مزید گاہکوں سے روابط جاری عمل ہیں۔ یورپی یونین کی منڈیوں میں ہماری رسائی مزید مضبوط ہو رہی ہے، جبکہ اب ہمیں امریکی مارکیٹ میں بھی ہمارے قدم مضبوط ہو چکے ہیں جس سے مستقبل میں تیز رفتار ترقی کے بڑے مواقع حاصل ہو گے۔

قابل اطلاق قوانین اور ضوابط کی مکمل تعمیل کرتے ہوئے دیانتداری کے ساتھ کاروبار کرنے کا ہمارا عزم اعلیٰ اخلاقیات پر سخت زور دینے کی عکاسی کرتا ہے۔ اخلاقیات اور کاروباری طرز عمل کا بنیاد، جو اعلیٰ ترین اخلاقی معیارات کے مطابق کام کرنے کے لیے کمپنی کی پالیسی کو نمایاں کرتا ہے اور ایک ایسے کاروباری ماحول کو برقرار رکھنے کے لیے اس لگن کی نشاندہی کرتا ہے جو دیانتداری اور قوانین و ضوابط کی تعمیل کو ترجیح دیتا ہے۔

سروس گلوبل فٹ ویئر لمیٹڈ کو ایک گاہک دوست ادارہ ہونے پر فخر ہے، ہم اپنے قابل قدر گاہکوں کے ساتھ طویل المدتی تعلقات قائم کرنے پر یقین رکھتے ہیں اور اس حکمت عملی نے مشکل حالات میں اپنے گاہکوں کے ترجیحی سپلائرز بن کر کمپنی کو فائدہ پہنچایا ہے۔ نئی گاہکوں کے لیے ہماری خدمات مختلف نہیں ہیں جس سے سروس گلوبل فٹ ویئر لمیٹڈ کی ساکھ ایک متنوع اور قابل اعتماد سپلائر پارٹنر کے طور پر مضبوط ہو رہی ہے۔ یہ ہمیں اپنے صارفین کے ساتھ طویل مدتی کاروباری منصوبوں پر تبادلہ خیال کرنے اور اپنی توسیعی حکمت عملی کی بنیاد رکھنے میں معاون ہے۔

تمام قانونی ضوابط کی تعمیل کرنے اور اداروں کے لیے بنائے گئے بہترین معیارات پر عمل کرنے کا عزم اسٹیک ہولڈرز بشمول صارفین، ملازمین، سرمایہ کاروں اور وسیع تر کمیونٹی کے درمیان اعتماد پیدا کرنے کے لیے ضروری ہے۔ یہ عزم نہ صرف قانونی تقاضوں کے ساتھ مطابقت رکھتا ہے بلکہ کمپنی کی شناخت ایک ذمہ دار ادارے کے طور پر کرتا ہے جو اخلاقی طرز عمل اور سماجی ذمہ داری کو اہمیت دیتا ہے۔

پس منظر میں، سروس گلوبل فٹ ویئر لمیٹڈ ہمارے قابل قدر گاہکوں کے لیے قابل اعتماد پارٹنر بننے کے لیے مختلف اقدامات جاری رکھے گا۔ اہم اقدامات میں شامل ہیں۔

قومی محصولات میں ہمارا حصہ

- نئے گاہکوں کی ضروریات کو پورا کرنے کے لیے پیداواری سہولیات میں بہتری
- مہارت کی بہتری، مصنوعات کے پیداواری مراحل کا ریکارڈ رکھنا اور تجربہ کار غیر ملکی وسائل کے ذریعے کارکردگی کو بڑھانے کے لیے نئے منصوبوں پر کام شروع کرنا۔

سروس گلوبل فٹ ویئر لمیٹڈ کا ٹیکس، ڈیوٹی اور محصولات کی مد میں قومی خزانے میں ایک اہم سالانہ شراکت ہے۔ 2023 میں سروس گلوبل فٹ ویئر لمیٹڈ نے 267 ملین روپے اس مد میں ادا کئے۔

