



Unlocking new possibilities



**ANNUAL
REPORT
2024**



Cover Story

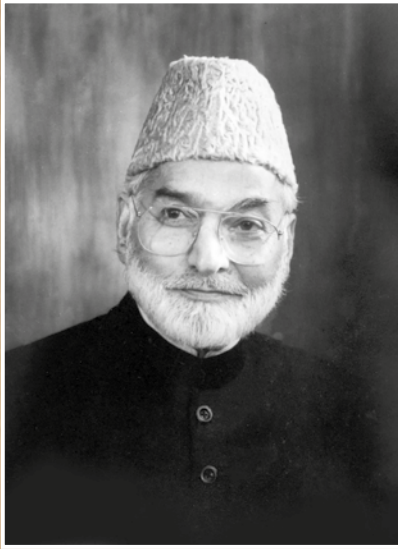
Every challenge presents an opportunity to unlock new possibilities. Whether in business, personal growth, or innovation, stepping beyond comfort zones often leads to breakthroughs.

The key lies in embracing change, staying open to new ideas, and continuously learning. By shifting perspectives and taking bold steps, we uncover hidden opportunities that propel us forward. Growth isn't about waiting for the right moment—it's about creating it.

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Our History



Ch. Muhammad Hussain

The story of 'Servis' begins in late 1930s when a group of three young graduates from college, started exploring the possibility of doing business together instead of aspiring for secured jobs. These determined young men, Chaudhry Nazar Muhammad, Chaudhry Mohammad Husain, both hailing from villages in Gujrat and Chaudhry Muhammad Saeed from the neighboring district of Gujranwala, had scarce capital as they came from families with modest means. They pooled their personal savings, and started 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.



Ch. Nazar Muhammad

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

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



Ch. Muhammad Saeed

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 5 main companies namely Service Industries Limited, Service Long March Tyres (Pvt) Limited, Service Global Footwear Limited, Service Tyres (Pvt) Limited and Service Retail (Pvt) Limited selling quality Footwear in local and export, all steel truck and bus radial tyres, Agri Tyres and tubes, 2 wheeler and 3 wheeler tyres and tubes, a retail network of footwear 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

Shares Registrar

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

**Pakistan Stock Exchange
Limited**
Stock Exchange Symbol **SGF**

Factory
10-KM Muridke, Sheikhpura
Road, Muridke

Web Presence
www.serviceglobalfootwear.com

Dream big.
Start small.
Act now.



Geographical Presence

Our products are available in more than twenty countries.





Notice of Annual General Meeting

Notice is hereby given that the 6th Annual General Meeting ("AGM") of Service Global Footwear Limited (the Company) will be held on **Monday, the April 28, 2025 at 9:30 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, 2024, 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 annual report including 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://serviceglobalfootwear.com/financial-reports/>



2. To approve the final cash dividend of Rs.4 per share i.e. 40 % as recommended by the Board of Directors for the year ended December 31, 2024.
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 26, 2024 and expiring on June 30, 2025 for a further period of one year till June 30, 2026 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 07, 2025

Waheed Ashraf
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from April 22, 2025 to April 28, 2025 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on April 21, 2025 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 21, 2025.

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) Regulations, 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 21, 2025. 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 21, 2025.
- 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 25, 2025 till April 27, 2025 5:00 p.m. Voting shall close on April 27, 2025, 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 27, 2025 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 31 December 2024, 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://serviceglobalfootwear.com/financial-reports/>
- 
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 28, 2025.

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 26, 2024 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, 2025 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 March 18, 2025.

The tenor of the working capital loan will be expiring on June 30, 2025. 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, 2026. 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 March 25, 2025 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, 2026 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. The Directors are also interested to the extent of their remunerations.

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 79.37% 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	1,285,501
Mr. Hassan Javed	1
Mr. Azmat Ali Ranjha	1
Mr. Abdul Rashid Lone	1
Ms. Maleeha Humayun Bangash	1
Mr. Hassan Ehsan Cheema	412,501
Mr. Qadeer Ahmed Vaseer	312,501

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 26, 2024 and expiring on June 30, 2025, for a further period of one year till June 30, 2026 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, 2025. - 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. - The Long term loan was fully repaid and no loan is outstanding as of today.
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 is five (5) years from January 22, 2024.	No deviation. Long-term loan and working capital loan have already been repaid.
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>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 June 30, 2024 the balance sheet size is Rs. 36.95 Billion, Profit after tax is Rs. 5.36 Billion and Earnings per share is Rs. 3.99</p> <p>As per audited financial statements for the year ended June 30, 2020 the balance sheet size was Rs. 1.52 Billion, Profit after tax was Rs. 18.41 Million and Earnings per share was Rs. 0.12.</p>	Currently no amount is due from associated company.

Information under Regulation 3(4) and Regulation 4(3) of the Regulations:

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



Continuous
effort-not
strength or
intelligence-is the
key to unlocking
our potential



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 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 fast track 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 was recently elected as President of the Pakistan Olympic Association.

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

He currently serves as the Chairman of Pakistan Revenue Automation (Private) Limited (PRAL) and as an Independent Director on the Board of Sui Northern Gas Pipelines Limited (SNGPL).



Mr. Omar Saeed
Director

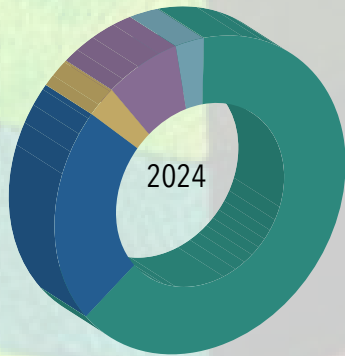
Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School. He is the Chief Executive Officer of Service Long March Tyres (Private) Limited and Servis Foundation. Omar also serves as a Director on the Boards of Nestle Pakistan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

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

Value Added and its Distribution

	2024		2023	
	(Rs in '000)	%	(Rs in '000)	%
Wealth Generated				
Sales	17,391,854		15,061,817	
Other Income	1,642,388		1,246,168	
Bought-in-material & Services	(12,165,373)		(9,833,290)	
	6,868,869	100%	6,474,695	100%
Wealth Distributed				
To Employee				
Remuneration , Benefits,and Facilties	4,259,071	62%	3,596,734	56%
To Government				
Taxation	521,613	8%	412,200	6%
Workers welfare fund	33,202	0%	32,527	1%
To Lenders				
Dividend	824,226	12%	1,029,588	16%
Mark up & finance Cost	667,078	10%	1,007,721	16%
Retained for Reinvestment & Future Growth				
Deperication	282,668	4%	243,906	4%
Retained Profit	281,011	4%	152,019	2%
Unappropriated profit,deperication & amortization	563,679	8%	395,925	6%
	6,868,869	100%	6,474,695	100%

Wealth Generated and Distributed

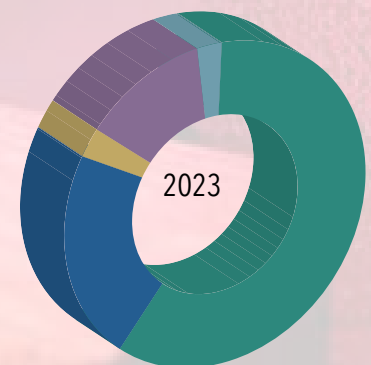


2024

	Amount	%
● Bought in material & Services	12,165,373	63.91%
● To Employees	4,259,071	22.38%
● To Government	554,815	2.91%
● To Lenders	1,491,304	7.83%
● Retained for reinvestment & Future Growth	563,679	2.96%
Total	19,034,242	100%

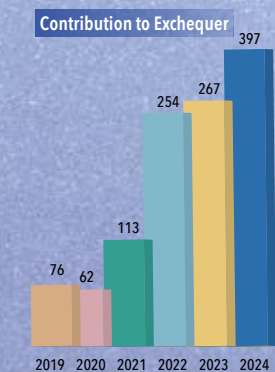
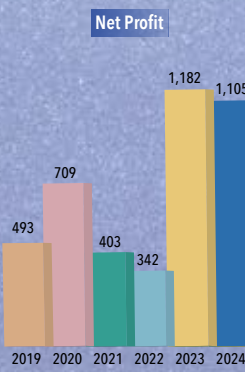
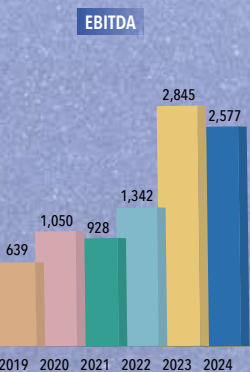
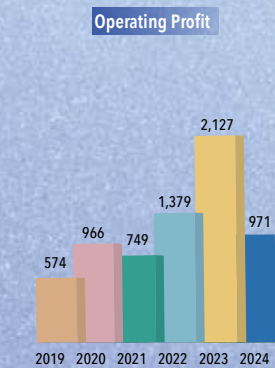
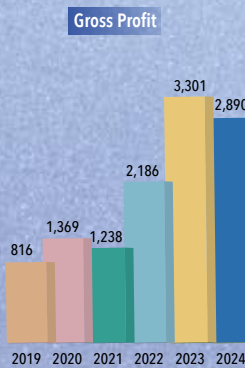
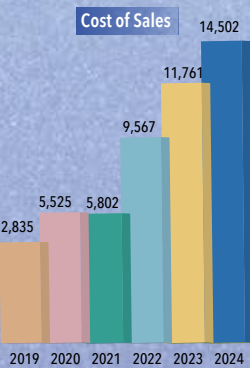
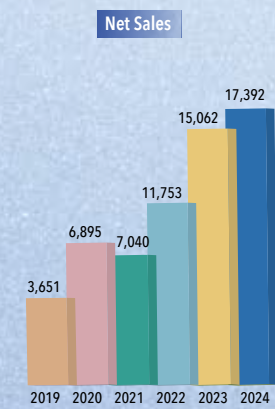
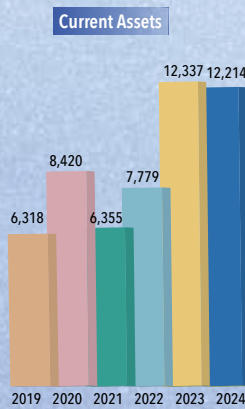
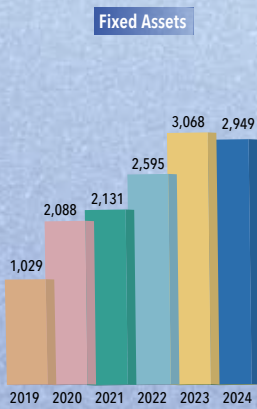
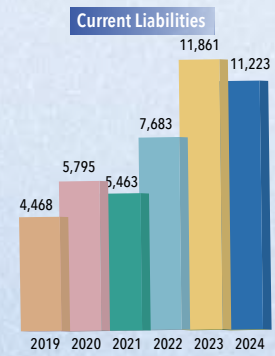
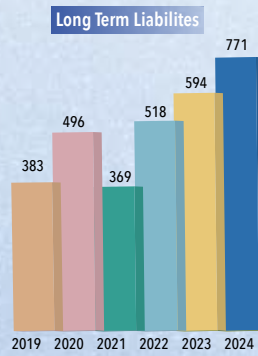
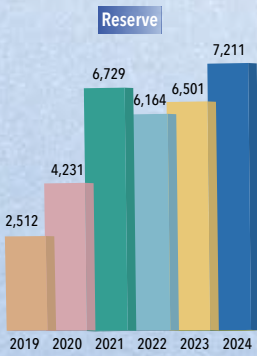
2023

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

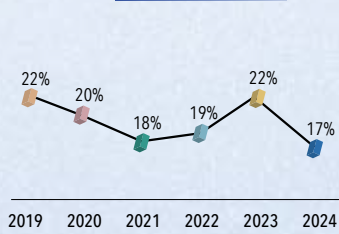


Analytical Review

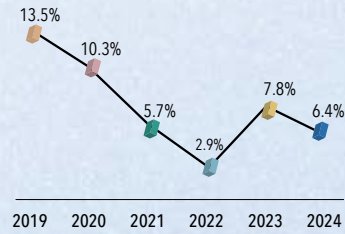
Rs. in million



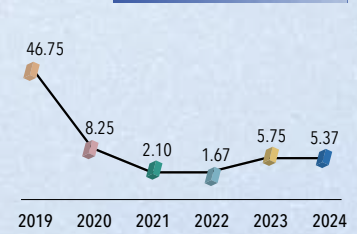
Gross Profit Margin



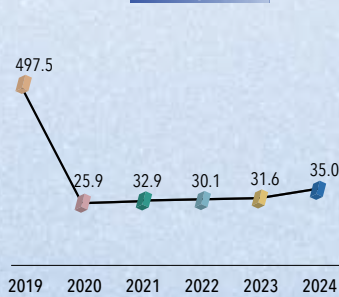
Net Profit Margin



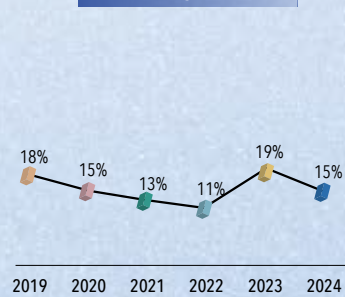
Earning per share (Basic)



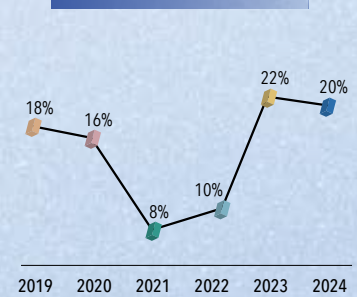
Breakup Value



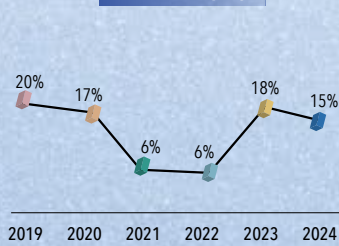
EBITDA Margins to Sales



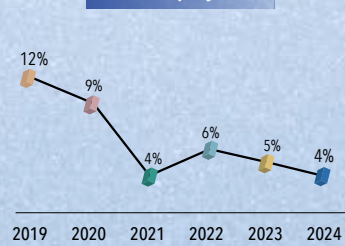
Return on Capital Employed



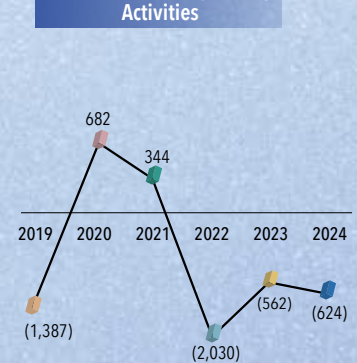
Return on Equity



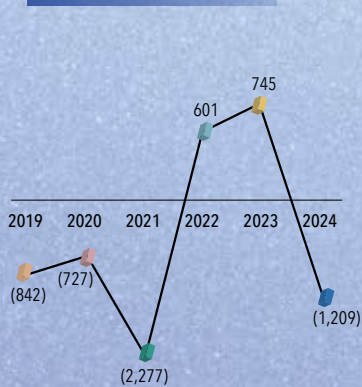
Debt to Equity Ratio



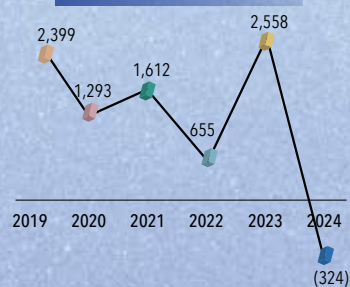
Cash Flows from Operating Activities



Cash Flows from Investing Activities

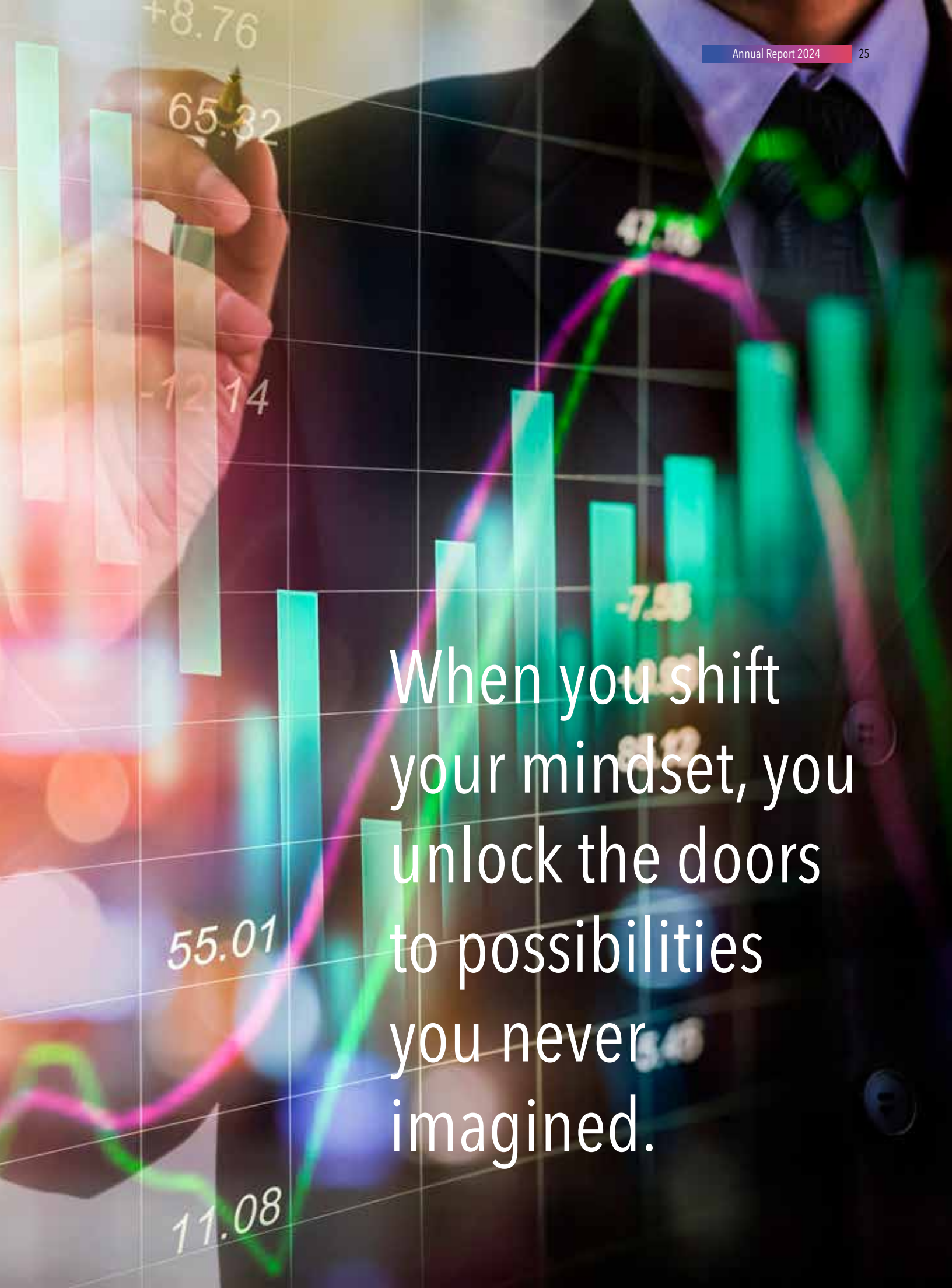


Cash Flows from Financing Activities



Six Years at a Glance

Description	2024	2023	2022	2021	2020	2019 (6 months)
Sales	17,392	15,062	11,753	7,040	6,895	3,651
Gross profit	2,890	3,301	2,186	1,238	1,369	816
Operational profit	971	2,127	1,379	749	918	594
Profit before tax	1,627	1,594	688	573	777	532
Profit after tax	1,105	1,182	342	403	709	493
Share capital	206.06	205.92	205.09	204.44	163.55	5.05
Share holder's equity	7,211	6,501	6,164	6,729	4,231	2,512
Property, plant & equipment	2,949	3,068	2,595	2,131	2,088	1,029
Total assets	19,205	18,955	14,365	12,562	10,522	7,402
Net current assets	990	476	96	891	2,625	1,850
Market Value Per Share (Rs.)	100	60	33	46	-	-
Dividend (%)						
Cash - Interim	-	30	25	-	-	-
Cash - Final	40	20	10	20	-	-
Profitability (%)						
Gross Profit	16.62	21.92	18.60	17.58	19.86	22.34
Operational profit	5.58	14.12	11.73	10.64	13.31	16.28
Profit before levy and tax	9.35	10.58	5.85	8.14	11.28	14.56
Profit after levy and Tax	6.35	7.85	2.91	5.73	10.28	13.52
Return to Shareholders						
R.O.E -Before Tax (%)	22.56	24.52	11.16	8.51	18.38	21.16
R.O.E -After Tax (%)	15.33	18.18	5.54	5.99	16.75	19.64
E.P.S-Basic (Rs.)	5.37	5.75	1.67	2.10	8.25	46.75
E.P.S-Diluted (Rs.)	5.34	5.75	1.67	2.10	8.25	46.75
Price Earning Ratio	18.62	10.49	19.84	22.08	-	-
Activity (Times)						
Sales To Total Assets	0.91	0.79	0.82	0.56	0.66	0.49
Sales To Fixed Assets	5.90	4.91	4.53	3.30	3.30	3.55
Inventory Turnover Ratio	3.33	2.97	3.51	3.34	3.73	3.59
Interest Coverage Ratio	3.44	2.58	2.47	4.11	6.54	9.48
Liquidity/Leverage						
Current Ratio	1.09	1.04	1.01	1.16	1.45	1.41
Break-up Value per Share	34.99	31.57	30.06	32.92	25.87	497.45
Total Liabilities To Equity	1.66	1.92	1.33	0.87	1.49	1.95
Debt Equity Ratio	04:96	05:95	06:94	04:96	09:91	12:88



When you shift
your mindset, you
unlock the doors
to possibilities
you never
imagined.