کمپنی کی سماجی ذمہ داری

- ہم وسیع تر برقی پروگرام کے ذریعے سے، یعنی افرادی قوت پر بہت زیادہ وسائل صرف کر رہے ہیں، مقامی اور بین الاقوامی سطح پر دستیاب بہترین افرادی قوت کی خدمات حاصل کر رہے ہیں۔

سروس گلوبل فٹ ویئر لمیٹڈ کو سروس انڈسٹری لمیٹڈ کی طرح اداروں کو عطیات دینے کی روایت پر عمل کر کے سماجی طور پر باشعور کاروباری ادارہ بننے کے نظر یہ 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۔

آغاز کار بن فٹ پرنٹ کو کم کرنے کے مقصد سے کیا گیا تھا، درحقیقت سستی بجلی پیدا کرنے کے ایک موثر طریقہ کے طور پر منافع بخش ہو گیا ہے۔

مزید برآں، سروس گلوبل فٹ ویئر لمیٹڈ (FEM HIGG Facility Environ-) سے بھی تصدیق شدہ ہے، یہ ہمارے پیداواری عمل کے تمام شعبوں میں بہترین ماحول دوست طریقوں کی گواہی دیتا ہے۔ ہم نے اپنے خام مال کے حصول کو بھی RCS (ری سائیکل کیم اسٹینڈرڈ) کے ساتھ مربوط کیا ہے۔ بیکنگ کے ذرائع FSC معیارات کے موافق حاصل کئے جاتے ہیں، جو خام مال کے ضیاع کو کم کرنے اور خریداری اور استعمال کے بہترین طریقوں کے استعمال میں مدد کرتا ہے۔

(2) سماجی ذمہ داری

ہمیں ایک اخلاقیات کی پاسداری کرنے والا ادارہ ہونے پر فخر ہے جو نہ صرف ہمارے کارکن کی حفاظت اور دیکھ بھال کی اپنی قانونی ذمہ داریوں کو پورا کرتی ہے بلکہ ثقافتی رسم و رواج کی بھی قدر کرتی ہے اور سماجی بہبود کو فروغ دیتی ہے۔ ہم مختلف گورنگ باڈیز سے تصدیق شدہ ہیں جیسے کہ:

- SEDEX (سپلائر اتھریٹیکل ڈیٹا ایکسیج)
- BSCI (بزس سوشل کمپلائنس انیشیٹیو)
- SLCP (سوشل اینڈ لیبر کنورجینس پروگرام)
- HIGG FSLM (سہولت سماجی اور مزدور مایڈول)

یورپین ٹیٹیکیشن انسانی حقوق، انٹرنیشنل لیبر آرگنائزیشن (ILO) کے کنونشنز، اور قومی لیبر قوانین کے مطابق کام کرنے کے طریقوں کو فروغ دینے کے لیے ہمارے عزم کی نشاندہی کرتے ہیں۔ سروس گلوبل فٹ ویئر لمیٹڈ اپنی افرادی قوت کے ساتھ منصفانہ، اخلاقی اقدار کے موافق، اور ترجیحی بنیاد پر معاملات کو طے کرنے کو یقینی بنانے، صحت مند اور باوقار کام کرنے کے ماحول کو فروغ دینے کے لیے پرعزم ہے۔

ان کے علاوہ، ہم مختلف بین الاقوامی برانڈز کے کڑے ضابطہ اخلاق سے تصدیق شدہ ہیں۔ ہم سماجی قوانین کی تعمیل سے متعلق ہر قسم کے آڈٹ کا ہمیشہ خیر مقدم کرتے ہیں اور ہم اپنی افرادی قوت کے مفادات اور سٹیٹی کے تحفظ میں بہتری کی تجاویز کو ہمیشہ خوش آمدید کہتے ہیں۔

سروس گلوبل فٹ ویئر لمیٹڈ ملازمت کے مساوی مواقع فراہم کرنے کا آجر ہونے پر فخر محسوس کرتا ہے اور اپنی افرادی قوت میں تنوع اور شمولیت کو فعال طور پر فروغ دیتا ہے۔ کمپنی متنوع اور سب کے لئے مساوی اور سازگار ماحول کو فروغ دینے کے عزم کا مظاہرہ کرتے ہوئے خواتین اور معذور افرادی شرکت کی حوصلہ افزائی کرتی ہے۔