Horizontal Analysis

	2024		2023		2022		2021		2020	
	Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year		Increase/(Decrease) from last year	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Balance Sheet										
Equity and liabilities										
Equity & Reserve	7,210,915	10.9%	6,500,843	5.5%	6,164,524	-8.4%	6,729,388	59.1%	4,230,787	68.4%
Long term financing facilities	253,426	-18.4%	310,565	-13.9%	360,852	42.9%	252,589	-35.8%	393,429	23.1%
Non Current Liability	517,457	82.7%	283,197	79.9%	157,391	35.0%	116,625	14.2%	102,118	60.0%
Current Liabilities	11,223,199	-5.4%	11,860,656	54.4%	7,682,519	40.6%	5,463,321	-5.7%	5,795,184	29.7%
	19,204,997	1.3%	18,955,261	32.0%	14,365,286	14.4%	12,561,923	19.4%	10,521,518	42.9%
Non-Current Asset										
Property Plant and Equipment	2,948,805	-3.9%	3,067,982	18.2%	2,594,578	21.7%	2,131,404	2.1%	2,087,874	102.9%
long term investment	4,035,432	45.1%	2,780,856	25.4%	2,217,650	22.8%	1,805,402	0.0%	-	0.0%
long term loan & deposit	7,199	-99.1%	769,424	-56.6%	1,774,206	-21.9%	2,270,404	16993.8%	13,282	-18.6%
Current Asset										
Stores and spares	166,034	34.4%	123,493	50.7%	81,956	90.3%	43,061	-1.1%	43,535	20.6%
Stock in-trade	4,151,812	-8.8%	4,554,136	35.5%	3,360,359	60.5%	2,093,095	51.6%	1,381,029	-12.5%
Trade Debts	2,306,192	34.8%	1,710,366	-7.0%	1,839,720	125.0%	817,714	-12.6%	936,041	42.0%
Loans & Advances	2,873,329	97.2%	1,457,205	18.4%	1,230,354	-21.0%	1,557,662	-50.5%	3,149,790	32.2%
Trade Deposits and Prepayments	24,703	197.1%	8,316	-36.0%	12,988	97.9%	6,564	0.3%	6,546	110.6%
Other receivables	1,946,521	23.2%	1,580,433	44.7%	1,091,855	21.2%	901,200	-45.3%	1,647,008	-0.2%
Cash and Balance	744,970	-74.3%	2,903,050	1696.2%	161,620	-82.7%	935,417	-25.5%	1,256,413	14541.8%
	19,204,997	1.3%	18,955,261	32.0%	14,365,286	14.4%	12,561,923	19.4%	10,521,518	42.9%
Profit & Loss										
Net Sales	17,391,854	15.5%	15,061,817	28.2%	11,753,088	66.9%	7,040,157	2.1%	6,894,711	88.9%
Cost of Sales	14,501,963	23.3%	11,760,696	22.9%	9,567,437	64.9%	5,802,423	5.0%	5,525,411	94.9%
Gross Profit	2,889,891	-12.5%	3,301,121	51.0%	2,185,651	76.6%	1,237,734	-9.6%	1,369,300	67.9%
Administration and selling expenses	2,238,351	15.0%	1,945,761	30.6%	1,490,251	46.5%	1,017,231	17.3%	867,498	77.4%
Other income	319,241	-58.7%	772,129	12.9%	683,804	29.5%	528,133	13.8%	464,069	87.5%
Operating profit	970,781	-54.4%	2,127,489	54.3%	1,379,204	84.2%	748,636	-22.5%	965,871	68.3%
Financial charges	667,078	-33.8%	1,007,721	115.7%	467,180	153.8%	184,057	31.2%	140,320	123.9%
Share of profit	1,323,147	179.1%	474,039	311.6%	(224,074)	-2831.9%	8,202	-117.0%	(48,110)	-337.6%
Profit before levy and tax	1,626,850	2.1%	1,593,807	131.7%	687,950	20.1%	572,781	-26.3%	777,441	46.2%
Provision for levy and tax	521,613	26.5%	412,200	19.2%	345,891	104.0%	169,560	147.0%	68,646	79.8%
Profit after levy and tax	1,105,237	-6.5%	1,181,607	245.4%	342,059	-15.2%	403,221	-43.1%	708,795	43.6%

Vertical Analysis

	2024		2023		2022		2021		2020		2019	
	Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)		Increase/(Decrease)	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
Balance Sheet												
Equity and liabilities												
Equity & Reserve	7,210,915	37.5%	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	253,426	1.3%	310,565	1.6%	360,852	2.5%	252,589	2.0%	393,429	3.7%	319,484	4.3%
Non Current Liability	517,457	2.7%	283,197	1.5%	157,391	1.1%	116,625	0.9%	102,118	1.0%	63,817	0.9%
Current Liabilities	11,223,199	58.4%	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%
	19,204,997	100.0%	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	2,948,805	15.4%	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	4,035,432	21.0%	2,780,856	14.7%	2,217,650	15.4%	1,805,402	14.4%	-	0.0%	-	0.0%
Long term loans & deposit	7,199	0.0%	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	166,034	0.9%	123,493	0.7%	81,956	0.6%	43,061	0.3%	43,535	0.4%	36,112	0.5%
Stock in-trade	4,151,812	21.6%	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	2,306,192	12.0%	1,710,366	9.0%	1,839,720	12.8%	817,714	6.5%	936,041	8.9%	659,099	9.0%
Loans & Advances	2,873,329	15.0%	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	24,703	0.1%	8,316	0.0%	12,988	0.1%	6,564	0.1%	6,546	0.1%	3,108	0.0%
Other receivables	1,946,521	10.1%	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	744,970	3.9%	2,903,050	15.3%	161,620	1.1%	935,417	7.4%	1,256,413	11.9%	8,582	0.1%
	19,204,997	100.0%	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												
Profit & Loss												
Net Sales	17,391,854	100.0%	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	14,501,963	83.4%	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	2,889,891	16.6%	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	2,238,351	12.9%	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	319,241	1.8%	772,129	5.1%	683,804	5.8%	528,133	7.5%	464,069	6.7%	247,517	6.8%
Operating profit	970,781	5.6%	2,127,489	14.1%	1,379,204	11.7%	748,636	10.6%	965,871	14.0%	574,042	15.7%
Financial charges	667,078	3.8%	1,007,721	6.7%	467,180	4.0%	184,057	2.6%	140,320	2.0%	62,678	1.7%
Share of profit	1,323,147	7.6%	474,039	3.1%	(224,074)	-1.9%	8,202	0.1%	(48,110)	-0.7%	20,248	0.6%
Profit before levy and tax	1,626,850	9.4%	1,593,807	10.6%	687,950	5.9%	572,781	8.1%	777,441	11.3%	531,612	14.6%
Provision for levy and tax	521,613	3.0%	412,200	2.7%	345,891	2.9%	169,560	2.4%	68,646	1.0%	38,185	1.0%
Profit after levy and tax	1,105,237	6.4%	1,181,607	7.8%	342,059	2.9%	403,221	5.7%	708,795	10.3%	493,427	13.5%

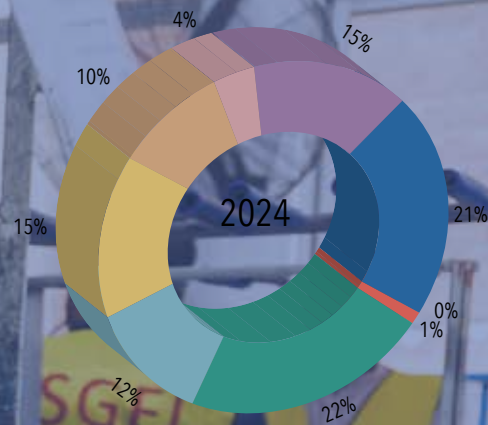


Achieving
goals is the
art of making
impossible,
possible

Balance Sheet Composition

Fixed and Current Assets

	2024
Fixed assets	15%
Long term investments	21%
Long term loans and deposits	0%
Stores and spares	1%
Stock in trade	22%
Trade debts - net	12%
Advances and prepayments	15%
Other receivables	10%
Cash and bank balances	4%

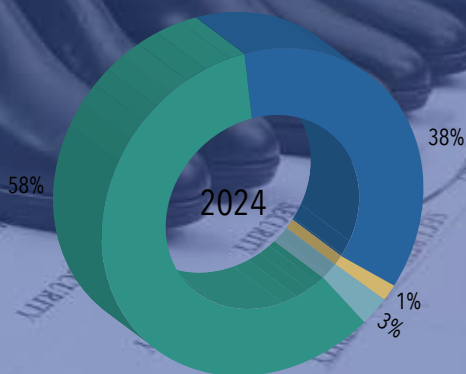


	2023
Fixed assets	16%
Long term investments	15%
Long term loans and deposits	4%
Stores and spares	1%
Stock in trade	24%
Trade debts - net	9%
Advances and prepayments	8%
Other receivables	8%
Cash and bank balances	15%

	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%

Equities and Liabilities

	2024
Equity & Reserves	38%
Long term financing	1%
Non Current Liabilities	3%
Current liabilities	58%



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

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

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 31 December 2024.

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 2024, 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. 4 per share.



Arif Saeed
Chairman

25 March 2025
Lahore



Directors' Report to the Shareholders

The Board of Directors of Service Global Footwear Limited (SGFL) is pleased to present to you its Annual Report along with the company's audited financial statements of the Company for the year ended 31 December 2024 ("FY 2024").

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017. This report is to be submitted to the members at the upcoming Annual General Meeting of the Company to be held on 28 April 2025.

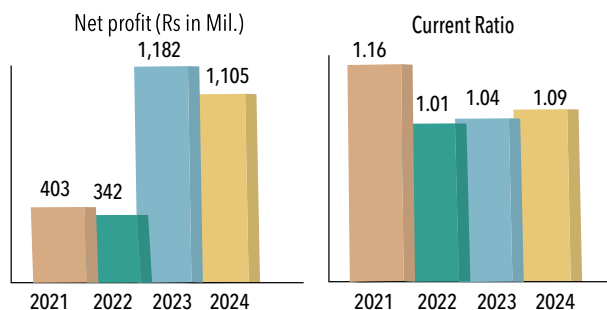
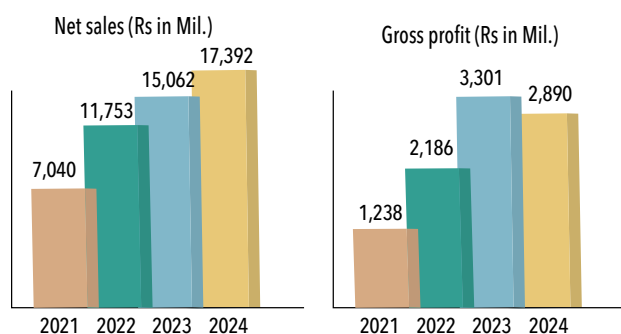
SGFL is a leading footwear manufacturer in Pakistan, exclusively producing footwear for export markets. As the country's largest footwear exporter, SGFL specializes in comfort shoes, which serve as its core product category and primary revenue driver.

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

KEY PERFORMANCE INDICATORS (KPIs) - FY 2024 V/S FY 2023

Service Global Footwear Limited (SGFL) demonstrated strong sales growth in FY 2024, despite facing multiple cost-related challenges. The following table highlights the key performance indicators (KPIs) for the year ended 31 December 2024, compared to 31 December 2023.

PARTICULARS	2024		2023	
	Amount In Thousands	Percentage To Sales	Amount In Thousands	Percentage To Sales
Net Revenue	17,391,854		15,061,817	
Gross Profit	2,889,891	17%	3,301,121	22%
Profit before levy and tax	1,626,850	9%	1,593,807	11%
Profit after tax	1,105,237	6%	1,181,607	8%
Earning Per Share (basic)	5.37		5.75	
Earning Per Share (diluted)	5.34		5.75	



Service Global Footwear Limited has recorded an impressive 15.47% growth in sales, reaching to Rs. 17.39 billion compared to Rs. 15.06 billion last year. However, this year posed multiple challenges on cost end pushing cost of production to outpace the increase in sales. This resulted in drop of Gross margins by 24.19% vs last year. The major challenges include rising energy costs, an increase in minimum wage, stable currency, higher freight cost due to red sea conflict and other higher input costs. The management's strategic decision to develop the USA market for future growth needs bigger scale to achieve better margins. This contraction in margins reflects the industry-wide challenge affecting manufacturers.

SGFL's strategic investment in Service Long March Tyres (SLM) has helped a lot to stabilize company's financial performance and has contributed Rs 1,323 million towards SGFL profit. Consequently, the company's profit before tax surged from Rs. 1,594 million to Rs. 1,627 million in current year 2024. This investment has not only yielded immediate returns but also promises a sustained profitability in the future, enhancing shareholder value significantly.

SGFL's net profit after tax comes to Rs. 1,105 million, compared to Rs. 1,182 million in last year.

The EPS for the year is Rs 5.37 against Rs 5.75 last year.

Despite these challenges, SGFL remains committed to operational efficiency and strategic growth initiatives, positioning the company for sustainable performance improvement in the future.

Global Economy

Global growth has ended at 3.1% in 2024, slightly lower than 2023(3.2%). The pre-pandemic numbers of average growth of 3.7% (2000-2019) are distant numbers to achieve in foreseeable future. For the year 2025, this growth is expected to be at similar level of 3.2%. However recent policies of newly elected US administration can play a vital role in global trade this year.

Geopolitical risk remains high. With the outcome of the US election, inflationary trade and immigration policies are expected to slow down the international trade. Any major shift in tariffs in the US could trigger retaliatory measures. The forecast thereafter depends heavily on the pace of tariffs and whether we see a full-blown trade war erupt. An inflationary environment will put pressure on commodity prices giving this pressure back to manufacturers, especially in Asia to remain competitive, for continuing their exports in the US.

In parallel, the European economy faced substantial challenges throughout the year 2024, primarily due to the ongoing Russia-Ukraine conflict and political instability in major economies like Germany and France. Germany, the largest economy in the Europe ("EU"), recorded negative GDP growth in 2024, struggling with immigration pressures, political uncertainty, a decline in domestic production, and inflationary burdens. For 2025, Europe's economic outlook remains fragile, with recovery dependent on resolving geopolitical tensions and achieving political stability.

Pakistan Economy

According to reports published by Pakistan's ministry of Finance and SBP, Pakistan's economy grew by 2.4% in FY 2024, recovering from a 0.2% contraction in FY 2023. This rebound was largely driven by renewed support from multilateral and bilateral partners, including the successful completion of a USD 3 billion IMF Stand-By Agreement and the new IMF program of US \$ 7 billion.

The current account deficit saw a significant reduction, declining by 79% to USD 0.7 billion, reflecting improved external balances. Imports slightly declined by 0.72% to USD 54.79 billion, down from USD 55.19 billion in the previous year, while exports grew by 10.65% to USD 30.67 billion, compared to USD 27.72 billion in FY 2023.

Similarly, foreign remittances increased by 10.7% to USD 30.25 billion, up from USD 27.33 billion, supporting foreign exchange reserves. Consequently, the State Bank of Pakistan's (SBP) foreign exchange reserves rose by USD 5.0 billion, reaching USD 9.4 billion from USD 4.4 billion in FY 2023.

This reserve buildup contributed to a 3% appreciation in the PKR/USD exchange rate, closing at 278.3 PKR per USD. Inflation dropped sharply to 4.1% in December 2024, down from 29.7% in December 2023, leading the State Bank of Pakistan (SBP) to reduce the policy rate by 900 basis points to 13% till December 2024 & 12% in January 2025.

However, the export industry is expected to bear the burden of unfavorable FOREX policies, as the stable exchange rate limits the ability to pass on rising production costs in the export sector.

GROUP REPORTING – SUBSIDIARY COMPANY

The Group comprises 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 registered with Dongguan Administration of Market Regulations, China. Date of incorporation of Dongguan Service Global Limited is 18 December 2022. Business scope of Dongguan Service Global Limited is wholesale of shoes and hats, sales of leather products, sales of needle textiles and raw materials, wholesale of hardware products, sales of bags, sales of daily necessities, inspection of clothing and apparel, finishing services, technical services and other related matters. Commercial

address of Dongguan Service Global Limited is Room 302, No. 18, Houjie Town, Dongguan City, Guangdong Province, China. 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	2024		2023	
	Amount In Thousands	Percentage To Sales	Amount In Thousands	Percentage To Sales
Net Revenue	17,467,975		15,071,163	
Gross Profit	3,179,279	18%	3,346,474	22%
Profit before levy and tax	1,634,863	9%	1,583,534	11%
Profit after tax	1,113,250	6%	1,171,334	8%
Earning Per Share (basic)	5.40		5.70	
Earning Per Share (diluted)	5.38		5.70	

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

The Auditors of the Company has given a qualified opinion on consolidated financial statements on the basis that the financial statements of Dongguan Service Global Limited - Subsidiary Company for the year ended 31 December 2024 are un-audited. The financial statements of Dongguan Service Global Limited have been prepared by the management in accordance with Chinese Accounting Standards for Small Business Enterprises. Since, 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 2024, therefore, keeping in view the immateriality, no adjustment to the consolidated financial statements of the Company for the year ended 31 December 2024 is mandated as per IFRS.

DIVIDEND

The Board of Directors of the company in their meeting held on 25 March 2025 has declared a final cash dividend of Rs. 4 per share (2023: Final cash dividend of Rs 2 per share and interim cash dividend of Rs. 3 per share) which is subject to the approval of members in the Annual General Meeting to be held on 28 April 2025.

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

The calendar year 2024 has been a good year for SLM. The Company made a further investment of Rs. 286 million in SLM. SLM has increased its capacity this year operating at full capacity. This expansion resulted in significant revenue growth in SLM.

Directors' Report to the Shareholders

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

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.

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.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

At SGFL, we are committed to excellence in Environmental, Social, and Governance (ESG) practices. Our ESG framework is designed to align with global standards, ensuring sustainability, ethical business practices, and corporate responsibility.

1. Environmental Commitment

SGFL takes a proactive approach towards environmental sustainability. We are proud to be one of the first solar-powered factories in the region. Our journey toward green energy began in 2017 with a 1MW solar power installation, and today, we operate a 2MW solar system, meeting half of our electricity needs. In 2025, we are going to double this capacity by adding another 2MW solar plant.

Beyond solar energy, SGFL has obtained HIGG FEM (Facility Environmental Module) certification, which reflects our commitment to eco-friendly manufacturing practices. We have also implemented:

- Recycled Claim Standard (RCS) compliance in our material sourcing.
- FSC-certified packaging materials to minimize waste and support responsible sourcing.

Our environmental initiatives not only contribute to carbon footprint reduction but also provide cost-effective energy solutions for long-term sustainability.

2. Social Responsibility

SGFL is deeply committed to upholding ethical labor practices, workplace safety, and social well-being. We go beyond mere legal compliance and actively foster an inclusive and supportive work environment.

Certifications & Compliance:

We maintain global social compliance certifications, including:

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

These certifications reinforce our dedication to human rights, fair labor standards, and ethical working conditions, in alignment with International Labour Organization (ILO) conventions and national labor laws.



Workforce Inclusivity & Ethical Labor Practices:

- **Equal Opportunity Employer:** SGFL promotes diversity and inclusion, encouraging female participation and employment of persons with special needs.
- **Open-Door Policy:** We welcome third-party audits and continuous feedback to enhance workplace well-being and employee satisfaction.

SGFL believes in fostering an environment of respect, fairness, and professional growth, ensuring our workforce remains engaged, valued, and motivated.

3. Governance & Ethical Business Practices

Corporate Governance

SGFL has implemented a comprehensive Integrated Management System (IMS), certified by:

- ISO 9001:2015 (Quality Management)
- ISO 14001:2015 (Environmental Management)
- ISO 45001:2018 (Occupational Safety)
- ISO 17025:2017 (Laboratory Management System)
- CTPAT (Customs Trade Partnership Against Terrorism) certification

These certifications establish global best practices in risk management, regulatory compliance, environmental sustainability, and continuous operational improvement.

Business Ethics & Integrity

SGFL upholds the highest ethical standards through:

- A strong Code of Conduct that ensures compliance with legal and regulatory requirements.
- A transparent and ethical business culture, emphasizing integrity and accountability.
- Commitment to fair trade practices, reinforcing our reputation as a responsible corporate entity.

By adhering to these principles, SGFL fosters trust and credibility among stakeholders, including employees, customers, investors, and the global business community.

CONTRIBUTION TO NATIONAL EXCHEQUER

SGFL has made a significant annual contribution to the national exchequer on account of taxes, duties and levies. In 2024, SGFL contributed PKR 397 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.

Directors' Report to the Shareholders

FUTURE OUTLOOK

SGFL is poised for substantial growth in the coming years. Our sales pipeline is strong, and we are expanding capacity to meet increasing demand. Existing customers are urging us to scale up, while promising opportunities with new leads are also emerging. Management anticipates aggressive annual sales growth over the next three years.

However, challenges persist, particularly regarding profitability. Pakistan's export sector is unlikely to see immediate relief under the ongoing IMF program. Rising production costs—driven by energy prices, increasing labor expenses, higher freight charges, raw material price hikes, the withdrawal of export-friendly loans, unfavorable tax policies, and restrictive foreign exchange regulations—will continue to pressure margins in 2025.

Meanwhile, our key markets in the U.S. and EU are facing economic uncertainties, affecting the profitability of our clientele. This limits our ability to raise selling prices, meaning manufacturers like SGFL must absorb higher costs, further squeezing margins. The industry is entering a survival-of-the-fittest phase.

To counter these challenges, SGFL is prioritizing efficiency-driven profitability. We are benchmarking global best practices in footwear manufacturing, optimizing production layouts, integrating automation, and adopting digital technologies. Collaborations with international firms are helping us to adopt best practices and evolve into a global powerhouse in footwear production. Additionally, doubling of solar power production in 2025 will provide us an edge in electricity cost leadership.

Our strong sales network and strategic alliances with reputable brands provide a significant opportunity to expand market share in North America and Europe. To meet rising demand, we are investing in a new production unit this year, ensuring we stay ahead of the curve and maximize opportunities when market conditions improve.

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:

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts have been maintained by the Company.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements except for the change in accounting policy of "Taxation and Levy" as stated in Note 2.3 to the annexed financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements.
- e. The Company maintains a sound internal control system which gives reasonable assurance against any material misstatement or loss. The internal control system is regularly reviewed. This has been formalized by the Board's Audit Committee and is updated as and when needed.
- f. There are no significant doubts about the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. The Key operating and financial data for the last five 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.

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' Report to the Shareholders

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 31 December 2024, the following amounts were charged in the financial statements for remuneration including benefits to Chief Executive Officer, Executive Directors and Non-Executive Directors:

- a) Rs. 176.414 million (2023: 107.199 million) on account of Chief Executive Officer.
- b) Rs. 79.662 million (2023: 59.945 million) on account of two Executive Directors.
- c) 122,500 share options were granted to the two Executive Directors under Employees Stock Option Scheme, 2020 (ESOS) at exercise price of Rs. 36 per share (2023: 100,000 share options were granted at exercise price of Rs. 30 per share).
- d) 25,000 shares (2023: 250,000 shares) were allotted to the two Executive Directors during the year against options granted to them in earlier years.
- e) Rs. 1.78 million (2023: Rs.2.16) was paid as meeting fee to three Directors.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, four (04) 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	4/4
Mr. Hassan Javed	Chief Executive Officer	4/4
Chaudhry Ahmed Javed	Director- Non-Executive	0/4
Mr. Omar Saeed	Director- Non-Executive	4/4
Mr. Azmat Ali Ranjha	Director-Independent	4/4
Mr. Abdul Rashid Lone	Director- Independent	3/4
Ms. Maleeha Humayun Bangash	Director- Independent	2/4
Mr. Hassan Ehsan Cheema	Director- Executive	4/4
Mr. Qadeer Ahmed Vaseer	Director- Executive	3/4

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	4/4
Ms. Maleeha Humayun Bangash	Member / Independent Director	3/4

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Human Resource & Remuneration Committee comprises of three members one of whom is Independent Director, one is Non-Executive Director and one is Executive Director. The Chairman of the Committee is an Independent Director. The Committee is involved in making recommendations to the Board regarding executives' remuneration, performance evaluation and succession planning etc. The Committee held 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.

GENDER PAY GAP STATEMENT

The information about gender pay gap statement as required under SECP's Circular 10 of 2024 dated 17 April 2024 is annexed.

PATTERN OF SHAREHOLDING

The information about pattern of holding of the shares as at 31 December 2024 in the prescribed Form 20 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 31 December 2024 and 25 March 2025 except for declaration of final cash dividend of Rs. 4 per share (i.e. 40%) for the year ended 31 December 2024 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

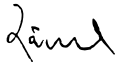
25 March 2025
Lahore

GENDER PAY GAP STATEMENT

Under SECP's Circular 10 Of 2024 Dated 17 April 2024

Following is the Gender Pay Gap calculated for the year ended 31 December 2024:

- | | | |
|-----|------------------------|--------|
| (1) | Mean Gender Pay Gap: | 8.11% |
| (2) | Median Gender Pay Gap: | No Gap |



Hassan Javed
Chief Executive Officer

Date: 25 March 2025

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 2024 Annual Report.

We use the section in the Annual Report to share how we are managing and measuring progress against our CSR goals, as well as to respond broadly to stakeholder expectations in this area. The newly established SGFL envisions to take forward the Group's CSR activities within current factory catchment i.e. Muridke, Sheikhpura.

Environment

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



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 ~129 females.



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.

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 (Supplier Ethical Data Exchange), 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 2024, SGFL contributed PKR 397 million to the government's nation building efforts.

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

Name of Company: Service Global Footwear Limited
Year ended: 31 December 2024

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 2024.

b) HR and Remuneration Committee

Two meetings of HR and Remuneration Committee were held during the year ended 31 December 2024.

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	Directors' Training Companies are encouraged to arrange training for at least one female executive every year under the Directors' Training Program from year July 2020.	The Company has planned to arrange Directors' Training Program certification for female executives over the next few years.	19(3)
5	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee.	29
6	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and a senior officer of the Company performs the requisite functions and apprise the Board accordingly.	30
7	Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.	35
8	Role of the Board and its members to address Sustainability Risks and Opportunities The board is responsible for governance and oversight of sustainability risks and opportunities within the Company by setting the Company's sustainability strategies, priorities and targets to create long term corporate value.	During the year, SECP introduced new regulation 10A in the Regulations on 12 June 2024. Currently, the management is assessing this amendment and compliance thereof, as applicable, will be performed in due course of time.	10(A)



Arif Saeed
Chairman

25 March 2025
Lahore



Hassan Javed
Chief Executive

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 2024 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 2024.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: 29 March 2025

UDIN: CR202410168NpfaxVRuO

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 2024, 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 2024 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 17,391.854 million for the year ended 31 December 2024.</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 2.19 to the financial statements. • Revenue-net, note 28 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 existence and valuation</p> <p>As at 31 December 2024, stock-in-trade is stated at Rupees 4,151.812 million.</p> <p>Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 21.62 % of total assets of the Company as at 31 December 2024, 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 2.16 to the financial statements. • Stock-in-trade note 20 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 inquires 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.

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

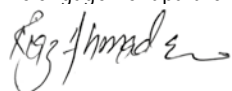
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes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

Report on Other Legal and Regulatory Requirements

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

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

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



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: 29 March 2025

UDIN: AR202410168MVzgu90E

Financial Statements



Statement of Financial Position

As at December 31, 2024

	Note	2024 Amount Rupees in thousand	2023 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 250,000,000 (2023: 250,000,000) ordinary shares of Rupees 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up share capital	4	2,060,564	2,059,175
Reserves	5	5,150,351	4,441,668
Total equity		7,210,915	6,500,843
LIABILITIES			
Non-current liabilities			
Long term financing	6	253,426	310,565
Employees' retirement benefit	7	238,661	216,104
Deferred income tax liability - net	8	278,796	67,093
		770,883	593,762
Current liabilities			
Trade and other payables	9	2,078,710	2,734,702
Accrued mark-up	10	46,928	169,111
Short term borrowings	11	9,032,440	8,282,347
Current portion of non-current liability	12	59,543	51,799
Dividend payable		-	617,753
Unclaimed dividend		5,578	4,944
		11,223,199	11,860,656
Total liabilities		11,994,082	12,454,418
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		19,204,997	18,955,261

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

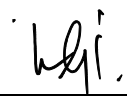


Hassan Javed
(Chief Executive)

		2024	2023
		Amount	Amount
	Note	Rupees in thousand	
ASSETS			
Non-current assets			
Fixed assets	14	2,948,805	3,067,982
Long term security deposits	15	4,354	11,057
Long term loans to employees	16	2,845	8,367
Long term investments	17	4,035,432	2,780,856
Long term loan to Holding Company	18	-	750,000
		6,991,436	6,618,262
Current assets			
Stores, spares and loose tools	19	166,034	123,493
Stock-in-trade	20	4,151,812	4,554,136
Trade debts	21	2,306,192	1,710,366
Loans and advances	22	2,873,329	1,457,205
Accrued mark-up	23	9,599	5,357
Short term deposits and prepayments	24	24,703	8,316
Other receivables	25	1,758,777	1,441,511
Advance income tax and prepaid levy - net	26	178,145	133,565
Cash and bank balances	27	744,970	2,903,050
		12,213,561	12,336,999
TOTAL ASSETS		19,204,997	18,955,261



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Statement of Profit or Loss

For the year ended December 31, 2024

		2024	2023
		Amount	Amount
	Note	Rupees in thousand	
Revenue - net	28	17,391,854	15,061,817
Cost of sales	29	(14,501,963)	(11,760,696)
Gross profit		2,889,891	3,301,121
Distribution cost	30	(1,352,327)	(1,186,780)
Administrative expenses	31	(776,650)	(671,194)
Other expenses	32	(109,374)	(88,230)
		(2,238,351)	(1,946,204)
		651,540	1,354,917
Other income	33	319,241	772,572
Profit from operations		970,781	2,127,489
Finance cost	34	(667,078)	(1,007,721)
		303,703	1,119,768
Share of net profit of associate accounted for using the equity method	17.2.1	1,323,147	474,039
Profit before levy and taxation		1,626,850	1,593,807
Levy	35	(197,133)	(232,435)
Profit before taxation		1,429,717	1,361,372
Taxation	36	(324,480)	(179,765)
Profit after taxation		1,105,237	1,181,607
EARNINGS PER SHARE - BASIC (RUPEES)	37	5.37	5.75
EARNINGS PER SHARE - DILUTED (RUPEES)	37	5.34	5.75

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, 2024

	2024 Amount	2023 Amount
	Rupees in thousand	
Profit after taxation	1,105,237	1,181,607
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Remeasurements of employees' retirement benefit obligation - net of tax	(18,689)	(31,642)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year - net of tax	(18,689)	(31,642)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,086,548	1,149,965

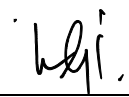
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Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Statement of Changes in Equity

For the year ended December 31, 2024

	Reserves							Total equity	
	Capital reserves				Share of employee share options reserve held by equity accounted investee	Revenue reserve	Un-appropriated profit		Total
	Share Capital	Reserve for issuance of bonus shares	Share premium	Share options reserve					
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)	-	-	-	8,300	
Employee share options lapsed	-	-	531	(531)	-	-	-	-	
Recognition of share options reserve	-	-	-	895	-	-	895	895	
	8,300	-	25,031	(24,136)	-	(822,841)	(821,946)	(813,646)	
Profit for the year	-	-	-	-	-	1,181,607	1,181,607	1,181,607	
Other comprehensive loss for the year	-	-	-	-	-	(31,642)	(31,642)	(31,642)	
Total comprehensive income for the year	-	-	-	-	-	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	
Adjustment due to equity accounted investee company	-	-	-	-	24,389	-	24,389	24,389	
Transactions with owners:									
Final dividend for the year ended 31 December 2023 @ Rupees 2 per share	-	-	-	-	-	(411,835)	(411,835)	(411,835)	
Ordinary shares issued under Employees Stock Option Scheme	1,389	-	3,184	(406)	-	-	2,778	4,167	
Employee share options lapsed	-	-	109	(109)	-	-	-	-	
Recognition of share options reserve	-	-	-	6,803	-	-	6,803	6,803	
	1,389	-	3,293	6,288	-	(411,835)	(402,254)	(400,865)	
Profit for the year	-	-	-	-	-	1,105,237	1,105,237	1,105,237	
Other comprehensive loss for the year	-	-	-	-	-	(18,689)	(18,689)	(18,689)	
Total comprehensive income for the year	-	-	-	-	-	1,086,548	1,086,548	1,086,548	
Balance as at 31 December 2024	2,060,564	1,390,684	1,716,321	7,183	24,389	2,011,774	5,150,351	7,210,915	

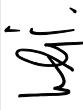
The annexed notes form an integral part of these financial statements.



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Statement of Cash Flows

For the year ended December 31, 2024

	Note	2024 Amount	2023 Amount
Rupees in thousand			
Cash flows from operating activities			
Cash generated from operations	38	594,703	727,207
Finance cost paid		(786,881)	(1,013,527)
Income tax and levy paid		(354,490)	(258,322)
Workers' profit participation fund paid	9.2	(35,275)	(18,883)
Workers' welfare fund paid	9.3	(992)	(13,759)
Employees' retirement benefit paid - net		(40,327)	(5,848)
Net decrease in long term loans to employees		7,551	5,477
Net (increase) / decrease in security deposits		(8,788)	1,742
Insurance claim received against loss of assets due to fire and business interruption loss		-	13,963
Net cash used in operating activities		(624,499)	(561,950)
Cash flows from investing activities			
Capital expenditure on fixed assets		(178,017)	(722,721)
Interest on saving accounts received		22,245	11,041
Loan given to Holding Company		(6,025,000)	(11,589,162)
Loans repaid by Holding Company		4,775,000	12,596,780
Interest on loans to Holding Company received		87,133	532,170
Dividend received from associate		379,360	-
Long term investment made		(286,400)	(89,167)
Proceeds from disposal of operating fixed assets		16,187	6,550
Net cash (used in) / from investing activities		(1,209,492)	745,491
Cash flows from financing activities			
Proceeds from exercise of share options		4,167	8,300
Repayment of long term financing		(49,395)	(39,450)
Short term borrowings - net		750,093	2,794,033
Dividends paid		(1,028,954)	(204,994)
Net cash (used in) / from financing activities		(324,089)	2,557,889
Net (decrease) / increase in cash and cash equivalents		(2,158,080)	2,741,430
Cash and cash equivalents at the beginning of the year	27	2,903,050	161,620
Cash and cash equivalents at the end of the year	27	744,970	2,903,050

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, 2024

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 17 to these financial statements.

1.2 Geographical location

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

Offices, Manufacturing unit and Retail outlet	Addresses
Registered Office and Head Office	Servis House, 2 - Main Gulberg, Lahore
Factory site	10 - KM, Muridke - 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 and levy

In making the estimates for income tax and levy 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.

Notes to the Financial Statements

For the year ended December 31, 2024

x) Share based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company measures the fair value of equity-settled transactions with employees at the grant date using a Black Scholes Model. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 5.3.8.

xi) Deferred income tax

From the current financial year, tax year 2025, income of the Company will be taxed under normal tax regime, hence, as on 01 January 2024, deferred income tax on taxable temporary differences between the accounting and tax base of fixed assets is required to be calculated. This is the first time the Company is transitioning to this regime. Previously, the Company was neither required nor claimed tax depreciation against final tax regime, hence, cost of fixed assets (post de-merger from Service Industries Limited - Holding Company with effect from 01 July 2019) is now being used as tax base for the calculation of taxable temporary differences against fixed assets. This critical accounting estimation, used by the management in the calculation of deferred tax, is based on the advice of legal counsel, and it reflects the best available information for the calculation of deferred tax.

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 2024:

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current;
- Amendments to IFRS 16 'Leases' - Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1 'Presentation of Financial Statements' - Non-current Liabilities with Covenants;
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' - Supplier Finance Arrangements.

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 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.

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

Following standards, amendments and improvements to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2025 or later periods:

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.

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.

IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 01 January 2027) with a focus on updates to the statement of profit or loss. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'. IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 'Climate-related Disclosures'. IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

The implementation of IFRS S1 and IFRS S2 will be phased as per the SECP's order dated 31 December 2024, with different effective dates based on annual turnover, number of employees, and total assets (Criteria). Phase I will apply to listed companies having specific Criteria for annual reporting periods beginning on or after 1 July 2025. Phase II will apply to other listed companies having specific Criteria for annual reporting periods beginning on or after 1 July 2026. Phase III will cover non-listed public interest companies and remaining listed companies for annual reporting periods beginning on or after 1 July 2027.

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' regarding the classification and measurement of financial instruments (effective for annual periods beginning on or after 01 January 2026). The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.

The International Accounting Standards Board (IASB) has published 'Annual Improvements to IFRS Accounting Standards – Volume 11'. The amendments are effective for annual reporting periods beginning on or after 01 January 2026. It contains amendments to following five standards as result of the IASB's annual improvements project.

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash flows.

The above standards, 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 2025 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2024

2.2 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.

2.3 Taxation and levy

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. Except for the tax (final tax) deducted by subsidiaries, associates or joint arrangements on distribution of dividend to the Company, final taxes levied under the Income Tax Ordinance, 2001 and any excess over the amount designated as provision for current tax are charged as levy in the statement of profit or loss. Tax (final tax) deducted by subsidiaries, associates or joint arrangements on distribution of dividend to the Company is charged as current tax in the statement of profit or loss. The charge for current tax and levy also includes adjustments, where considered necessary, to provision for tax and levy made in previous years arising from assessments framed during the year for such years. Previously, component representing levy was included in provision for current tax and was not separately charged in the statement of profit or loss. Now, the Company has changed its accounting policy of taxation and levy in accordance with "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes" issued by Institute of Chartered Accountants of Pakistan through Circular No. 7/2024. This change in accounting policy has been applied retrospectively in accordance with the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and resulted in following reclassification of corresponding figures:

Reclassified from	Reclassified to	31 December 2023
Rupees in thousand		
Statement of profit or loss:		
Taxation	Levy	232,435
Statement of financial position:		
Advance income tax	Prepaid levy	489,081
Provision for taxation	Levy payable	274,409

Had there been no change in the above-referred accounting policy, amounts of levy Rupees 197.133 million, levy payable Rupees 471.542 million and prepaid levy Rupees 742.641 million would have been presented as taxation expense, provision for taxation and advance income tax respectively in these financial statements for the year ended 31 December 2024. This change in accounting policy has no impact on earnings per share of the Company. Furthermore, the Company has not presented the third statement of financial position as at the beginning of the preceding period as the retrospective application does not have an effect on the information in the statement of financial position at the beginning of the preceding period.

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.

2.4 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.

2.5 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.

2.6 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.

Notes to the Financial Statements

For the year ended December 31, 2024

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 14.1. 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

Notes to the Financial Statements

For the year ended December 31, 2024

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.

2.12 Financial liabilities - classification and measurement

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

2.13 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.

2.14 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.

Notes to the Financial Statements

For the year ended December 31, 2024

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.

2.15 Impairment of non-financial assets

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

2.16 Inventories

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

Stores, spares and loose tools

Usable stores, 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

Notes to the Financial Statements

For the year ended December 31, 2024

2.27 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.

2.28 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.

2.29 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.

2.30 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.