سروس گلوبل فٹ ویئر لمیٹڈ اپنے طویل عرصے سے خدمات انجام دینے والے لوگوں کی بھی قدر کرتا ہے جنہوں نے ادارے کو اس مقام تک پہنچانے میں کلیدی کردار ادا کیا ہے جہاں یہ آج کھڑا ہے۔ اس سال، ہم نے اہم عہدوں پر 25 سال سے زیادہ تجربہ کے حامل 16 افراد کو ان کی گائتار محنت پر اعزاز سے نوازا ہے جنہوں نے کمپنی کے ساتھ ساتھ ترقی کی ہے۔

ہم لوگوں کے لیے تبدیلی لانے، زندگیوں کو بہتر بنانے اور ایک مثبت تبدیلی لانے کے ہمارے

اسکے حل شامل ہیں۔ رسک کی ان مختلف وجوہات کو حل کرتے ہوئے، SGFL کا مقصد غیر یقینی صورتحال سے نپٹنے کی اپنی صلاحیت کو مضبوط کرنا ہے۔

علاوہ ازیں، سنئیر انتظامیہ کی ٹیم کمپنی اور اس کے کاروباری شعبوں کیلئے ایک انتہائی تفصیلی جانچنگ اور منصوبہ بندی کرتی ہے جس میں SWOT Analysis کمپنی اور اسکے شعبوں کیلئے شامل ہے۔ اس کی بنیاد پر اہم مسائل کے حل پر توجہ دی جاتی ہے، مواقع ڈھونڈے جاتے ہیں۔ اور پھر ایکشن پلان بنائے جاتے ہیں، ان پر عمل درآمد کیا جاتا ہے تاکہ طویل امداد حاصل کئے جاسکیں۔

رسک مینجمنٹ کو اپنی مجموعی کاروباری حکمت عملی اور منصوبہ بندی کے عمل میں شامل کر کے، SGFL مشکلات سے نپٹنے، مضبوط مالیاتی صحت کو یقینی بنانے، اور پائیدار ترقی کے حصول کے لیے ایک فعال حکمت عملی کا مظاہرہ کرتا ہے۔ اسٹریٹیجک رسک مینجمنٹ کے لیے یہ عزم کمپنی کو بدلتے ہوئے حالات کے مطابق ڈھالنے اور اپنی صنعت میں ابھرتے ہوئے مواقع سے فائدہ اٹھانے کیلئے تیار رکھتا ہے۔

رسک	رسک کی قسم	رسک سے نپٹنے کی حکمت عملی
مالیاتی رسک	مالیاتی رسک میں اقتصادی رسک، کریڈٹ رسک اور لیویڈیٹی رسک شامل ہیں۔	ان خطرات سے نمٹنے کے لیے کمپنی نے احتیاط سے حکمت عملیاں تیار کر رکھی ہیں۔ ان میں بجٹ بنانا، آئیندہ حالات کے تخمینہ لگانا، منصوبہ بندی، بروقت فیصلہ کرنا، ہیجنگ، برآمدات میں اضافہ، ورکنگ کیپیٹل کو مناسب سطح پر رکھنا، بینکوں سے قرضوں کا مناسب نظام اور حکومتی پالیسی پر کڑی نظر رکھنا شامل ہیں۔
دیگر رسک	دیگر رسک میں سیاسی، ٹیکنالوجی سے متعلق، مسابقتی، قوانین و ساجیاتی ضوابط شامل ہیں۔	کمپنی نے مذکورہ خطرات سے نمٹنے کے لیے مختلف سطحوں پر حکمت عملیاں تیار کر رکھی ہیں۔ اس میں BMR، بوسائل کاموشراستعمال اور انتظام، مصنوعات کی ترسیل کا مضبوط اور منجھابو ایٹھ ورکنگ، خام مال مہیا کرنے کا مضبوط نظام، برانڈ ڈویلپمنٹ، بڑے پیمانے پر پیداواری استعداد، ٹیکنالوجی سے فائدہ اٹھانا، اور اعلیٰ صلاحیت کی مالک افرادی قوت کا استعمال شامل ہیں۔