2.31 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.

2.32 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.

2.33 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.

2.34 Goodwill

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

2.35 Government grants

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

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

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

2.36 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.

2.37 Dividend and other appropriations

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

3. SUMMARY OF OTHER ACCOUNTING POLICIES

3.1 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.

3.2 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.

Notes to the Financial Statements

For the year ended December 31, 2024

3.3 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.

3.4 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.

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2024	2023	2024	2023
	(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 between Service Industries Limited and its members and Service Global Footwear Limited and its members	150,000,000	150,000,000	1,500,000	1,500,000
Ordinary share of Rupees 10 each issued under Employees Stock Option Scheme	1,618,900	1,480,000	16,189	14,800
	206,056,400	205,917,500	2,060,564	2,059,175

4.1 Movement during the year

	2024	2023	2024	2023
	(Number of shares)		(Rupees in thousand)	
Balance at the beginning of the year	205,917,500	205,087,500	2,059,175	2,050,875
Issue of ordinary shares of Rupees 10 each under Employees Stock Option Scheme	138,900	830,000	1,389	8,300
Balance at the end of the year	206,056,400	205,917,500	2,060,564	2,059,175

4.2 163,550,000 (2023: 163,550,000) ordinary shares of the Company are held by Service Industries Limited - Holding Company.

4.3 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.

		2024	2023
		Amount	Amount
		Rupees in thousand	
5. RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Reserve for issuance of bonus shares	(Note 5.1)	1,390,684	1,390,684
Share premium	(Note 5.2)	1,716,321	1,713,028
Share options reserve	(Note 5.3)	7,183	895
Share of employee share options reserve held by equity accounted investee		24,389	-
		3,138,577	3,104,607
Revenue reserve			
Un-appropriated profit		2,011,774	1,337,061
		5,150,351	4,441,668

5.1 This reserve resulted due to the Scheme of Compromises, Arrangement and Reconstruction between Service Industries Limited and its members and Service Global Footwear Limited and its members.

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

5.3 Share options reserve

5.3.1 Description of scheme:

Employees Stock Option Scheme, 2020 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 25 November 2020 which comprises of an entitlement pool of 4.350 million shares. Under the scheme, share options of the 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 may be carried forward to the subsequent years. During the year, compensation committee granted 1,227,325 options having vesting period started from 01 January 2024 and ending on 31 December 2027 with exercise price of Rupees 36 per share. Remaining 919,675 options will be granted in subsequent year in accordance with the scheme.

		2024	2023
		Amount	Amount
		Rupees in thousand	
5.3.2 Movement in share options reserve:			
Balance at the beginning of the year		895	25,031
Add: Recognized during the year at the fair value		6,803	895
Less: Transferred to share premium		(515)	(25,031)
Balance at the end of the year		7,183	895

Notes to the Financial Statements

For the year ended December 31, 2024

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

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

	2024		2023	
	Number of options	WAEP (Rupees)	Number of options	WAEP (Rupees)
Outstanding at the beginning of the year	705,000	30	848,000	10
Add: Options granted during the year	1,227,325	36	705,000	30
Less: Options exercised during the year	(138,900)	30	(830,000)	10
Less: Options lapsed during the year	(37,350)	30	(18,000)	10
Outstanding at the end of the year	1,756,075	34.19	705,000	30
Exercisable at the end of the year	483,081	33.81	176,250	30

5.3.4 The weighted average share price at the date of exercise of options exercised during the year was Rupees 75.69 (2023: Rupees 34.95).

5.3.5 The weighted average remaining contractual life for the share options outstanding as at 31 December 2024 is 1.3 years (2023: 1.5 years).

5.3.6 The weighted average fair value of options granted during the year was Rupees 8.30 (2023: Rupees 2.14).

5.3.7 Exercise price for options outstanding at the end of the year is Rupees 30 and Rupees 36 (2023: Rupees 30).

5.3.8 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:

		2024	2023
Fair value at grant date	Rupees	4.58 to 13.10	1.41 to 2.92
Share price at grant date	Rupees	59.11	33.00
Exercise price	Rupees	36.00	30.00
Expected volatility	%	40.38%	31.77%
Expected life	Years	1.25 - 4.25	1 - 4
Expected dividend	%	30%	27%
Risk-free interest rate	%	15.08%	15.03%

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.

		2024	2023
		Amount	Amount
Rupees in thousand			
<hr/>			
6. LONG TERM FINANCING			
From banking companies - secured			
Long term loans	(Note 6.1)	312,969	362,364
Less: Current portion shown under current liabilities	(Note 12)	(59,543)	(51,799)
		253,426	310,565

Notes to the Financial Statements

For the year ended December 31, 2024

6.1 Long term loans

LENDER	2024	2023	RATE OF MARK-UP PER ANNUM	NUMBER OF INSTALMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
----- Rupees in thousand -----							
Habib Bank Limited	50,737	65,587	SBP rate for LTF + 0.50%	Three hundred and eight unequal instalments commenced on 22 June 2019 and ending on 08 August 2028. (Note 6.2)	-	Quarterly	
	139,358	149,306	6-months KIBOR + 0.50%	Thirty three unequal instalments commenced on 16 April 2024 and ending on 16 April 2032.	Semi annually	Semi annually	First joint pari passu hypothecation charge of Rupees 788 million on plant and machinery of the Company with 25% margin.
	190,095	214,893					
Habib Bank Limited	23,609	32,193	SBP rate for LTF + 0.50%	Thirty nine equal quarterly instalments commenced on 06 January 2018 and ending on 06 July 2027.	-	Quarterly	
	33,978	38,666	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.
	9,441	10,980	3-months KIBOR + 0.25%		Quarterly	Quarterly	
	43,419	49,646					
Allied Bank Limited	55,846	65,632	SBP rate for LTF + 0.25%	One hundred and seventy nine unequal instalments commenced on 21 April 2021 and ending on 29 October 2030. (Note 6.2)	-	Quarterly	
	312,969	362,364					

6.2 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.

7. EMPLOYEES' RETIREMENT BENEFIT

The latest actuarial valuation of the fund as at 31 December 2024 was carried out using the 'Projected Unit Credit Method'. Details of the fund as per the actuarial valuation are as follows:

	2024	2023
	Amount	Amount
	Rupees in thousand	
7.1 Amounts recognized in the statement of financial position are as follows:		
Present value of defined benefit obligation	275,616	247,100
Fair value of plan assets	(36,955)	(30,996)
Net defined benefit obligation	238,661	216,104
7.2 Movement in net defined benefit obligation		
Net liability at the beginning of the year	216,104	157,391
Current service cost	13,968	10,665
Net interest on defined benefit obligation	30,227	22,254
Net remeasurements for the year	18,689	31,642
Contributions made during the year	(42,188)	(7,824)
Liability transferred from the Holding Company	1,861	1,976
Net liability at the end of the year	238,661	216,104
7.3 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	247,100	185,141
Current service cost	13,968	10,665
Interest cost	35,031	26,278
Benefits paid during the year	(42,188)	(7,824)
Liability transferred from the Holding Company	1,861	1,976
Remeasurements on obligation:		
Actuarial (gains) / losses from changes in financial assumptions	(641)	14,761
Experience adjustments	20,485	16,103
Present value of defined benefit obligation at the end of the year	275,616	247,100
7.4 Movement in the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	30,996	27,750
Contributions made during the year	42,188	7,824
Interest income on plan assets	4,804	4,024
Benefits paid during the year	(42,188)	(7,824)
Return on plan assets excluding interest income	1,155	(778)
Fair value of plan assets at the end of the year	36,955	30,996

Notes to the Financial Statements

For the year ended December 31, 2024

7.4.1 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, Service Tyres (Private) Limited - subsidiary of the Holding Company and Service Retail (Private) Limited - subsidiary 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 Company, Service Tyres (Private) Limited - subsidiary of the Holding Company, Service Retail (Private) Limited - subsidiary of the Holding Company and Service Industries Limited - Holding Company.

	2024	2023
	Amount	Amount
	Rupees in thousand	
Mutual funds	129,653	107,455
Bank balances	902	1,660
Total plan assets	130,555	109,115
Allocated to the Company	(36,955)	(30,996)
Allocated to Service Industries Limited - Holding Company	(27,949)	(78,119)
Allocated to Service Tyres (Private) Limited - subsidiary of Holding Company	(55,744)	-
Allocated to Service Retail (Private) Limited - subsidiary of Holding Company	(9,907)	-
	-	-

7.5 Amounts recognized in the statement of profit or loss

Current service cost	13,968	10,665
Interest cost	35,031	26,278
Interest income on plan assets	(4,804)	(4,024)
Net expense charged in the statement of profit or loss	44,195	32,919

7.5.1 Charge for the year has been allocated as follows:

Cost of sales	(Note.29)	38,743	28,985
Distribution cost	(Note.30)	-	185
Administrative expenses	(Note.31)	5,452	3,749
		44,195	32,919

7.6 Remeasurements recognized in statement of comprehensive income

Experience adjustments	20,485	16,103
Actuarial (gains) / losses from changes in financial assumptions	(641)	14,761
Return on plan assets excluding interest income	(1,155)	778
	18,689	31,642

7.7 Principal actuarial assumptions used:

Discount rate used for interest cost	% per annum	15.50	14.50
Discount rate used for year end obligation	% per annum	12.25	15.50
Expected rate of salary increase	% per annum	12.25	15.50

7.8 Historical information

	2024	2023	2022	2021	2020
	Amount	Amount	Amount	Amount	Amount
-----Rupees in thousand-----					
Present value of defined benefit obligation	275,616	247,100	185,141	144,067	126,819
Fair value of plan assets	(36,955)	(30,996)	(27,750)	(30,203)	(28,177)
Deficit	238,661	216,104	157,391	113,864	98,642
Remeasurement loss on obligation	19,844	30,864	10,858	586	2,354
Remeasurement gain / (loss) on plan assets	1,155	(778)	(6,002)	(906)	42

7.9 The expected charge to statement of profit or loss for the year ending on 31 December 2025 will be Rupees 43.292 million.

7.10 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	258,698	294,778
Future salary increase	100	294,807	258,366

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.

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

7.12 The average duration of the benefit obligation is 7 years.

7.13 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
----- Rupees in thousand -----					
8,377	56,547	131,998	132,628	1,339,502	1,669,052

Notes to the Financial Statements

For the year ended December 31, 2024

	2024 Amount	2023 Amount
	Rupees in thousand	
8. DEFERRED INCOME TAX LIABILITY - NET		
8.1 The deferred income tax liability - net originated due to timing differences relating to:		
Taxable temporary differences:		
Long term investment - associate	278,796	67,093
Accelerated tax depreciation	110,312	-
Fair value of forward exchange contracts	61,869	-
	450,977	67,093
Deductible temporary difference:		
Minimum tax carry forward	(172,181)	-
Deferred income tax liability - net	278,796	67,093

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

	2024		
	Balance as at the beginning of the year	Recognized in statement of profit or loss	Balance as at the end of the year
	Rupees in thousand		
Long term investment - associate	67,093	211,703	278,796
Accelerated tax depreciation	-	110,312	110,312
Fair value of forward exchange contracts	-	61,869	61,869
Minimum tax carry forward:			
Available	-	(197,852)	(197,852)
Movement in deferred income tax not recognized	-	25,671	25,671
Deferred income tax recognized	-	(172,181)	(172,181)
	67,093	211,703	278,796
	2023		
	Balance as at the beginning of the year	Recognized in statement of profit or loss	Balance as at the end of the year
	Rupees in thousand		
Long term investment - associate	-	67,093	67,093

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

	Accounting year to which minimum tax carry forward relates	Amount 2024 Rupees in thousand	Accounting year in which minimum tax carry forward will expire
Minimum tax carry forward	2024	197,852	2027

		2024 Amount Rupees in thousand	2023 Amount Rupees in thousand
9. TRADE AND OTHER PAYABLES			
Trade creditors	(Note 9.1)	1,130,655	1,919,919
Accrued liabilities		746,690	546,715
Contract liabilities - unsecured		85,395	142,885
Fair value of forward exchange contracts		-	443
Provident fund payable		36,380	31,281
Workers' profit participation fund	(Note 9.2)	663	33,558
Workers' welfare fund	(Note 9.3)	77,409	45,199
Income tax deducted at source		1,518	14,702
		2,078,710	2,734,702

9.1 These include Rupees Nil (2023: Rupees 8.199 million), Rupees 0.438 million (2023: Rupees 6.912 million) and Rupees 92.482 million (2023: Rupees 169.707 million) 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.

		2024 Amount Rupees in thousand	2023 Amount Rupees in thousand
9.2 Workers' profit participation fund			
Balance at the beginning of the year		33,558	17,181
Add: Provision for the year	(Note 32)	-	33,990
Add: Interest for the year	(Note 34)	2,380	1,270
Less: Payments made during the year		(35,275)	(18,883)
Balance at the end of the year		663	33,558

9.2.1 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.

Notes to the Financial Statements

For the year ended December 31, 2024

		2024 Amount	2023 Amount
Rupees in thousand			
9.3	Workers' welfare fund		
	Balance at the beginning of the year	45,199	26,431
	Add: Provision for the year (Note 32)	33,202	32,527
	Less: Payments made during the year	(992)	(13,759)
	Balance at the end of the year	77,409	45,199
10.	ACCRUED MARK-UP		
	Long term financing	16,031	22,195
	Short term borrowings	30,897	146,916
		46,928	169,111

11. SHORT TERM BORROWINGS

From banking companies - secured

Short term running finances	(Note 11.1 and Note 11.2)	86,520	1,539,341
Export refinances	(Note 11.1 and Note 11.3)	2,006,650	3,485,726
Export finance scheme	(Note 11.1 and Note 11.4)	3,028,780	2,708,589
Export loans	(Note 11.1 and Note 11.5)	1,410,490	548,691
Money market loan	(Note 11.1 and Note 11.6)	2,500,000	-
		9,032,440	8,282,347

11.1 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 13,250 million (2023: Rupees 10,800 million).

11.2 The rates of mark-up range from 15.18% to 23.34% (2023: 16.65% to 23.91%) per annum.

11.3 The rates of mark-up range from 9.30% to 19.00% (2023: 9.25% to 19.00%) per annum.

11.4 The rates of mark-up range from 2% to 2.5% (2023: 2% to 3%) per annum.

11.5 The rates of mark-up range from 4.00% to 8.00% (2023: 6.5% to 6.75%) per annum.

11.6 The rate of mark-up is 10.64% (2023: Nil) per annum.

		2024 Amount	2023 Amount
Rupees in thousand			
12.	CURRENT PORTION OF NON-CURRENT LIABILITY		
	Long term financing (Note 6)	59,543	51,799

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** 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 filed. Consequently, the Company has claimed input sales tax on packing material of Rupees 9.142 million (2023: 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.
- 13.1.2** 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 (2023: Rupees 30.157 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.
- 13.1.3** 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.
- 13.1.4** 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 input tax claimed 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.
- 13.1.5** The Deputy Commissioner Inland Revenue (DCIR) initiated the proceedings under section 4C of the Income Tax Ordinance, 2001 through a show cause notice dated 28 February 2024. The Company's stance was adequately explained to the tax authorities through online reply dated 13 May 2024, filed on Federal Board of Revenue's 'IRIS' portal. Following the submission of the Company's reply, the DCIR passed an order dated 24 June 2024 raising an income tax demand of Rupees 113.195 million on account of super tax. The Company has contested this order before the Appellate Tribunal Inland Revenue (ATIR). The DCIR passed a rectification order under section 221 of the Income Tax Ordinance, 2001 dated 30 October 2024, whereby the income tax demand was reduced to Rupees 99.185 million. The company has also challenged this rectification order before ATIR. The Company has already made provision of Rupees 98.692 million. The management, based on advice of the legal counsel, is confident of favourable outcome of this matter.
- 13.1.6** The Deputy Commissioner Inland Revenue (DCIR) passed an order dated 30 August 2024, under section 161 of the Income Tax Ordinance, 2001 for tax year 2021, whereby a demand of Rupees 168.699 million was raised, against which the Company filed a rectification application to the tax department under section 221 of the Income Tax Ordinance, 2001 which is currently in progress. No provision against this demand has been made in these financial statements as the Company is hopeful for a favourable outcome of application based on the opinion of the tax advisor.

Notes to the Financial Statements

For the year ended December 31, 2024

13.1.7 The Deputy Commissioner Inland Revenue (DCIR) passed an order dated 24 July 2024 under section 11 of the Sales Tax Act, 1990 whereby a demand of Rupees 7.766 million has been raised. Being aggrieved, the Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. Based on the advice of legal counsel, the proceedings are likely to be culminated in favour of the Company.

13.1.8 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 546.689 million (2023: Rupees 1,180.514 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 2,750 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 2,750 million from the Company.

13.1.9 The Company's share in contingency of associate accounted for under equity method is Rupees 438.288 million (2023: Rupees 168.326 million).

13.1.10 Guarantee of Rupees 8 million (2023: Rupees 8 million) is given by the bank of the Company to Pakistan State Oil Company Limited against fuel cards obtained by the Company for its employees.

13.1.11 Guarantees of Rupees 34 million (2023: Rupees 24 million) are given by the banks of the Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

13.2 Commitments

13.2.1 Contracts for capital expenditure are approximately of Rupees Nil (2023: Rupees 35.851 million).

13.2.2 Letters of credit other than capital expenditure are of Rupees 159.510 million (2023: Rupees 504.628 million).

13.2.3 Outstanding foreign currency forward contracts are of Rupees 2,422.185 million (2023: Rupees 3,194.370 million).

13.2.4 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:

	2024 Amount	2023 Amount
	Rupees in thousand	
Not later than one year	5,828	10,926
Later than one year and not later than five years	-	5,977
	5,828	16,903

13.2.5 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:

	2024 Amount	2023 Amount
	Rupees in thousand	
Not later than 1 year	3,876	2,020

14. FIXED ASSETS

Operating fixed assets	(Note 14.1)	2,868,638	2,967,697
Capital work-in-progress	(Note 14.4)	80,167	100,285
		2,948,805	3,067,982

14.1 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 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
Year ended 31 December 2024							
Opening net book value	383,031	968,063	1,018,647	21,371	190,566	386,019	2,967,697
Additions	-	45,246	83,377	10,040	24,107	35,365	198,135
Disposals:							
Cost	-	-	(685)	(20)	(22,385)	(4,414)	(27,504)
Accumulated depreciation	-	-	624	15	8,522	3,817	12,978
	-	-	(61)	(5)	(13,863)	(597)	(14,526)
Depreciation	-	(83,721)	(107,196)	(2,578)	(39,049)	(50,124)	(282,668)
Closing net book value	383,031	929,588	994,767	28,828	161,761	370,663	2,868,638
At 31 December 2024							
Cost	383,031	1,340,528	1,841,434	40,335	220,978	639,917	4,466,223
Accumulated depreciation	-	(410,940)	(846,667)	(11,507)	(59,217)	(269,254)	(1,597,585)
Net book value	383,031	929,588	994,767	28,828	161,761	370,663	2,868,638
Annual rate of depreciation (%)		5-10	10	10	20	10-30	

Notes to the Financial Statements

For the year ended December 31, 2024

14.1.1 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 / (loss)	Mode of disposal	Particular of purchasers
-----Rupees in thousand-----								
Vehicles								
KIA Sportage ANC-317	1	6,927	1,927	5,000	5,000	-	Negotiation	Service Industries Limited - Holding Company, Lahore
KIA Sportage AJW-767	1	6,040	2,199	3,841	3,913	72	Company's policy	Mr. Qadeer Vaseer - Director of the Company, Lahore
Toyota Corolla AEQ-681	1	3,283	1,320	1,963	1,997	34	Company's policy	Mr. Qadeer Vaseer - Director of the Company, Lahore
MG HS AEU-088	1	6,135	3,076	3,059	3,000	(59)	Company's policy	Mr. Saif Javed - Company employee, Lahore
Aggregate of items of operating fixed assets with individual book values not exceeding Rupees 500,000	70	5,119	4,456	663	2,277	1,614		
		27,504	12,978	14,526	16,187	1,661		

	Note	2024 (Rupees in thousand)	2023
Cost of sales	(Note 29)	251,189	223,552
Administrative expenses	(Note 31)	31,479	20,354
		282,668	243,906

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

14.3 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	-

14.4 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 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
Add: Additions during the year	39,911	47,081	9,867	60,710	27,107	184,676
Less: Transferred to operating fixed assets during the year	(45,246)	(83,377)	(10,040)	(35,365)	(24,107)	(198,135)
Less: Advance against vehicle received back	-	-	-	-	(6,659)	(6,659)
At 31 December 2024	30,297	5,029	-	41,841	3,000	80,167

2024 2023
Amount Amount
Rupees in thousand

15. LONG TERM SECURITY DEPOSITS

Security deposits against Ijarah	6,756	6,756
Security deposits - others	4,354	4,301
	11,110	11,057
Less: Current portion shown under current assets	(Note 24)	-
	4,354	11,057

Notes to the Financial Statements

For the year ended December 31, 2023

		2024	2023
		Amount	Amount
		Rupees in thousand	
16. LONG TERM LOANS TO EMPLOYEES			
Considered good:			
Executives	(Note 16.1, Note 16.2 and Note 16.3)	7,388	13,353
Other employees	(Note 16.3)	892	2,478
		8,280	15,831
Less: Current portion shown under current assets	(Note 22)		
Executives		(4,978)	(6,437)
Other employees		(457)	(1,027)
		(5,435)	(7,464)
		2,845	8,367

16.1 Reconciliation of carrying amount of loans to executives:

Balance as at the beginning of the year		13,353	20,248
Add: Disbursements		2,000	2,325
Less: Repayments		(7,965)	(9,220)
Balance as at the end of the year		7,388	13,353

16.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 6.967 million (2023: Rupees 17.743 million).