ماحولیات پر کمپنی کے کاروبار کے اثرات ماحول، سماجی ذمہ داری اور گورننس

سروس گلوبل فٹ ویئر لمیٹڈ صنعتوں میں مروج بہترین طریقوں کو بروئے کار لانے میں سب سے آگے رہنے کے لیے کوشاں ہے۔ ہم ESG (ماحولیاتی، سماجی اور کارپوریٹ گورننس) کے تمام شعبوں میں بہترین طریقوں کو رائج رکھتے ہیں۔

(1) ماحولیات

گرین اور صاف ماحول کے زمرے میں ہمارے عزم کی تائید اس حقیقت سے ہوتی ہے کہ ہم اس نئے میں شمسی توانائی سے چلنے والی پہلی فیکٹریوں میں سے ایک ہیں۔ ماحولیاتی قیادت کا یہ مشن سروس انڈسٹریز لمیٹڈ سے ڈیسمبر 2017 میں 1 میگاواٹ سولر پارک کی تنصیب کے ساتھ شروع ہوا اور ہم نے گرین انرجی پر اپنا انحصار بڑھانا جاری رکھا اور فی الوقت 2 میگاواٹ سولر پارک اور استعمال کر رہے ہیں جو ہماری بجلی کی نصف ضروریات کو پورا کرتی ہے۔ ایک منصوبہ جس کا

طور پر 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے کمپنی کے مجموعی مالیاتی گوشواروں کیلئے غیر اہم ہیں، اس کے پیش نظر، 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے کمپنی کے مجموعی مالی بیانات میں IFRS کے مطابق کوئی ایڈجسٹمنٹ لازمی قرار نہیں دی گئی ہے۔

ڈیویڈنڈ

کمپنی کے بورڈ آف ڈائریکٹرز نے 19 دسمبر 2023 کو ہونے والے اپنے اجلاس میں 3 روپے فی حصص کے عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے جس کی رقم 618 ملین روپے ہے (2022: عبوری کیش ڈیویڈنڈ 2.5 روپے فی شیئر)۔ عبوری ڈیویڈنڈ 11 جنوری 2024 کو ممبران کو دیا گیا۔

کمپنی کے بورڈ آف ڈائریکٹرز نے 21 فروری 2024 کو ہونے والے اپنے اجلاس میں 2 روپے فی شیئر (2022: 1 روپے فی شیئر) کے حتمی نقد منافع کا اعلان کیا ہے جو کہ سالانہ جنرل میٹنگ جو کہ 26 اپریل 2024 کو منعقد ہوگی، میں ممبران کی منظوری سے مشروط ہے۔

سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سرمایہ کاری

سال 2023 SLM کے لیے اچھا سال رہا ہے سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ اس وقت پوری پیداواری استعداد پر کام کر رہی ہے۔ پیداواری استعداد میں توسیع کا کام جاری ہے اور نئی مشینری کے لیے لیٹر آف کریڈٹس بن چکے ہیں۔

کمپنی کی کارکردگی کا جائزہ

بورڈ نے کمپنی کی کارکردگی پر مستقل نظر رکھنے کا ایک نظام ترتیب دیا ہے۔ بورڈ کاہر کن بورڈ کی میٹنگ میں متعدد 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 رپورٹ اور ڈاور کمیٹیاں مستقل نظر رکھتی ہیں۔

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورت حال، گزشتہ سالوں کی کارکردگی اور کمپنی پر اثر انداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔ بجٹ بنایا جاتا ہے اور اصل کارکردگی کا بجٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلا تاخیر اصلاح کی جاسکے۔

انتظامیہ اس بات کو یقینی بناتی ہے کہ کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ انتظامیہ کاروباری کارکردگی کاہر 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

رسک، غیر ممکنات اور ان سے بچاؤ کے اہم نکات

کمپنی کارسک مینجمنٹ پروگرام کمپنی کی کارکردگی پر ممکنہ مضراثرات کو کم کرنے پر مرکوز رہتا ہے۔ کمپنی کی سینئر انتظامیہ رسک مینجمنٹ کا کام سرانجام دیتی ہے اور اپنے نتائج، بورڈ آف ڈائریکٹرز کے سامنے رکھتی ہے۔

اس کارروائی میں حکمت عملی سے متعلقہ مالی، کمرشل اور آپریشنل رسک کی شناخت، جائزہ اور

انتظامیہ ایک مشکل عالمی منظر نامے میں موجودہ معاشی مشکلات اور کاروباری رکاوٹوں کا مقابلہ کرنے کے لیے نئے طریقوں متعارف کرانے اور نمو حاصل کرنے کیلئے گہری منصوبہ بندی کی اہمیت کو بخوبی سمجھتی ہے۔ کمپنی اپنے حصص یافتگان کو خاطر خواہ قدر فراہم کرنے، کمپنی کی مجموعی کارکردگی پر مثبت اثر ڈالنے، اور اپنے سرمایہ کاروں کے اعتماد کو تقویت دینے کے اپنے عزم میں ثابت قدم ہے۔

گروپ کی رپورٹ - ذیلی کمپنی

گروپ سروس گلوبل فٹ ویئر لمیٹڈ اور ڈونگ گوان سروس گلوبل لمیٹڈ پر مشتمل ہے، جو کہ سروس گلوبل فٹ ویئر لمیٹڈ کی کلی ملکیتی ذیلی کمپنی ہے۔

ڈونگ گوان سروس گلوبل لمیٹڈ

ڈونگ گوان سروس گلوبل لمیٹڈ ایک لمیٹڈ لائیبلٹی کمپنی ہے (مکمل طور پر غیر ملکی قانونی شخص کی ملکیت ہے) جو کہ ڈونگ گوان ایڈمنسٹریشن آف مارکیٹ ریگولیشن، چین کے ساتھ رجسٹرڈ ہے۔ ڈونگ گوان سروس گلوبل لمیٹڈ کا کاروباری دائرہ کار جو توں اور ٹویپوں کی بڑے پیمانے پر فروخت، چمڑے کی مصنوعات کی فروخت، سلعے ہوئے ملبوسات اور اس سے منسلک خام مال کی فروخت، ہارڈ ویئر مصنوعات کی بڑے پیمانے پر فروخت، بیگز کی فروخت، ہارڈ ویئر کی ضروریات، ملبوسات کا معائنہ اور ان کی فنکشنل خدمات، تکنیکی خدمات اور دیگر متعلقہ امور پر محیط ہے۔ ڈونگ گوان سروس گلوبل لمیٹڈ کمرہ 302، نمبر 18، ہوجی ٹاؤن، ڈونگ گوان سٹی، گوانگ ڈونگ صوبہ، چین میں واقع ہے۔ سروس گلوبل فٹ ویئر لمیٹڈ کے پاس ڈونگ گوان سروس گلوبل لمیٹڈ کے 100% حصص ہیں۔

سروس گلوبل فٹ ویئر لمیٹڈ اور اس کی کلی ملکیتی ذیلی کمپنی کے مجموعی مالیاتی نتائج درج ذیل ہیں:

تفصیلات	2022		2023	
	آمدن فروخت کا فیصد	روپے ہزار میں	آمدن فروخت کا فیصد	روپے ہزار میں
خاص فروخت		11,753,088		15,071,163
گروس منافع	19%	2,185,651	22%	3,346,474
آپریٹنگ منافع	12%	1,379,204	14%	2,118,693
منافع قبل از ٹیکس	6%	687,950	11%	1,583,534
منافع بعد از ٹیکس	3%	342,059	8%	1,171,334
فی شیئر آمدنی		1.67		5.70