16.3 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.

16.4 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.

		2024	2023
		Amount	Amount
		Rupees in thousand	

17. LONG TERM INVESTMENTS

Investment in subsidiary company - at cost	(Note 17.1)	89,167	89,167
Investment in associate (with significant influence) - under equity method	(Note 17.2)	3,946,265	2,691,689
		4,035,432	2,780,856

17.1 Investment in subsidiary company - at cost

Dongguan Service Global Limited			
Equity held 100% (2023: 100%)	(Note 17.1.1)	89,167	89,167

17.1.1 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, inspection of clothing and apparel, finishing services, technical services, technology development, technical consultation, technology exchange, technology transfer, technology promotion, import and export of goods, technology import and export (except for projects subject to approval according to law, independently carry out business activities according to law with a business license). Commercial address of Dongguan Service Global Limited is Room 302, No. 18, Houjie Town, Dongguan City, Guangdong Province, China. The capital of Dongguan Service Global Limited is USD 1,250,000 which is being subscribed by the Company. The Company wholly owns Dongguan Service Global Limited.

	2024	2023
	Amount	Amount
	Rupees in thousand	
17.2 Investment in associate (with significant influence) - under equity method		
Service Long March Tyres (Private) Limited		
270,971,704 (2023: 242,331,650) fully paid ordinary shares of Rupees 10 each (Note 17.2.1)	3,946,265	2,691,689

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

Cost of investment	2,720,975	2,434,575
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Share of post acquisition changes in investee's net assets:

As at the beginning of the year	257,114	(216,925)
Add: Share of net profit of associate accounted for using the equity method	1,323,147	474,039
Less: Dividend received during the year	(379,360)	-
Add: Share of employee share options reserve	24,389	-
	1,225,290	257,114
Balance at the end of the year	3,946,265	2,691,689

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

Current assets	19,676,462	15,484,919
Non-current assets	26,030,800	20,821,253
Total assets	45,707,262	36,306,172
Current liabilities	15,461,185	13,514,813
Non-current liabilities	9,359,306	8,538,456
Total liabilities	24,820,491	22,053,269
Net assets	20,886,771	14,252,903

Notes to the Financial Statements

For the year ended December 31, 2024

	2024	2023
	Amount	Amount
	Rupees in thousand	
17.2.3 Reconciliation to carrying amounts:		
Balance at the beginning of the year	14,252,903	11,746,089
Transaction with owners in their capacity as owners	(363,208)	-
Profit after income tax	6,997,076	2,506,814
Other comprehensive income	-	-
Balance at the end of the year	20,886,771	14,252,903
Share deposit money	(18,102)	(18,697)
	20,868,669	14,234,206
Percentage of holding	18.91%	18.91%
Company's share	3,946,265	2,691,689

17.2.4 Summarized statement of comprehensive income:

Revenue	44,882,004	26,768,188
Profit for the year	6,997,076	2,506,814
Other comprehensive income for the year	-	-
Total comprehensive income for the year	6,997,076	2,506,814

17.2.5 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.

	2024	2023
	Amount	Amount
	Rupees in thousand	
18. LONG TERM LOAN TO HOLDING COMPANY		
Balance at the beginning of the year	1,250,000	2,250,000
Less: Loan repaid by the Holding Company	(1,250,000)	(1,000,000)
	-	1,250,000
Less: Current portion shown under current assets (Note 22)	-	(500,000)
Balance at the end of the year	-	750,000

18.1 This represented unsecured loan to Service Industries Limited - Holding Company. This carried 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 350 million (2023: Rupees 2,250 million). It was neither past due nor impaired. Effective rate of mark-up charged on this long term loan ranged from 20.39% to 21.74% (2023: 17.29% to 23.22%) per annum.

		2024	2023
		Amount	Amount
		Rupees in thousand	
19. STORES, SPARES AND LOOSE TOOLS			
Stores		49,831	45,718
Machinery spares		108,115	77,614
Loose tools		15,220	8,617
		173,166	131,949
Less: Provision for slow moving and obsolete items	(Note 19.1)	(7,132)	(8,456)
		166,034	123,493
19.1 Provision for slow moving and obsolete items			
Balance at the beginning of the year		8,456	7,243
Less: (Reversal of provision) / provision for the year		(1,324)	1,213
Balance at the end of the year		7,132	8,456
20. STOCK-IN-TRADE			
Raw materials	(Note 20.1)	1,543,062	1,926,537
Packing materials		90,399	69,899
Work-in-process	(Note 20.2)	822,088	877,342
Finished goods	(Note 20.3 and Note 20.4)	1,707,810	1,704,823
		4,163,359	4,578,601
Less: Provision for slow moving and obsolete stocks	(Note 20.6)	(11,547)	(24,465)
		4,151,812	4,554,136

20.1 These include stock-in-transit of Rupees 114.933 million (2023: Rupees 478.231 million).

20.2 This includes stock of Rupees 79.307 million (2023: Rupees 166.903 million) sent to outside parties for processing.

20.3 These include stock in transit of Rupees 73.541 million (2023: Rupees 404.498 million).

20.4 Finished goods of Rupees 61.015 million (2023: Rupees 17.455 million) are being carried at net realizable value.

20.5 The aggregate amount of Rupees 10.654 million (2023: Rupees 10.097 million) has been charged to cost of sales, being the cost of inventory written down during the year.

Notes to the Financial Statements

For the year ended December 31, 2024

	2024 Amount	2023 Amount
	Rupees in thousand	
20.6 Provision for slow moving and obsolete stocks		
Balance at the beginning of the year	24,465	49,270
Less: Reversal of provision for the year	(12,918)	(24,805)
Balance at the end of the year	11,547	24,465

21. TRADE DEBTS

Considered good:

Secured:

- Against irrevocable letters of credit

1,201,942 916,305

Unsecured:

- Related parties

(Note 21.3, Note 21.4 and Note 21.5)

- 11,471

- Others

(Note 21.6)

1,171,260 788,890

1,171,260 800,361

2,373,202 1,716,666

Less: Allowance for expected credit losses

(Note 21.7)

(67,010) (6,300)

2,306,192 1,710,366

21.1 Types of counter-parties

Export

Corporate

2,367,756 1,675,463

Other

- -

2,367,756 1,675,463

Local

Corporate

5,373 37,630

Other

73 3,573

5,446 41,203

2,373,202 1,716,666

21.2 Foreign jurisdictions of trade debts

Europe

1,623,725 1,081,412

Asia, Africa and Australia

256,086 199,995

United States of America and Canada

487,945 394,056

2,367,756 1,675,463

21.3 This represents amounts due from following related parties:

	2024	2023
	Amount	Amount
	Rupees in thousand	
Service Industries Limited - Holding Company	-	11,471

21.4 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	197,486	87,462
Service Shoes Lanka (Private) Limited - subsidiary company of the Holding Company	-	81,924
Jomo Technologies (Private) Limited - associated company	-	8,994
Service Retail (Private) Limited - subsidiary company of the Holding Company	59,572	-

21.5 As at the reporting date, trade debts due from related parties were Rupees Nil (2023: Rupees 1.490 million due from Service Industries Limited - Holding Company was past due but not impaired). The ageing analysis of this trade debts was as follows:

	2024	2023
	Amount	Amount
	Rupees in thousand	
Upto 1 month	-	1,490

21.6 As at the reporting date, trade debts due from other than related parties of Rupees 142.997 million (2023: Rupees 138.086 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	23,674	44,668
1 to 6 months	52,349	77,214
More than 6 months	66,974	16,204
	142,997	138,086

21.7 Allowance for expected credit losses

Balance at the beginning of the year		6,300	8,610
Add / (less): Recognized / (reversed) during the year	(Note 32 and Note 33)	60,710	(2,310)
Balance at the end of the year		67,010	6,300

Notes to the Financial Statements

For the year ended December 31, 2024

		2024	2023
		Amount	Amount
		Rupees in thousand	
22. LOANS AND ADVANCES			
Considered good:			
Short term loan to Holding Company	(Note 22.1)	2,500,000	-
Current portion of long term loan to Holding Company	(Note 18)	-	500,000
Advances against letters of credit		344,247	847,564
Advances to suppliers	(Note 22.2)	19,755	95,195
Advances to staff		3,892	6,982
Current portion of long term loans to employees	(Note 16)	5,435	7,464
		2,873,329	1,457,205

- 22.1** This represents unsecured loan to Service Industries Limited - Holding Company for working capital requirement. This carries 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 2,500 million (2023: Rupees 1,718.297 million). It is neither past due nor impaired. Effective rate of mark-up charged on this short term loan ranges from 14.98% to 22.16% per annum (2023: 17.57% to 22.66% per annum).

		2024	2023
		Amount	Amount
		Rupees in thousand	
22.2 Advances to suppliers			
Advances to suppliers		19,755	95,195
Less: Provision against doubtful advances to suppliers	(Note 22.2.1)	-	-
		19,755	95,195

22.2.1 Provision against doubtful advances to suppliers

Balance at the beginning of the year		-	5,883
Less: Reversal of provision for doubtful advances to suppliers	(Note 33)	-	(5,883)
Balance at the end of the year		-	-

23. ACCRUED MARK-UP

On short term loan to Holding Company	(Note 23.1)	-	-
On long term loan to Holding Company	(Note 23.2)	-	-
On saving account		9,599	5,357
		9,599	5,357

- 23.1** 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 4.959 million (2023: Rupees 62.475 million).

23.2 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 17.285 million (2023: Rupees 113.237 million).

		2024	2023
		Amount	Amount
		Rupees in thousand	
24. SHORT TERM DEPOSITS AND PREPAYMENTS			
Short term security deposits		12,035	3,300
Prepayments		5,912	5,016
Current portion of long term security deposits	(Note 15)	6,756	-
		24,703	8,316
25. OTHER RECEIVABLES			
Considered good:			
Custom duty rebate		674,500	620,068
Duty drawback		1,594	10,740
Sales tax refundable		857,417	790,497
Fair value of forward exchange contracts		167,213	-
Lab testing charges	(Note 25.1)	6,521	14,065
Claims receivable	(Note 25.2)	42,677	-
Insurance claim receivable		492	444
Miscellaneous	(Note 25.3)	-	5,697
Receivable from Holding Company	(Note 25.4)	8,363	-
		1,758,777	1,441,511
25.1 Lab testing charges			
Lab testing charges		6,521	14,065
Less: Allowance for expected credit losses	(Note 25.1.1)	-	-
		6,521	14,065
25.1.1 Allowance for expected credit losses			
Balance at the beginning of the year		-	1,055
Less: Reversal of allowance during the year	(Note 33)	-	(1,055)
Balance at the end of the year		-	-
25.2 Claims receivable			
Claims receivable		42,677	13,621
Less: Allowance for expected credit losses	(Note 25.2.1)	-	(13,621)
		42,677	-

Notes to the Financial Statements

For the year ended December 31, 2024

	2024 Amount	2023 Amount
	Rupees in thousand	
25.2.1 Allowance for expected credit losses		
Balance at the beginning of the year	13,621	-
Add: Allowance recognized during the year (Note 32)	-	13,621
Less: Written off against expected credit losses	(13,621)	-
Balance at the end of the year	-	13,621

25.3 Miscellaneous

Miscellaneous	-	13,346
Less: Allowance for expected credit losses (Note 25.3.1)	-	(7,649)
	-	5,697

25.3.1 Allowance for expected credit losses

Balance at the beginning of the year	7,649	-
Add: Recognized during the year (Note 32)	-	7,649
Less: Written off against expected credit losses	(7,649)	-
Balance at the end of the year	-	7,649

25.4 This represents amount receivable from Service Industries Limited - Holding Company against expenses incurred on behalf of the Holding Company. These are in ordinary course of business and interest free. The maximum aggregate amount receivable at the end of any month during the year was Rupees 8.363 million (2023: Rupees Nil).

	2024 Amount	2023 Amount
	Rupees in thousand	
26. ADVANCE INCOME TAX AND PREPAID LEVY - NET		
Advance income tax - net		
Advance income tax	333,542	232,612
Less: Provision for taxation	(426,496)	(313,719)
	(92,954)	(81,107)
Prepaid levy - net		
Prepaid levy	742,641	489,081
Less: Levy payable	(471,542)	(274,409)
	271,099	214,672
	178,145	133,565

		2024	2023
		Amount	Amount
		Rupees in thousand	
27. CASH AND BANK BALANCES			
Cash in hand		727	2,026
With banks:			
Current accounts:			
Local currency		76,370	488,902
Foreign currency	(Note 27.1)	100,607	259,024
		176,977	747,926
Saving accounts:			
Local currency	(Note 27.2)	567,266	2,153,098
		744,970	2,903,050

27.1 This represents EURO 346,821.72 (2023: EURO 831,930.31).

27.2 Rate of profit on bank deposits ranges from 13.5% to 21.5% (2023: 6.50% to 21.5%) per annum.

		2024	2023
		Amount	Amount
		Rupees in thousand	
28. REVENUE - NET			
Revenue from contracts with customers:			
Export sales		16,928,197	14,933,100
Local sales	(Note 28.1)	745,206	281,788
		17,673,403	15,214,888
Less: Discounts and commissions		(281,549)	(153,071)
		17,391,854	15,061,817

28.1 Local sales

Local sales		879,711	334,174
Less: Sales tax		(134,505)	(52,386)
		745,206	281,788

28.2 The amount of Rupees 142.885 million (2023: Rupees 88.014 million) included in contract liabilities (Note 9) at 31 December 2023 has been recognized as revenue in 2024.

Notes to the Financial Statements

For the year ended December 31, 2024

28.3 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	2024	2023
Rupees in thousand		
Region		
Europe	12,009,071	11,783,358
United States of America and Canada	3,508,806	2,170,311
Asia, Africa, Australia	1,128,771	826,360
Pakistan	745,206	281,788
	17,391,854	15,061,817
Timing of revenue recognition		
Products and services transferred at a point in time	17,391,854	15,061,817
Products and services transferred over time	-	-
	17,391,854	15,061,817
Major products / service lines		
Raw material	285,445	-
Footwear	17,106,409	15,061,817
	17,391,854	15,061,817

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

		2024	2023
		Amount	Amount
		Rupees in thousand	
29. COST OF SALES			
Raw materials consumed	(Note 29.1)	8,159,992	6,910,269
Processing charges		64,446	117,502
Salaries, wages and other benefits	(Note 29.2, Note 29.3 and Note 29.4)	3,559,023	3,003,986
Packing materials consumed		995,600	878,626
Stores and spares consumed		390,946	504,872
Fuel and power		397,320	343,451
Repair and maintenance		54,279	41,264
Insurance		24,894	20,330
Travelling		65,317	31,527
Entertainment		3,347	6,715
Rent, rates and taxes	(Note 29.5)	180	642
Reversal of provision for slow moving and obsolete inventory		(14,242)	(23,592)
Depreciation	(Note 14.2)	251,189	223,552
Other manufacturing charges		46,028	72,653
		13,998,319	12,131,797
Work-in-process:			
Opening stock		877,342	802,489
Closing stock		(822,088)	(877,342)
		55,254	(74,853)
Cost of goods manufactured		14,053,573	12,056,944
Finished goods:			
Opening stock		1,704,823	1,072,894
Finished goods purchased		451,377	335,681
Closing stock		(1,707,810)	(1,704,823)
		448,390	(296,248)
		14,501,963	11,760,696

29.1 Raw materials consumed

Opening stock		1,926,537	1,463,833
Add: Purchases during the year	(Note 29.6)	7,776,517	7,372,973
Less: Closing stock		(1,543,062)	(1,926,537)
		8,159,992	6,910,269

29.2 Salaries, wages and other benefits include contributions of Rupees 116.403 million (2023: Rupees 101.659 million) and Rupees 38.743 million (2023: Rupees 28.985 million) in respect of provident fund and gratuity fund respectively.

Notes to the Financial Statements

For the year ended December 31, 2024

29.3 Salaries, wages and other benefits include compensated absences expense of Rupees 36.331 million (2023: Rupees 26.176 million).

29.4 Salaries, wages and other benefits include share options expense of Rupees 3.598 million (2023: Rupees 0.552 million).

29.5 These include rent expense of Rupees 0.180 million (2023: Rupees 0.428 million) related to short term leases.

29.6 Custom duty rebate for the year amounting to Rupees 458.199 million (2023: Rupees 507.770 million) has been adjusted against raw materials consumed.

		2024	2023
		Amount	Amount
		Rupees in thousand	
30. DISTRIBUTION COST			
Salaries and other benefits	(Note 30.1 and Note 30.2)	171,835	104,018
Freight and insurance		493,723	377,283
Samples, claims and product development		481,125	501,024
Postage and courier		129,010	116,972
Fuel and power		13,197	12,377
Travelling and conveyance		49,467	58,062
Entertainment		12,921	12,890
Rent, rates and taxes	(Note 30.3)	1,049	4,154
		1,352,327	1,186,780

30.1 Salaries and other benefits include contributions of Rupees 5.724 million (2023: Rupees 3.734 million) and Rupees Nil (2023: Rupees 0.185 million) in respect of provident fund and gratuity fund respectively.

30.2 Salaries, and other benefits include share options expense of Rupees 1.108 million (2023: Rupees 0.127 million).

30.3 These include rent expense of Rupees 1.049 million (2023: Rupees 4.154 million) related to short term leases.

		2024	2023
		Amount	Amount
		Rupees in thousand	
31. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	(Note 31.1, Note 31.2 and Note 31.3)	528,213	454,740
Communication		2,577	2,539
Printing and stationery		5,778	8,565
Travelling and conveyance		20,980	12,731
Entertainment		25,765	15,393
Vehicles' running		30,180	25,438
Insurance		5,382	5,023
Rent, rates and taxes		6,112	7,679
Fuel and power		27,535	20,730
Repair and maintenance		7,616	10,116
Auditor's remuneration	(Note 31.4)	3,898	3,629
Legal and professional		21,910	30,562
Subscription		340	112
Depreciation	(Note 14.2)	31,479	20,354
Ijarah rentals		11,445	11,876
Computer running		11,289	11,548
Advertisement		-	161
General		36,151	29,998
		776,650	671,194

31.1 Salaries and other benefits include contributions of Rupees 14.229 million (2023: Rupees 13.605 million) and Rupees 5.452 million (2023: Rupees 3.749 million) in respect of provident fund and gratuity fund respectively.

31.2 Salaries and other benefits include share options expense of Rupees 2.097 million (2023: Rupees 0.216 million).

31.3 Salaries and other benefits include compensated absences expense of Rupees 2.951 million (2023: Rupees 2.415 million).