مجموعی مالیاتی بیانات پر آڈیٹرز کی رپورٹ میں ترمیم کے حوالے سے معلومات اور وضاحت

آڈیٹرز نے مجموعی مالیاتی گوشواروں پر اپنی رائے اس بنیاد پر قائم کی ہے کہ ڈونگ گوان سروس گلوبل جو کہ سروس گلوبل فٹ ویئر لمیٹڈ کا ذیلی ادارہ ہے سے متعلق غیر آڈٹ شدہ اعداد و شمار شامل ہیں۔ مقامی چینی قانونی قوانین کے مطابق، ڈونگ گوان سروس گلوبل کے مالی بیانات کے بیرونی آڈٹ کی کوئی ضرورت نہیں ہے۔ علاوہ ازیں، ڈونگ گوان سروس گلوبل لمیٹڈ کے مالی بیانات مکمل

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس گلوبل فٹ ویئر لمیٹڈ (SGFL یا کمپنی) کے ڈائریکٹرز 31 دسمبر 2023 کو ختم ہونے والے مالی سال کے آڈٹ شدہ حسابات پر مبنی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 اور دیگر قابل اطلاق دفعات کے تحت تیار کی گئی ہے۔

کمپنی کی بنیادی سرگرمیاں

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 مرکوز ہیں سروس گلوبل فٹ ویئر لمیٹڈ پاکستان سے جوتے کاسب سے بڑا برآمد 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 کارجسٹرڈ ہیڈ آفس سروس ہاؤس -2 مین گلبرگ، لاہور میں واقع ہے۔ کمپنی، سروس انڈسٹریز لمیٹڈ کا ذیلی ادارہ ہے۔

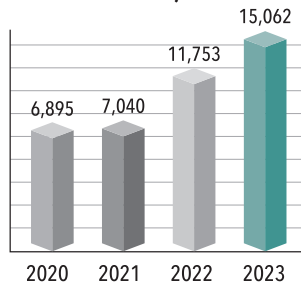
کاروبار کا جائزہ

مالی سال 2022 اور 2023 کی کارکردگی کا موازنہ

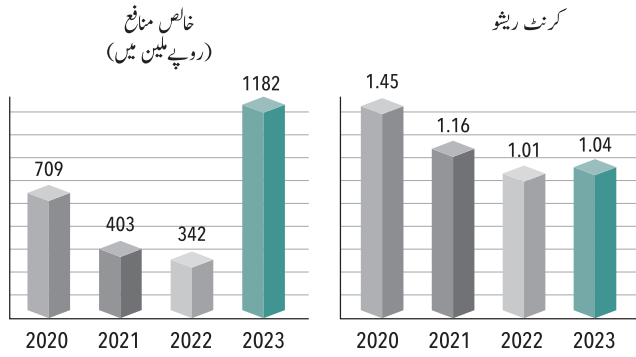
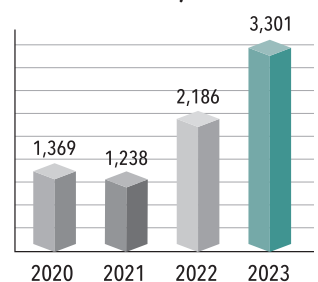
سروس گلوبل فٹ ویئر لمیٹڈ نے 2023 میں اترتوی اور بین الاقوامی اقتصادی حالات کے باوجود نمونہ مظاہرہ کیا ہے۔ 31 دسمبر 2023 کو ختم ہونے والے مالیاتی نتائج کے مقابلے میں 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے سروس گلوبل فٹ ویئر لمیٹڈ کی مالیاتی کارکردگی درج ذیل ہے۔

تفصیلات	2023		2022	
	روپے ہزار میں	آمدن فروخت کا فیصد	روپے ہزار میں	آمدن فروخت کا فیصد
خالص فروخت	15,061,817		11,753,088	
گروس منافع	3,301,121	22%	2,185,651	19%
آپریٹنگ منافع	2,127,489	14%	1,379,204	12%
منافع قبل از ٹیکس	1,593,807	11%	687,950	6%
منافع بعد از ٹیکس	1,181,607	8%	342,059	3%
فی شیئر آمدنی	5.75		1.67	

خالص فروخت
(روپے ملین میں)



گروس منافع
(روپے ملین میں)