		2024	2023
		Amount	Amount
		Rupees in thousand	
31.4 Auditor's remuneration			
Statutory audit fee		1,837	1,670
Statutory audit fee of consolidated financial statements		390	354
Half yearly review		666	605
Certification charges		529	550
Reimbursable expenses		476	450
		3,898	3,629

Notes to the Financial Statements

For the year ended December 31, 2024

		2024	2023
		Amount	Amount
		Rupees in thousand	
32. OTHER EXPENSES			
Allowance for expected credit losses - trade debts	(Note 21.7)	60,710	-
Prepayment written off		2,352	-
Allowance for expected credit losses - claims receivable	(Note 25.2.1)	-	13,621
Allowance for expected credit losses - miscellaneous receivables	(Note 25.3.1)	-	7,649
Exchange loss - net		13,110	-
Unrealised exchange loss on forward contracts		-	443
Workers' profit participation fund	(Note 9.2)	-	33,990
Workers' welfare fund	(Note 9.3)	33,202	32,527
		109,374	88,230
33. OTHER INCOME			
Income from financial assets			
Interest on loans to Holding Company		87,133	532,170
Interest on saving accounts		26,487	16,398
Reversal of allowance for expected credit losses - trade debts	(Note 21.7)	-	2,310
Reversal of allowance for expected credit losses - Lab testing charges	(Note 25.1.1)	-	1,055
Exchange gain - net		-	182,795
Unrealised exchange gain on forward contracts		167,213	-
Income from non-financial assets			
Gain on disposal of operating fixed assets - net	(Note 14.1.1)	1,661	1,139
Scrap sales		36,747	30,822
Reversal of provision for doubtful advances to suppliers	(Note 22.2.1)	-	5,883
		319,241	772,572
34. FINANCE COST			
Mark-up on:			
- Short term borrowings		553,104	893,977
- Long term financing		38,926	37,689
Interest on workers' profit participation fund	(Note 9.2)	2,380	1,270
Bank charges and commission		72,668	74,785
		667,078	1,007,721

	2024	2023
	Amount	Amount
	Rupees in thousand	
35. LEVY		
Final tax	-	154,281
Minimum tax differential	197,852	-
Super tax	-	53,200
Prior period adjustment	(719)	24,954
	197,133	232,435

35.1 Levy represents final taxes levied under the Income Tax Ordinance, 2001, minimum tax (excess over the amount designated as provision for current tax) on sales under section 113 and related super tax on income calculated as per section 4C of the Income Tax Ordinance, 2001.

	2024	2023
	Amount	Amount
	Rupees in thousand	
36. TAXATION		
Current	76,909	78,411
Super tax	35,868	-
Prior period adjustment	-	34,261
Deferred tax	211,703	67,093
	324,480	179,765

36.1 Current tax represents provision for taxation calculated based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001, tax (final tax) deducted by associate on distribution of dividend to the Company and related super tax as per section 4C of Income Tax Ordinance, 2001.

	2024	2023
	Amount	Amount
	Rupees in thousand	
36.2 Reconciliation between tax expense and accounting profit		
Profit before taxation and levy	1,626,850	1,593,807
Applicable tax rate	29%	29%
Tax on accounting profit	471,787	462,204
Prior period adjustment	(719)	59,215
Deferred tax	211,703	67,093
Super tax	35,868	73,306
Tax effect of final tax regime income taxed at a lower rate	-	(4,319,857)
Tax effect of dividend from equity accounted investee	56,904	-
Effect of minimum tax	217,857	-
Tax effect of expenses / income that are not considered in determining taxable liability	(471,787)	4,070,239
Current tax liability and levy as per applicable law	521,613	412,200
Taxation	(Note 36) (324,480)	(179,765)
Levy	(Note 35) (197,133)	(232,435)
	-	-

Notes to the Financial Statements

For the year ended December 31, 2024

	2024	2023
37. EARNINGS PER SHARE - BASIC AND DILUTED		
37.1 Basic earnings per share		
Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	1,105,237	1,181,607
Weighted average number of ordinary shares (Numbers) (Note 37.3)	205,978,980	205,464,979
Basic earnings per share (Rupees)	5.37	5.75

37.2 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 5.3.

	2024	2023
Profit after taxation attributable to ordinary shareholders (Rupees in thousand)	1,105,237	1,181,607
Weighted average number of ordinary shares (Numbers) (Note 37.3)	205,978,980	205,464,979
Adjustment for share options (Numbers)	938,191	75,348
Weighted average number of ordinary shares for diluted earnings per share (Numbers)	206,917,171	205,540,327
Diluted earnings per share (Rupees)	5.34	5.75

37.2.1 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.

	2024	2023
	(Numbers)	
37.3 Weighted average number of ordinary shares outstanding during the year:		
Issued ordinary shares at the beginning of the year	205,917,500	205,087,500
Effect of ordinary shares issued under Employees Stock Option Scheme	61,480	377,479
Weighted average number of ordinary shares at the end of the year	205,978,980	205,464,979

		2024	2023
		Amount	Amount
		Rupees in thousand	
38. CASH GENERATED FROM OPERATIONS			
Profit before levy and taxation		1,626,850	1,593,807
Adjustments for non-cash charges and other items:			
Depreciation	(Note 14.2)	282,668	243,906
Provision for gratuity	(Note 7.5.1)	44,195	32,919
Provision for workers' profit participation fund	(Note 9.2)	-	33,990
Provision for workers' welfare fund	(Note 9.3)	33,202	32,527
Reversal of provision for slow moving and obsolete inventory	(Note 29)	(14,242)	(23,592)
Prepayment written off	(Note 32)	2,352	-
Expected credit losses - trade debts recognized / (reversed)	(Note 21.7)	60,710	(2,310)
Reversal of allowance for expected credit losses - lab testing charges	(Note 25.1.1)	-	(1,055)
Allowance for expected credit losses - claims receivable	(Note 25.2.1)	-	13,621
Allowance for expected credit losses - miscellaneous receivables	(Note 25.3.1)	-	7,649
Reversal of provision against doubtful advances to suppliers	(Note 22.2.1)	-	(5,883)
Finance cost	(Note 34)	667,078	1,007,721
Gain on disposal of operating fixed assets - net	(Note 33)	(1,661)	(1,139)
Interest on loans to Holding Company	(Note 33)	(87,133)	(532,170)
Interest on saving accounts	(Note 33)	(26,487)	(16,398)
Unrealised exchange (gain) / loss on forward contracts	(Note 33 and Note 32)	(167,213)	443
Exchange loss / (gain) - net	(Note 32 and Note 33)	13,110	(182,795)
Share of net profit of associate accounted for using the equity method	(Note 17.2.1)	(1,323,147)	(474,039)
Employees' share option expense	(Note 5.3.2)	6,803	895
Working capital changes	(Note 38.1)	(522,382)	(1,000,890)
		594,703	727,207

38.1 WORKING CAPITAL CHANGES

Decrease / (increase) in current assets:			
Stores, spares and loose tools		(41,217)	(42,750)
Stock-in-trade		415,242	(1,168,972)
Trade debts		(502,433)	314,016
Loans and advances		581,847	(228,796)
Prepayments		(3,248)	2,445
Other receivables		(317,266)	(604,184)
		132,925	(1,728,241)
(Decrease) / Increase in trade and other payables		(655,307)	727,351
		(522,382)	(1,000,890)

Notes to the Financial Statements

For the year ended December 31, 2024

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

	Year ended 31 December 2024			
	Liabilities from financing activities			
	Long term financing	Short term borrowings	Unclaimed dividend	Dividend payable
	------(Rupees in thousand)-----			
Balance at the beginning of the year	362,364	8,282,347	4,944	617,753
Add: Borrowings obtained	-	44,393,494	-	-
Less: Repayment of financing / borrowings	(49,395)	(43,643,401)	-	-
Add: Dividend declared	-	-	411,835	-
Less: Dividend paid	-	-	(411,201)	(617,753)
Balance at the end of the year	312,969	9,032,440	5,578	-

	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

39. 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		Directors		Executives	
	2024	2023	2024	2023	2024	2023
	------(Rupees in thousand)-----					
Managerial remuneration	54,443	46,431	37,776	26,629	225,625	150,165
Bonus	107,000	48,000	15,872	13,236	80,922	55,906
Allowances:						
House rent	5,444	4,643	10,194	7,135	60,912	42,200
Conveyance	5,444	4,643	-	489	10,378	17,287
Medical	-	-	5,451	3,867	32,558	21,598
Special allowance	-	-	6,542	4,304	942	1,886
Retirement and other benefits	4,083	3,482	3,787	4,285	65,350	41,619
Total	176,414	107,199	79,622	59,945	476,687	330,661
Number of persons	1	1	2	2	82	61
Employee share options granted (No. of options)	-	-	122,500	100,000	1,104,825	605,000
Issuance of ordinary shares (No. of shares)	-	-	25,000	250,000	113,900	580,000
Charged to profit or loss (Rupees in thousand)	-	-	431	127	6,372	768

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

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

39.3 Aggregate amount charged in these financial statements for meeting fee to three (2023: three) directors was Rupees 1.78 million (2023: Rupees 2.16 million).

Notes to the Financial Statements

For the year ended December 31, 2024

39.4 Detail of employee share options to Chief Executive, Directors and executives is as follows:

Employees	Status	2024				2023			
		Share options granted		Share options exercised		Share options granted		Share options exercised	
		Numbers	Vesting period	Numbers	Exercise price	Numbers	Vesting period	Numbers	Exercise price
			Years		Rupees		Years		Rupees
Mr. Hassan Javed	Chief Executive	-	-	-	-	-	-	-	-
Mr. Hassan Ehsan Cheema	Executive Director	122,500	1 to 4	12,500	30	50,000	1 to 4	150,000	10
Mr. Qadeer Ahmed Vaseer	Executive Director	-	1 to 4	12,500	30	50,000	1 to 4	100,000	10
Mr. Amer Ahmad Javed	Executive	80,000	1 to 4	-	30	40,000	1 to 4	35,000	10
Syed Arshad Hussain Shah	Executive	-	1 to 4	-	30	40,000	1 to 4	35,000	10
Mr. Usman Liaqat	Executive	80,600	1 to 4	10,000	30	40,000	1 to 4	101,500	10
Mr. Muhammad Ashfaq	Executive	80,600	1 to 4	10,000	30	40,000	1 to 4	100,000	10
Mr. Anwar Ul Haq	Executive	60,450	1 to 4	7,500	30	30,000	1 to 4	25,000	10
Mr. Naseer Ahmed	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	14,000	10
Mr. Zayyad Saleem	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	15,000	10
Hafiz Muhammad Ahmed	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	11,000	10
Mr. Muhammad Zahid Mumtaz	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	15,000	10
Mr. Abid Mehmood	Executive	41,000	1 to 4	5,000	30	20,000	1 to 4	11,500	10
Mr. Muhammad Ashraf	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	15,500	10
Syed Munawar Hussain	Executive	40,300	1 to 4	5,000	30	20,000	1 to 4	16,000	10
Mr. Shamaz Wali	Executive	40,300	1 to 4	5,000	30	20,000	1 to 4	16,000	10
Mr. Muhammad Fazil	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	16,000	10
Syed Rizwan Ali Bukhari	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	10,000	10
Mr. Muhmmad Iqbal	Executive	30,225	1 to 4	3,750	30	15,000	1 to 4	7,000	10
Mr. Abdul Rauf	Executive	30,225	1 to 4	3,750	30	15,000	1 to 4	10,000	10
Mr. Habib Ali Bhatti	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	11,000	10
Mr. Muhammad Haider Anwaar	Executive	30,150	1 to 4	2,500	30	10,000	1 to 4	8,000	10
Mr. Arif Ghaffar	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	11,000	10
Syed Ejaz Ali Shah	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	11,000	10
Mr. Muhammad Akram	Executive	30,225	1 to 4	3,750	30	15,000	1 to 4	12,000	10
Mr. Muhammad Sajid Rashid	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	12,000	10
Mr. Fazal ur Rehman	Executive	30,750	1 to 4	3,750	30	15,000	1 to 4	-	-
Mr. Bilal Ahmad Sajid	Executive	20,000	1 to 4	-	-	-	-	-	-
Mr. Anas Ahmed Khan	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	7,000	10
Mr. Adil Saddique Khan	Executive	20,000	1 to 4	-	-	-	-	-	-
Mr. Altaf Ahmed	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	8,000	10
Mr. Muhammad Umer Anwaar	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	8,000	10
Mr. Saqib Riaz	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	8,500	10
Mr. Mirza Rizwan Baig	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	9,000	10
Mr. Ibrar Hussain	Executive	-	-	-	-	15,000	1 to 4	11,000	10
Mr. Mahmood Sadiq	Executive	-	-	-	-	-	-	10,000	10
Mr. Khalid Rashid	Executive	-	-	-	-	10,000	1 to 4	-	-
Mr. Abid Hussain	Executive	-	-	-	-	15,000	1 to 4	-	-
		1,227,325		138,900		705,000		830,000	

40. 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:

		2024	2023
		Amount	Amount
		Rupees in thousand	
Nature of relationship	Nature of transactions		
Holding Company			
Service Industries Limited	Sale of goods	272,813	305,772
	Expenses charged to the Company	234,049	280,647
	Purchase of goods	495,280	390,094
	Purchase of operating fixed assets	8,584	-
	Sale of operating fixed assets	5,000	-
	Processing charges	17,290	109,186
	Loans given	6,025,000	11,589,162
	Loans repaid	4,775,000	12,596,780
	Interest income	87,133	532,170
	Dividend paid	817,750	163,550
Subsidiary of the Holding Company			
Service Tyres (Private) Limited	Sale of goods	25,801	-
			-
Service Retail (Private) Limited	Sale of goods	168,697	-
SIL GULF (FZE)	Purchase of machinery	-	43,904
	Purchase of goods	-	73,391
Subsidiary company			
Dongguan Service Global Limited	Purchase of goods	1,518,030	422,686
	Investment made	-	89,167
Associate of subsidiary of the Holding Company			
Jomo Technologies (Private) Limited	Sale of goods	-	3,035
	Purchase of goods	-	15,134
Associated company			
Service Long March Tyres (Private) Limited	Investment made	286,400	-
	Dividend received	379,360	-
Key management personnel	Dividends paid	16,895	2,888
	Loan repaid	1,842	1,092
Post employment benefit plans	Company's contribution to gratuity fund trust	44,195	32,919
	Company's contribution to provident fund trust	136,357	118,998

Notes to the Financial Statements

For the year ended December 31, 2024

40.1 Detail of compensation to key management personnel is disclosed in Note 39:

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

Name of the related party	Basis of Relationship	Transactions entered or agreements and / or arrangements in place during the financial year		Percentage of shareholding
		2024	2023	
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	Associate of subsidiary of the Holding Company	No	No	Nil
SBL Trading (Private) Limited	Common directorship	No	No	Nil
Jomo Technologies (Private) Limited	Associate of subsidiary of the Holding Company	No	Yes	Nil
Service Industries Capital (Private) Limited	Subsidiary of the Holding Company and common directorship	No	No	Nil
Service Long March Tyres (Private) Limited	Common directorship and associate	Yes	No	18.91%
Service Shoes Lanka (Private) Limited	Subsidiary of Service Industries Capital (Private) Limited (subsidiary company of Service Industries Limited - Holding Company)	No	No	Nil
Servis Foundation	Common directorship	No	No	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	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Charitable Trust	Directors of the Company are Trustees	No	No	Nil
Service Tyres (Private) Limited	Subsidiary of the Holding Company	Yes	No	Nil
Service Retail (Private) Limited	Subsidiary of the Holding Company	Yes	No	Nil
Dongguan Service Global	Subsidiary Company	Yes	Yes	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

40.3 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%

40.4 As on 31 December 2024, disclosure relating to subsidiary company, subsidiary of Service Industries Capital (Private) Limited - Subsidiary of the Holding Company and subsidiary of Service Industries Limited - Holding Company incorporated outside Pakistan:

Particulars	Details		
Name of the company	Service Shoes Lanka (Private) Limited	SIL GULF (FZE)	Dongguan Service Global Limited
Jurisdiction	Sri Lanka	United Arab Emirates	China
Beneficial owner	Service Industries Capital (Private) Limited	Service Industries Limited	Service Global Footwear Limited
Address of beneficial owner	Servis House, 2 – Main Gulberg, Lahore	Servis House, 2 – Main Gulberg, Lahore	Servis House, 2 – Main Gulberg, Lahore
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	Investment in shares	Investment in shares
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

41. PLANT CAPACITY

	Installed capacity		Actual production	
	(Pairs in thousand)		(Pairs in thousand)	
	2024	2023	2024	2023
Strobel construction	1,662	1,662	1,649	1,467
lasted construction	2,338	2,338	2,319	2,062
	4,000	2,338	3,968	3,529

Notes to the Financial Statements

For the year ended December 31, 2024

41.1 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.

42. FINANCIAL RISK MANAGEMENT

42.1 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 Arab Emirates Dirham (AED). 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 uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

	2024	2023
	Amount	Amount
Cash at banks - EURO	346,822	831,930
Trade debts - USD	3,215,270	2,252,146
Trade debts - EURO	4,847,127	3,192,348
Trade debts - GBP	59,665	124,857
Trade debts - AED	596,199	-
Other receivables - USD	166,458	33,566
Other receivables - EURO	35,000	-
Trade and other payables - USD	(689,491)	(1,401,560)
Trade and other payables - EURO	(343,903)	(281,673)
Trade and other payables - GBP	(4,844)	(1,526)
Trade and other payables - AED	(184,822)	-
Short term borrowings - USD	(5,076,200)	(1,925,000)
Net exposure - USD	(2,383,963)	(1,040,848)
Net exposure - EURO	4,885,046	3,742,605
Net exposure - GBP	54,821	123,331
Net exposure - AED	411,377	-

The following significant exchange rates were applied during the year:

	2024	2023
	Amount	Amount
Rupees per US Dollar		
Average rate	278.53	283.35
Reporting date rate	278.55	281.86
Rupees per EURO		
Average rate	301.41	307.13
Reporting date rate	290.08	311.50
Rupees per GBP		
Average rate	356.08	353.63
Reporting date rate	349.71	358.60
Rupees per AED		
Average rate	75.83	76.33
Reporting date rate	75.84	76.74

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP and AED with all other variables held constant, profit before levy and taxation for the year would have been higher / lower by Rupees 39.365 million (2023: Rupees 42.625 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:

Notes to the Financial Statements

For the year ended December 31, 2024

	2024	2023
	Amount	Amount
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
	-	-
Financial liabilities		
Long term financing	164,170	202,078
Short term borrowings	6,445,920	6,743,006
Floating rate financial instruments		
Financial assets		
Bank balances - saving accounts	567,266	2,153,098
Loans to Holding Company	2,500,000	1,250,000
Financial liabilities		
Long term financing	148,799	160,286
Short term borrowings	2,586,520	1,539,341

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit before levy and taxation for the year would have been Rupees 3.253 million (2023: Rupees 15.842 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:

	2024	2023
	Amount	Amount
	(Rupees in thousand)	
Security deposits (including long term security deposits)	23,145	14,357
Trade debts	2,306,192	1,710,366
Loans and advances	2,512,172	1,272,813
Accrued mark-up	9,599	5,357
Other receivables	225,266	20,206
Bank balances	744,243	2,901,024
	5,820,617	5,924,123

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			2024	2023
	Short term	Long term	Agency	Amount	Amount
Banks				(Rupees in thousand)	
Meezan Bank Limited	A1+	AAA	VIS	58,218	2,142
United Bank Limited	A1+	AAA	VIS	3,879	92
MCB Bank Limited	A1+	AAA	PACRA	9,163	21,856
Habib Bank Limited	A1+	AAA	VIS	31,367	17,083
Allied Bank Limited	A1+	AAA	PACRA	2,039	-
MCB Islamic Bank Limited	A1	A+	PACRA	11,548	3,309
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,344	17,824
Askari Bank Limited	A1+	AA+	PACRA	897	21,770
Soneri Bank Limited	A1+	AA-	PACRA	571,661	2,592,081
Faysal Bank Limited	A1+	AA	PACRA	513	3,097
Bank AL Habib Limited	A1+	AAA	PACRA	2,513	21,527
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,907	713
Samba Bank Limited	A1	AA-	PACRA	21	-
Dubai Islamic Bank Pakistan Limited	A1+	AA	VIS	465	73,247
BankIslami Pakistan Limited	A1	AA-	PACRA	42,129	91,555
The Bank of Punjab	A1+	AA+	PACRA	1,579	34,728
				744,243	2,901,024

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 21.

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.

Notes to the Financial Statements

For the year ended December 31, 2024

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 2024 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.

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows:

At 31 December 2024

	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%	911	-	0%	1,073,608	-
Up to 30 days	0.03%	-	-	0.03%	23,674	8
31 to 60 days	0.38%	3,272	13	0.38%	2,739	11
61 to 90 days	1.08%	-	-	1.08%	-	-
91 to 180 days	4.78%	-	-	4.78%	82	4
181 to 360 days	15.93%	-	-	15.93%	-	-
Above 360 days	100.00%	1,263	1,263	100.00%	65,711	65,711
		5,446	1,276		1,165,814	65,734
Trade debts which are not subject to risk of default		-	-		1,201,942	-
Gross Trade debts		5,446	1,276		2,367,756	65,734

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

(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 2024, the Company had Rupees 4,217.560 million (2023: Rupees 2,604.268 million) available borrowing limits from financial institutions and Rupees 744.970 million (2023: Rupees 2,903.050 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 2024:

	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	312,969	435,612	47,518	45,324	86,450	256,320
Trade and other payables	1,877,345	1,877,345	1,877,345	-	-	-
Accrued mark-up	46,928	46,928	46,928	-	-	-
Short term borrowings	9,032,440	9,121,277	9,121,277	-	-	-
Dividend payable	-	-	-	-	-	-
Unclaimed dividend	5,578	5,578	5,578	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
	11,275,260	11,486,740	11,098,646	45,324	86,450	256,320

Notes to the Financial Statements

For the year ended December 31, 2024

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

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at reporting date. The rates of interest / mark up have been disclosed in note 6 and note 11 to these financial statements.

2024		2023	
At amortized cost	FVTPL	At amortized cost	FVTPL
(Rupees in thousand)			

42.2 Financial instruments by categories

Assets as per statement of financial position

Security deposits (including long term security deposits)	23,145	-	14,357	-
Trade debts	2,306,192	-	1,710,366	-
Loans and advances	2,512,172	-	1,272,813	-
Accrued mark-up	9,599	-	5,357	-
Other receivables	58,053	167,213	20,206	-
Cash and bank balances	744,970	-	2,903,050	-
	5,654,131	167,213	5,926,149	-

2024		2023	
At amortized cost	FVTPL	At amortized cost	FVTPL

(Rupees in thousand)

Liabilities as per statement of financial position

Long term financing	312,969	-	362,364	-
Trade and other payables	1,877,345	-	2,466,634	443
Accrued mark-up	46,928	-	169,111	-
Short term borrowings	9,032,440	-	8,282,347	-
Dividend payable	-	-	617,753	-
Unclaimed dividend	5,578	-	4,944	-
	11,275,260	-	11,903,153	443

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

2024		
Financial assets	Non-financial assets	Assets as per statement of financial position

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

Assets

Long term security deposits	4,354	-	4,354
Trade debts	2,306,192	-	2,306,192
Loans and advances	2,512,172	364,002	2,876,174
Accrued markup	9,599	-	9,599
Short term deposits and prepayments	18,791	5,912	24,703
Other receivables	225,266	1,533,511	1,758,777
Cash and bank balances	744,970	-	744,970
	5,821,344	1,903,425	7,724,769

Notes to the Financial Statements

For the year ended December 31, 2024

2024		
Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position

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

Liabilities

Long term financing	312,969	-	312,969
Accrued mark-up	46,928	-	46,928
Short term borrowings	9,032,440	-	9,032,440
Trade and other payables	1,877,345	201,365	2,078,710
Unclaimed dividend	5,578	-	5,578
	11,275,260	201,365	11,476,625

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

42.3 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.

42.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 6 and note 11 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'.

	2024 Amount	2023 Amount
	Rupees in thousand	
Borrowings	9,345,409	8,644,711
Total equity	7,210,915	6,500,843
Total capital employed	16,556,324	15,145,554
Gearing ratio	56.45%	57.08%

Decrease in gearing is due to increase in equity of the Company.

Notes to the Financial Statements

For the year ended December 31, 2024

43. 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 2024	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

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

Financial assets

Derivative financial assets	-	167,213	-	167,213
-----------------------------	---	---------	---	---------

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
----------------------------------	---	-----	---	-----

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.

44. 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.

45. OPERATING SEGMENTS

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

4.28% (2023: 1.87%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 36.93% (2023: 40.39%) of those sales are made to customers in Germany.

All non-current assets of the Company as at 31 December 2024 were located in Pakistan.

36.61% (2023: 13.32%) of the local sales of the Company are made to a single customer in Pakistan.

46. NUMBER OF EMPLOYEES

	2024	2023
Number of employees	5,662	5,679
Average number of employees during the year	5,733	5,714

47. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2024	2023	2024	2023
	(Rupees in thousand)		(Rupees in thousand)	
Total facilities	3,275,000	3,175,000	13,250,000	10,886,615
Utilized at the end of the year	(301,931)	(912,030)	(9,032,440)	(8,282,347)
Unutilized at the end of the year	2,973,069	2,262,970	4,217,560	2,604,268

Notes to the Financial Statements

For the year ended December 31, 2024

48. DISCLOSURE REQUIREMENT FOR COMPANY NOT ENGAGED IN SHARIAH NON-PERMISSIBLE BUSINESS ACTIVITIES AS ITS CORE BUSINESS ACTIVITIES

	2024 Amount	2023 Amount
	(Rupees in thousand)	
Description		
Financing (long-term, short-term, or lease financing) obtained as per Islamic mode		
Short term borrowings	4,769,140	3,654,133
Interest or mark-up accrued on any conventional loan or advance	33,966	97,374
Long-term and short-term Shariah compliant Investments		
Long term investments (Note 17)	4,035,432	2,780,856
Shariah-compliant bank deposits, bank balances, and TDRs	112,873	173,350
Revenue earned from a Shariah-compliant business segment (Note 28)	17,391,854	15,061,817
Break-up of late payments or liquidated damages	-	-
Gain or loss or dividend earned on Shariah compliant investments or share of profit from Shariah-compliant associates		
Dividend received (Note 17.2.1)	379,360	-
Share of net profit of associate accounted for using the equity method (Note 17.2.1)	1,323,147	474,039
Profit earned from Shariah-compliant bank deposits, bank balances, or TDRs		
Profit on deposits with banks	-	-
Exchange gain earned from actual currency	-	182,795
Exchange gains earned using conventional derivative financial instruments	167,213	-
Profit paid on Islamic mode of financing	273,053	433,023
Total Interest earned on any conventional loan or advance		
Interest on saving accounts	26,487	16,398
Interest on loan to Holding Company	87,133	532,170
Source and detailed breakup of other income, including breakup of other or miscellaneous portions of other income into Shariah-compliant and non-compliant income		
Shariah-compliant		
Exchange gain - net	-	182,795
Gain on disposal of operating fixed assets - net (Note 14.1.1)	1,661	1,139
Scrap sales	36,747	30,822
Reversal of allowance for expected credit losses - trade debts (Note 21.7)	-	2,310
Reversal of provision for doubtful advances to suppliers (Note 22.2.1)	-	5,883
Reversal of allowance for expected credit losses - Lab testing charges (Note 25.1.1)	-	1,055
Non-compliant		
Unrealised exchange gain on forward contracts	167,213	-
Interest on loan to Holding Company	87,133	532,170
Interest on saving accounts	26,487	16,398

Relationship with Shariah-compliant financial institutions, including banks, takaful operators and their windows, etc

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

49. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed final cash dividend for the year ended 31 December 2024 of Rupees 4 per share at their meeting held on 25 March 2025. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 March 2025 by the Board of Directors of the Company.

51. CORRESPONDING FIGURES

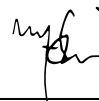
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, except for reclassification as disclosed in note 2.3 to these financial statements, no other significant rearrangements / reclassifications have been made.

52. 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 2024, 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 2024, 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 year ended 31 December 2024 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 420.070 million as at 31 December 2024 and total turnover and net profit of Rupees 1,594.151 million and Rupees 8.014 million respectively for the year ended 31 December 2024 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 17,467.975 million for the year ended 31 December 2024.</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 2.20 to the consolidated financial statements. • Revenue - net note 28 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 2024, stock-in-trade amounted to Rupees 4,151.812 million.</p> <p>Stock-in-trade is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of stock-in-trade as a key audit matter due to its size, representing 21.35% of total assets of the Group as at 31 December 2024, 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 2.17 to the consolidated financial statements. • Stock-in-trade note 20 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 inquires 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.

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 Ali.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore.

Date: 29 March 2025

UDIN : AR202410168NApUlrRbs

Consolidated Statement of Financial Position

As at December 31, 2024

	Note	2024 Amount Rupees in thousand	2023 Amount
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 250,000,000 (2023: 250,000,000) ordinary shares of Rupees 10 each		2,500,000	2,500,000
Issued, subscribed and paid-up share capital	4	2,060,564	2,059,175
Reserves	5	5,140,491	4,426,786
Total equity		7,201,055	6,485,961
LIABILITIES			
Non-current liabilities			
Long term financing	6	253,426	310,565
Employees' retirement benefit	7	238,661	216,104
Deferred income tax liability - net	8	278,796	67,093
		770,883	593,762
Current liabilities			
Trade and other payables	9	2,326,991	2,774,376
Accrued mark-up	10	46,928	169,111
Short term borrowings	11	9,032,440	8,282,347
Current portion of non-current liability	12	59,543	51,799
Dividend payable		-	617,753
Unclaimed dividend		5,578	4,944
		11,471,480	11,900,330
Total liabilities		12,242,363	12,494,092
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		19,443,418	18,980,053

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

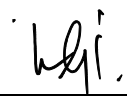


Hassan Javed
(Chief Executive)

		2024	2023
		Amount	Amount
	Note	Rupees in thousand	
ASSETS			
Non-current assets			
Fixed assets	14	2,960,941	3,082,262
Long term security deposits	15	4,354	11,057
Long term loans to employees	16	2,845	8,367
Long term investment	17	3,946,265	2,691,689
Long term loan to Ultimate Holding Company	18	-	750,000
		6,914,405	6,543,375
Current assets			
Stores, spares and loose tools	19	166,034	123,733
Stock-in-trade	20	4,151,812	4,554,136
Trade debts	21	2,338,417	1,710,366
Loans and advances	22	2,917,537	1,479,789
Accrued mark-up	23	9,599	5,357
Short term deposits and prepayments	24	26,043	9,011
Other receivables	25	1,944,955	1,469,492
Advance income tax and prepaid levy - net	26	178,145	133,565
Cash and bank balances	27	796,471	2,951,229
		12,529,013	12,436,678
TOTAL ASSETS		19,443,418	18,980,053



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Consolidated Statement of Profit or Loss

For the year ended December 31, 2024

		2024	2023
		Amount	Amount
	Note	Rupees in thousand	
Revenue - net	28	17,467,975	15,071,163
Cost of sales	29	(14,288,696)	(11,724,689)
Gross profit		3,179,279	3,346,474
Distribution cost	30	(1,619,648)	(1,230,663)
Administrative expenses	31	(792,507)	(681,460)
Other expenses	32	(99,749)	(88,230)
		(2,511,904)	(2,000,353)
		667,375	1,346,121
Other income	33	322,551	772,572
Profit from operations		989,926	2,118,693
Finance cost	34	(678,210)	(1,009,198)
		311,716	1,109,495
Share of net profit of associate accounted for using the equity method	17	1,323,147	474,039
Profit before levy and taxation		1,634,863	1,583,534
Levy	35	(197,133)	(232,435)
Profit before taxation		1,437,730	1,351,099
Taxation	36	(324,480)	(179,765)
Profit after taxation		1,113,250	1,171,334
EARNINGS PER SHARE - BASIC (RUPEES)	37	5.40	5.70
EARNINGS PER SHARE - DILUTED (RUPEES)	37	5.38	5.70

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, 2024

	2024 Amount	2023 Amount
	Rupees in thousand	
Profit after taxation	1,113,250	1,171,334
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Remeasurements of employees' retirement benefit obligation - net of tax	(18,689)	(31,642)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign subsidiary	(2,991)	(4,609)
Other comprehensive loss for the year - net of tax	(21,680)	(36,251)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,091,570	1,135,083

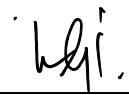
The annexed notes form an integral part of these consolidated financial statements.



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024

	Reserves								Total equity	
	Share Capital	Capital reserves					Revenue reserve	Un-appropriated profit		Total reserves
		Exchange translation reserve	Reserve for issuance of bonus shares	Share premium	Share options reserve	Share of employee share options held by equity accounted investee				
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)	-	-	-	-	8,300	
Employee share options lapsed	-	-	531	(531)	-	-	-	-	-	
Recognition of share options reserve	-	-	-	895	-	-	-	-	895	
	8,300	-	25,031	(24,136)	-	-	(822,841)	(821,946)	(813,646)	
Profit for the year	-	-	-	-	-	-	1,171,334	1,171,334	1,171,334	
Other comprehensive loss for the year	-	(4,609)	-	-	-	-	(31,642)	(36,251)	(36,251)	
Total comprehensive income for the year	-	(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	
Adjustment due to equity accounted investee company	-	-	-	-	-	24,389	-	24,389	24,389	
Transactions with owners:										
Final dividend for the year ended 31 December 2023 @ Rupees 2 per share	-	-	-	-	-	-	(411,835)	(411,835)	(411,835)	
Ordinary shares issued under Employees Stock Option Scheme	1,389	-	3,184	(406)	-	-	-	2,778	4,167	
Employee share options lapsed	-	-	109	(109)	-	-	-	-	-	
Recognition of share options reserve	-	-	-	6,803	-	-	-	6,803	6,803	
	1,389	-	3,293	6,288	-	-	(411,835)	(402,254)	(400,865)	
Profit for the year	-	-	-	-	-	-	1,113,250	1,113,250	1,113,250	
Other comprehensive loss for the year	-	(2,991)	-	-	-	-	(18,689)	(21,680)	(21,680)	
Total comprehensive income for the year	-	(2,991)	-	-	-	-	1,094,561	1,091,570	1,091,570	
Balance as at 31 December 2024	2,060,564	(7,600)	1,390,684	1,716,321	7,183	-	2,009,514	5,140,491	7,201,055	

The annexed notes form an integral part of these 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, 2024

		2024	2023
		Amount	Amount
	Note	Rupees in thousand	
Cash flows from operating activities			
Cash generated from operations	38	613,298	708,796
Finance cost paid		(798,013)	(1,015,004)
Income tax paid		(354,490)	(258,322)
Workers' profit participation fund paid	9.2	(35,275)	(18,883)
Workers' welfare fund paid	9.3	(992)	(13,759)
Employees' retirement benefit paid - net		(40,327)	(5,848)
Net decrease in long term loans to employees		7,551	5,477
Net (increase) / decrease in security deposits		(9,470)	1,210
Insurance claim received against loss of assets due to fire and business interruption loss		-	13,963
Net cash used in operating activities		(617,718)	(582,370)
Cash flows from investing activities			
Capital expenditure on fixed assets		(178,544)	(738,759)
Interest on term deposit receipts and saving accounts received		22,304	11,041
Loan given to Ultimate Holding Company		(6,025,000)	(11,589,162)
Loans repaid by Ultimate Holding Company		4,775,000	12,596,780
Interest on loans to Ultimate Holding Company received		87,133	532,170
Dividend received from associate		379,360	-
Long term investment made		(286,400)	-
Proceeds from disposal of operating fixed assets		16,187	6,550
Net cash (used in) / from investing activities		(1,209,960)	818,620
Cash flows from financing activities			
Proceeds from exercise of share options		4,167	8,300
Repayment of long term financing		(49,395)	(39,450)
Short term borrowings - net		750,093	2,794,033
Dividends paid		(1,028,954)	(204,994)
Net cash (used in) / from financing activities		(324,089)	2,557,889
Effects of exchange rate changes on cash and cash equivalents		(2,991)	(4,530)
Net (decrease) / increase in cash and cash equivalents		(2,154,758)	2,789,609
Cash and cash equivalents at the beginning of the year	27	2,951,229	161,620
Cash and cash equivalents at the end of the year	27	796,471	2,951,229

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, 2024

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 unit and 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 51.501 million (2023: Rupees 48.180 million).

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 and levy

In making the estimates for income tax and levy 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, 2024

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.

x) Share based payment

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Holding Company measures the fair value of equity-settled transactions with employees at the grant date using a Black Scholes Model. The assumptions used for estimating fair value for share-based payment transactions are disclosed in Note 5.3.8.

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 2024:

- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current;
- Amendments to IFRS 16 'Leases' - Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1 'Presentation of Financial Statements' - Non-current Liabilities with Covenants;
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' - Supplier Finance Arrangements.

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 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.

f) Standards, amendments and improvements 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 2025 or later periods:

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.

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.

IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 01 January 2027) with a focus on updates to the statement of profit or loss. The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The key new concepts introduced in IFRS 18 relate to: the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'. IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 'Climate-related Disclosures'. IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

The implementation of IFRS S1 and IFRS S2 will be phased as per the SECP's order dated 31 December 2024, with different effective dates based on annual turnover, number of employees, and total assets (Criteria). Phase I will apply to listed companies having specific Criteria for annual reporting periods beginning on or after 1 July 2025. Phase II will apply to other listed companies having specific Criteria for annual reporting periods beginning on or after 1 July 2026. Phase III will cover non-listed public interest companies and remaining listed companies for annual reporting periods beginning on or after 1 July 2027.

Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' regarding the classification and measurement of financial instruments (effective for annual periods beginning on or after 01 January 2026). The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.

The International Accounting Standards Board (IASB) has published 'Annual Improvements to IFRS Accounting Standards – Volume 11'. The amendments are effective for annual reporting periods beginning on or after 01 January 2026. It contains amendments to following five standards as result of the IASB's annual improvements project.

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash flows.

The above standards, 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 2025 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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.

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 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.

2.4 Taxation and levy

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. Except for the tax (final tax) deducted by subsidiaries, associates or joint arrangements on distribution of dividend to the Holding Company, final taxes levied under the Income Tax Ordinance, 2001 and any excess over the amount designated as provision for current tax are charged as levy in the consolidated statement of profit or loss. Tax (final tax) deducted by subsidiaries, associates or joint arrangements on distribution of dividend to the Holding Company is charged as current tax in the consolidated statement of profit or loss. The charge for current tax and levy also includes adjustments, where considered necessary, to provision for tax and levy made in previous years arising from assessments framed during the year for such years. Previously, component representing levy was included in provision for current tax and was not separately charged in the consolidated statement of profit or loss. Now, the Holding Company has changed its accounting policy of taxation and levy in accordance with "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes" issued by Institute of Chartered Accountants of Pakistan through Circular No. 7/2024. This change in accounting policy has been applied retrospectively in accordance with the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and resulted in following reclassification of corresponding figures:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

Reclassified from	Reclassified to	31 December 2023
Rupees in thousand		
Statement of profit or loss:		
Taxation	Levy	232,435
Statement of financial position:		
Advance income tax	Prepaid levy	489,081
Provision for taxation	Levy payable	274,409

Had there been no change in the above-referred accounting policy, amounts of levy Rupees 197.133 million, levy payable Rupees 471.542 million and prepaid levy Rupees 742.641 million would have been presented as taxation expense, provision for taxation and advance income tax respectively in these consolidated financial statements for the year ended 31 December 2024. This change in accounting policy has no impact on earnings per share. Furthermore, third consolidated statement of financial position has not been presented as at the beginning of the preceding period as the retrospective application does not have an effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

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.

2.5 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.

2.6 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

2.7 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 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 14.1. 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 14.1. 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.

2.8 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.

2.9 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment loss (if any). Cost comprises 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.

2.10 Lease liabilities

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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.

2.11 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.

2.12 Investments and other financial assets

a) Classification

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

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

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

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

b) Measurement

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

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

Debt instruments

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

Amortized cost

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss (FVTPL)

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

Equity instruments

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

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.13 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.

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2024

2.14 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

2.15 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.

2.16 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.

2.17 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 Cosolidated Financial Statements

For the year ended December 31, 2024

2.18 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.

2.19 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

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 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.

2.29 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.

2.30 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.

2.31 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.

2.32 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.

2.33 Share capital

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

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2024

2.34 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.

2.35 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.

2.36 Goodwill

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

2.37 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.

3. SUMMARY OF OTHER ACCOUNTING POLICIES

3.1 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.

3.2 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.

3.3 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.

4. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2024	2023	2024	2023
	(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 between Service Industries Limited - Ultimate Holding Company and its members and Service Global Footwear Limited - Holding Company and its members	150,000,000	150,000,000	1,500,000	1,500,000
Ordinary share of Rupees 10 each issued under Employees Stock Option Scheme	1,618,900	1,480,000	16,189	14,800
	206,056,400	205,917,500	2,060,564	2,059,175

4.1 Movement during the year

	2024	2023	2024	2023
	(Number of shares)		(Rupees in thousand)	
Balance at the beginning of the year	205,917,500	205,087,500	2,059,175	2,050,875
Issue of ordinary shares of Rupees 10 each under Employees Stock Option Scheme	138,900	830,000	1,389	8,300
Balance at the end of the year	206,056,400	205,917,500	2,060,564	2,059,175

4.2 163,550,000 (2023: 163,550,000) ordinary shares of the Holding Company are held by Service Industries Limited - Ultimate Holding Company.