سروس گلوبل فٹ ویئر لمیٹڈ نے سال 2023 کے دوران اپنے 15 ارب روپے کی ریکارڈ فروخت حاصل کی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 28 فیصد زیادہ ہے۔ اور بھی زیادہ امید افزا بات یہ ہے کہ گزشتہ سال کے مقابلے میں مجموعی منافع 2.2 ارب روپے سے بڑھ کر 3.3 ارب روپے (51%) اور آپریٹنگ منافع روپے 1.4 ارب سے 2.1 ارب روپے (53%) ہو گیا۔ یہ سروس گلوبل فٹ ویئر لمیٹڈ کی غیر معمولی مقامی افراط زر اور بڑھتی ہوئی پیداواری لاگت کی وجہ سے پیدا ہونے والی معاشی مشکلات کے باوجود اپنے آپریٹنگ کو مؤثر طریقے سے چلانے کرنے کی صلاحیت کی نشاندہی کرتا ہے۔

سروس گلوبل فٹ ویئر لمیٹڈ کے سروس لانگ مارچ ٹائز میں سرمایہ کاری کے ایک حکمت عملی کے تحت کئے گئے اقدام سے 474 ملین روپے کے منافع کا حصہ حاصل ہوا، جس کے نتیجے میں ٹیکس سے پہلے کا منافع 688 ملین روپے سے بڑھ کر 1,594 ملین روپے (132%) ہو گیا ہے۔ سروس لانگ مارچ ٹائز میں سرمایہ کاری سے نہ صرف فوری فوائد حاصل ہو رہے ہیں، بلکہ اس سے کمپنی کے مستقبل کے منافع پر بھی دیر پا اثر پڑنے کی توقع ہے جس کے نتیجے میں شیئر ہولڈر کی قدر میں بہتری ہوگی۔ بعد از ٹیکس خالص منافع گزشتہ سال کے 342 ملین روپے کے مقابلے میں 1,182 ملین روپے تک پہنچ گیا ہے۔ اس کے نتیجے میں موجودہ سال میں فی شیئر آمدنی 1.67 روپے سے بڑھ کر 5.75 روپے ہو گئی ہے۔

ایسے شاندار نتائج حاصل کرنا آسان نہیں ہوتا، درحقیقت یہ گہرے سوچ چپار کی بنیاد پر کی گئی پیشین گوئی اور حکمت عملی کا نتیجہ ہے جس کو کرنا کے بعد مستقبل میں نمو حاصل کرنے کے لیے بروئے کار لایا گیا تھا۔ ہمارا نقطہ نظر یہ ہے کہ، سال 2023 میں، ہماری کلیدی برآمدی منڈیوں (یورپ اور امریکہ) میں معاشی حالات نے جوتے کی فروخت پر بہت زیادہ دباؤ ڈالا، جس کے نتیجے میں ہمارے تمام موجودہ گاہکوں کے کاروبار 20-15 تک کم ہو گئے۔ یورپ میں جوتوں کی درآمدات کے حجم میں مسلسل کمی دیکھی جا رہی ہے جو کہ 2.3 ارب جوڑوں تک گر گئی ہے جو کہ 2022 میں 2.4 ارب جوڑے اور 2021 میں 2.8 ارب جوڑے تھے (statista.com سے شماریات)۔ اسی طرح، ایف ڈی آر اے (فٹ ویئر ڈسٹری بیوٹرز اینڈ ریٹیلرز آف امریکہ) کی جانب سے جاری کردہ رپورٹ میں کہا گیا ہے، "جوتوں کی درآمدات کا حجم پچھلے سال کے مقابلے میں لگاتار پندرہ مہینے سے کم ہو رہا ہے اور نومبر 23 میں 9.1% کم ہو گیا ہے۔"

ملکی سطح پر، کمپنی کو تاریخی افراط زر، بڑھتی ہوئی اجرت، سیاسی عدم استحکام، بلند شرح سود، اور خام مال کی درآمد میں دشواری کا مقابلہ کرنا پڑ رہا تھا۔ ان تمام عوامل کی وجہ سے پیداواری لاگت میں تیزی سے اضافہ ہوا اور پیداواری کارکردگی پر منفی اثر پڑا، جس کے نتیجے میں منافع کے مارجن میں نمایاں کمی واقع ہوئی۔

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