4.3 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.

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2024

		2024	2023
		Amount	Amount
		Rupees in thousand	
5. RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Exchange translation reserve	[Note 2.2(c)]	(7,600)	(4,609)
Reserve for issuance of bonus shares	(Note 5.1)	1,390,684	1,390,684
Share premium	(Note 5.2)	1,716,321	1,713,028
Share options reserve	(Note 5.3)	7,183	895
Share of employee share options reserve held by equity accounted investee		24,389	-
		3,130,977	3,099,998
Revenue reserve			
Un-appropriated profit		2,009,514	1,326,788
		5,140,491	4,426,786

5.1 This reserve resulted due to the Scheme of Compromises, Arrangement and Reconstruction between Service Industries Limited - Ultimate Holding Company and its members and Service Global Footwear Limited - Holding Company and its members.

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

5.3 Share options reserve

5.3.1 Description of scheme:

Employees Stock Option Scheme, 2020 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 25 November 2020 which comprises of an entitlement pool of 4.350 million shares. Under the scheme, share options of the 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 may be carried forward to the subsequent years. During the year, compensation committee granted 1,227,325 options having vesting period started from 01 January 2024 and ending on 31 December 2027 with exercise price of Rupees 36 per share. Remaining 919,675 options will be granted in subsequent year in accordance with the scheme.

		2024	2023
		Amount	Amount
		Rupees in thousand	

5.3.2 Movement in share options reserve:

Balance at the beginning of the year		895	25,031
Add: Recognized during the year at the fair value		6,803	895
Less: Transferred to share premium		(515)	(25,031)
Balance at the end of the year		7,183	895

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

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

	2024		2023	
	Number of options	WAEP (Rupees)	Number of options	WAEP (Rupees)
Outstanding at the beginning of the year	705,000	30	848,000	10
Add: Options granted during the year	1,227,325	36	705,000	30
Less: Options exercised during the year	(138,900)	30	(830,000)	10
Less: Options lapsed during the year	(37,350)	30	(18,000)	10
Outstanding at the end of the year	1,756,075	34.19	705,000	30
Exercisable at the end of the year	483,081	33.81	176,250	30

5.3.4 The weighted average share price at the date of exercise of options exercised during the year was Rupees 75.69 (2023: Rupees 34.95).

5.3.5 The weighted average remaining contractual life for the share options outstanding as at 31 December 2024 is 1.3 years (2023: 1.5 years).

5.3.6 The weighted average fair value of options granted during the year was Rupees 8.30 (2023: Rupees 2.14).

5.3.7 Exercise price for options outstanding at the end of the year is Rupees 30 and Rupees 36 (2023: Rupees 30).

5.3.8 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:

		2024	2023
Fair value at grant date	Rupees	4.58 to 13.10	1.41 to 2.92
Share price at grant date	Rupees	59.11	33.00
Exercise price	Rupees	36.00	30.00
Expected volatility	%	40.38%	31.77%
Expected life	Years	1.25 - 4.25	1 - 4
Expected dividend	%	30%	27%
Risk-free interest rate	%	15.08%	15.03%

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.

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2024

		2024	2023
		Amount	Amount
		Rupees in thousand	
6. LONG TERM FINANCING			
From banking companies - secured			
Long term loans	(Note 6.1)	312,969	362,364
Less: Current portion shown under current liabilities	(Note 12)	(59,543)	(51,799)
		253,426	310,565

6.1 Long term loans

LENDER	2024	2023	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	50,737	65,587	SBP rate for LTF + 0.50%	Three hundred and eight unequal instalments commenced on 22 June 2019 and ending on 08 August 2028. (Note 6.2)	-	Quarterly	First joint passu hypothecation charge of Rupees 788 million on plant and machinery of the Holding Company with 25% margin.
	139,358	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	
	190,095	214,893					
Habib Bank Limited	23,609	32,193	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	33,978	38,666	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 passu hypothecation charge of Rupees 196.5 million on plant and machinery of the Holding Company and exclusive charge of Rupees 466.667 million on land and building of the Holding Company with 25% margin.
	9,441	10,980	3-months KIBOR + 0.25%		Quarterly	Quarterly	
	43,419	49,646					
Allied Bank Limited	55,846	65,632	SBP rate for LTF + 0.25%	One hundred and seventy nine unequal instalments commenced on 21 April 2021 and ending on 29 October 2030. (Note 6.2)	-	Quarterly	
	312,969	362,364					

6.2 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

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7. EMPLOYEES' RETIREMENT BENEFIT

Service Global Footwear Limited - Holding Company

The latest actuarial valuation of the fund as at 31 December 2024 was carried out using the 'Projected Unit Credit Method'. Details of the fund as per the actuarial valuation are as follows:

	2024 Amount	2023 Amount
	Rupees in thousand	
7.1 Amount recognized in the consolidated statement of financial position is as follows:		
Present value of defined benefit obligation	275,616	247,100
Fair value of plan assets	(36,955)	(30,996)
Net defined benefit obligation	238,661	216,104
7.2 Movement in net defined benefit obligation		
Net liability at the beginning of the year	216,104	157,391
Current service cost	13,968	10,665
Net interest on defined benefit obligation	30,227	22,254
Net remeasurements for the year	18,689	31,642
Contributions made during the year	(42,188)	(7,824)
Liability transferred from the Ultimate Holding Company	1,861	1,976
Net liability at the end of the year	238,661	216,104
7.3 Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	247,100	185,141
Current service cost	13,968	10,665
Interest cost	35,031	26,278
Benefits paid during the year	(42,188)	(7,824)
Liability transferred from the Ultimate Holding Company	1,861	1,976
Remeasurements on obligation:		
Actuarial (gains) / losses from changes in financial assumptions	(641)	14,761
Experience adjustments	20,485	16,103
Present value of defined benefit obligation at the end of the year	275,616	247,100
7.4 Movement in the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	30,996	27,750
Contributions made during the year	42,188	7,824
Interest income on plan assets	4,804	4,024
Benefits paid during the year	(42,188)	(7,824)
Return on plan assets excluding interest income	1,155	(778)
Fair value of plan assets at the end of the year	36,955	30,996

7.4.1 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, Service Tyres (Private) Limited - subsidiary of the Ultimate Holding Company and Service Retail (Private) Limited - subsidiary of the Ultimate 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, Service Tyres (Private) Limited - subsidiary of the Ultimate Holding Company, Service Retail (Private) Limited - subsidiary of the Ultimate Holding Company and Service Industries Limited - Ultimate Holding Company.

	2024	2023
	Amount	Amount
	Rupees in thousand	
Mutual funds	129,653	107,455
Bank balances	902	1,660
Total plan assets	130,555	109,115
Allocated to the Holding Company	(36,955)	(30,996)
Allocated to Service Industries Limited - Ultimate Holding Company	(27,949)	(78,119)
Allocated to Service Tyres (Private) Limited - subsidiary of Ultimate Holding Company	(55,744)	-
Allocated to Service Retail (Private) Limited - subsidiary of Ultimate Holding Company	(9,907)	-
	-	-

7.5 Amounts recognized in the consolidated statement of profit or loss

Current service cost	13,968	10,665
Interest cost	35,031	26,278
Interest income on plan assets	(4,804)	(4,024)
Net expense charged in the consolidated statement of profit or loss	44,195	32,919

7.5.1 Charge for the year has been allocated as follows:

Cost of sales	(Note.29)	38,743	28,985
Distribution cost	(Note.30)	-	185
Administrative expenses	(Note.31)	5,452	3,749
		44,195	32,919

7.6 Remeasurements recognized in consolidated statement of comprehensive income

Experience adjustments	20,485	16,103
Actuarial (gains) / losses from changes in financial assumptions	(641)	14,761
Return on plan assets excluding interest income	(1,155)	778
	18,689	31,642

7.7 Principal actuarial assumptions used

Discount rate used for interest cost	% per annum	15.50	14.50
Discount rate used for year end obligation	% per annum	12.25	15.50
Expected rate of salary increase	% per annum	12.25	15.50

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For the year ended December 31, 2024

7.8 Historical information

	2024	2023	2022	2021	2020
	Amount	Amount	Amount	Amount	Amount
	Rupees in thousand				
Present value of defined benefit obligation	275,616	247,100	185,141	144,067	126,819
Fair value of plan assets	(36,955)	(30,996)	(27,750)	(30,203)	(28,177)
Deficit	238,661	216,104	157,391	113,864	98,642
Remeasurement loss on obligation	19,844	30,864	10,858	586	2,354
Remeasurement gain / (loss) on plan assets	1,155	(778)	(6,002)	(906)	42

7.9 The expected charge to consolidated statement of profit or loss for the year ending on 31 December 2025 will be Rupees 43.292 million.

7.10 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	258,698	294,778
Future salary increase	100	294,807	258,366

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.

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

7.12 The average duration of the benefit obligation is 7 years.

7.13 Expected maturity profile of undiscounted defined benefit obligation:

Less than a year	Between 1 - 2 years	Between 3 - 5 years	Between 6 - 10 years	Over 10 years	Total
----- Rupees in thousand -----					
8,377	56,547	131,998	132,628	1,339,502	1,669,052

	2024 Amount	2023 Amount
Rupees in thousand		
8. DEFERRED INCOME TAX LIABILITY - NET		
The deferred income tax liability - net originated due to timing differences relating to:		
Taxable temporary differences:		
Long term investment - associate	278,796	67,093
Accelerated tax depreciation	110,312	-
Fair value of forward exchange contracts	61,869	-
	450,977	67,093
Deductible temporary difference:		
Minimum tax carry forward	(172,181)	-
Deferred income tax liability - net	278,796	67,093

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

	2024		
	Balance as at the beginning of the year	Recognized in consolidated statement of profit or loss	Balance as at the end of the year
Rupees in thousand			
Long term investment - associate	67,093	211,703	278,796
Accelerated tax depreciation	-	110,312	110,312
Fair value of forward exchange contracts	-	61,869	61,869
Minimum tax carry forward:			
Available	-	(197,852)	(197,852)
Movement in deferred income tax not recognized	-	25,671	25,671
Deferred income tax recognized	-	(172,181)	(172,181)
	67,093	211,703	278,796
	2023		
	Balance as at the beginning of the year	Recognized in consolidated statement of profit or loss	Balance as at the end of the year
Rupees in thousand			
Long term investment - associate	-	67,093	67,093

- 8.2** Deferred income tax asset has been recognized to the extent that the realization of related tax benefit is probable from future taxable profits. It is probable that sufficient taxable profits will be available for the utilization of recognized deferred income tax asset. Detail of available minimum tax carried forward is given as follows:

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For the year ended December 31, 2024

	Accounting year to which minimum tax carry forward relates	Amount	Accounting year in which minimum tax carry forward will expire
		2024	
		Rupees in thousand	
Minimum tax carry forward	2024	197,852	2027

		2024	2023
		Amount	Amount
		Rupees in thousand	
9. TRADE AND OTHER PAYABLES			
Trade creditors	(Note 9.1)	1,357,573	1,942,404
Accrued liabilities		768,053	563,904
Contract liabilities - unsecured		85,395	142,885
Fair value of forward exchange contracts		-	443
Provident fund payable		36,380	31,281
Workers' profit participation fund	(Note 9.2)	663	33,558
Workers' welfare fund	(Note 9.3)	77,409	45,199
Income tax deducted at source		1,518	14,702
		2,326,991	2,774,376

9.1 These include Rupees Nil (2023: Rupees 8.199 million) and Rupees 0.438 million (2023: Rupees 6.912 million) due to Service Industries Limited - Ultimate Holding Company and SIL GULF (FZE) - subsidiary of the Ultimate Holding Company respectively. These are in ordinary course of business and interest free.

		2024	2023
		Amount	Amount
		Rupees in thousand	

9.2 Workers' profit participation fund

Balance at the beginning of the year		33,558	17,181
Add: Provision for the year	(Note 32)	-	33,990
Add: Interest for the year	(Note 34)	2,380	1,270
Less: Payments made during the year		(35,275)	(18,883)
Balance at the end of the year		663	33,558

9.2.1 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.

		2024	2023
		Amount	Amount
		Rupees in thousand	
9.3 Workers' welfare fund			
Balance at the beginning of the year		45,199	26,431
Add: Provision for the year	(Note 32)	33,202	32,527
Less: Payments made during the year		(992)	(13,759)
Balance at the end of the year		77,409	45,199
10. ACCRUED MARK-UP			
Long term financing		16,031	22,195
Short term borrowings		30,897	146,916
		46,928	169,111

11. SHORT TERM BORROWINGS**From banking companies - secured**

Short term running finances	(Note 11.1 and Note 11.2)	86,520	1,539,341
Export refinances	(Note 11.1 and Note 11.3)	2,006,650	3,485,726
Export finance scheme	(Note 11.1 and Note 11.4)	3,028,780	2,708,589
Export loans	(Note 11.1 and Note 11.5)	1,410,490	548,691
Money market loan	(Note 11.1 and Note 11.6)	2,500,000	-
		9,032,440	8,282,347

11.1 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 13,250 million (2023: Rupees 10,800 million).

11.2 The rates of mark-up range from 15.18% to 23.34% (2023: 16.65% to 23.91%) per annum.

11.3 The rates of mark-up range from 9.30% to 19.00% (2023: 9.25% to 19.00%) per annum.

11.4 The rates of mark-up range from 2% to 2.5% (2023: 2% to 3%) per annum.

11.5 The rates of mark-up range from 4.00% to 8.00% (2023: 6.5% to 6.75%) per annum.

11.6 The rate of mark-up is 10.64% (2023: Nil) per annum.

		2024	2023
		Amount	Amount
		Rupees in thousand	
12. CURRENT PORTION OF NON-CURRENT LIABILITY			
Long term financing	(Note 6)	59,543	51,799

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13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** 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 (2023: 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.
- 13.1.2** 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 (2023: Rupees 30.157 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.
- 13.1.3** 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.
- 13.1.4** 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 input tax claimed 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.
- 13.1.5** The Deputy Commissioner Inland Revenue (DCIR) initiated the proceedings under section 4C of the Income Tax Ordinance, 2001 through a show cause notice dated 28 February 2024. The Holding Company's stance was adequately explained to the tax authorities through online reply dated 13 May 2024, filed on Federal Board of Revenue's 'IRIS' portal. Following the submission of the Holding Company's reply, the DCIR passed an order dated 24 June 2024 raising an income tax demand of Rupees 113.195 million on account of super tax. The Holding Company has contested this order before the Appellate Tribunal Inland Revenue (ATIR). The DCIR passed a rectification order under section 221 of the Income Tax Ordinance, 2001 dated 30 October 2024, whereby the income tax demand was reduced to Rupees 99.185 million. The Holding Company has also challenged this rectification order before ATIR. The Holding Company has already made provision of Rupees 98.692 million. The management of the Holding Company, based on advice of the legal counsel, is confident of favourable outcome of this matter.

- 13.1.6** The Deputy Commissioner Inland Revenue (DCIR) passed an order dated 30 August 2024, under section 161 of the Income Tax Ordinance, 2001 for tax year 2021, whereby a demand of Rupees 168.699 million was raised, against which the Holding Company filed a rectification application to the tax department under section 221 of the Income Tax Ordinance, 2001 which is currently in progress. No provision against this demand has been made in these consolidated financial statements as the Holding Company is hopeful for a favourable outcome of application based on the opinion of the tax advisor.
- 13.1.7** The Deputy Commissioner Inland Revenue (DCIR) passed an order dated 24 July 2024 under section 11 of the Sales Tax Act, 1990 whereby a demand of Rupees 7.766 million has been raised. Being aggrieved, the Holding Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. Based on the advice of legal counsel, the proceedings are likely to be culminated in favour of the Holding Company.
- 13.1.8** Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 546.689 million (2023: Rupees 1,180.514 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 Holding Company is availing Export Facilitation Scheme (EFS) License issued by Collector of Custom, Lahore with a face value of Rupees 2,750 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 2,750 million from the Holding Company.
- 13.1.9** The Holding Company's share in contingency of associate accounted for under equity method is Rupees 438.288 million (2023: Rupees 168.326 million).
- 13.1.10** Guarantee of Rupees 8 million (2023: Rupees 8 million) is given by the bank of the Holding Company to Pakistan State Oil Company Limited against fuel cards obtained by the Holding Company for its employees.
- 13.1.11** Guarantees of Rupees 34 million (2023: Rupees 24 million) are given by the banks of the Holding Company to Director, Excise and Taxation, Karachi against disputed amount of infrastructure cess.

13.2 Commitments

- 13.2.1** Contracts for capital expenditure are approximately of Rupees Nil (2023: Rupees 35.851 million).
- 13.2.2** Letters of credit other than capital expenditure are of Rupees 159.510 million (2023: Rupees 504.628 million).
- 13.2.3** Outstanding foreign currency forward contracts are of Rupees 2,422.185 million (2023: Rupees 3,194.370 million).
- 13.2.4** 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 Ujarah payments under ijarah are as follows:

	2024	2023
	Amount	Amount
	Rupees in thousand	
Not later than one year	5,828	10,926
Later than one year and not later than five years	-	5,977
	5,828	16,903

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13.2.5 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:

	2024	2023
	Amount	Amount
	Rupees in thousand	
Not later than 1 year	3,876	2,020

14. FIXED ASSETS

Operating fixed assets	(Note 14.1)	2,880,774	2,981,977
Capital work-in-progress	(Note 14.4)	80,167	100,285
		2,960,941	3,082,262

14.1 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 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	-	(71,057)	(285)	(61)	(2,002)	(4,931)	(195)	(5,411)
Currency retranslation	-	-	(106,887)	(6)	-	(24,211)	(41,367)	(245,585)
	-	-	(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)
	-	(327,219)	(740,209)	(61)	(8,949)	(30,116)	(223,011)	(1,329,565)
Net book value	383,031	968,063	1,020,366	978	21,445	200,115	387,979	2,981,977
Year ended 31 December 2024								
Opening net book value	383,031	968,063	1,020,366	978	21,445	200,115	387,979	2,981,977
Additions	-	45,246	83,900	-	10,040	24,107	35,884	199,177
Disposals:								
Cost	-	-	(685)	-	(20)	(22,385)	(4,414)	(27,504)
Accumulated depreciation	-	-	624	-	15	8,522	3,817	12,978
Depreciation	-	(83,721)	(61)	(161)	(5)	(13,863)	(597)	(14,526)
Currency retranslation	-	-	(107,395)	(35)	(2,585)	(40,750)	(50,727)	(285,339)
	-	-	(64)	(3)	(3)	(346)	(67)	(515)
Closing net book value	383,031	929,588	996,746	782	28,892	169,263	372,472	2,880,774
At 31 December 2024								
Cost	383,031	1,340,528	1,843,790	1,039	40,414	231,953	642,460	4,483,215
Currency retranslation	-	-	(71)	(40)	(3)	(425)	(78)	(617)
Accumulated depreciation	383,031	1,340,528	1,843,719	999	40,411	231,528	642,382	4,482,598
Currency retranslation	-	(410,940)	(846,980)	(222)	(11,519)	(62,344)	(269,921)	(1,601,926)
	-	(410,940)	(846,973)	(217)	(11,519)	(62,265)	(269,910)	(1,601,824)
Net book value	383,031	929,588	996,746	782	28,892	169,263	372,472	2,880,774
Annual rate of depreciation (%)		5-10	10	15-30	10	20	10-30	

Notes to the Consolidated Financial Statements

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14.1.1 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 / (loss)	Mode of disposal	Particular of purchasers
-----Rupees in thousand-----								
Vehicles								
KIA Sportage ANC-317	1	6,927	1,927	5,000	5,000	-	Negotiation	Service Industries Limited - Ultimate Holding Company, Lahore
KIA Sportage AJW-767	1	6,040	2,199	3,841	3,913	72	Holding Company's policy	Mr. Qadeer Vaseer - Director of the Holding Company, Lahore
Toyota Corolla AEQ-681	1	3,283	1,320	1,963	1,997	34	Holding Company's policy	Mr. Qadeer Vaseer - Director of the Holding Company, Lahore
MG HS AEU-088	1	6,135	3,076	3,059	3,000	(59)	Holding Company's policy	Mr. Saif Javed - Employee of the Holding Company Lahore
Aggregate of items of operating fixed assets with individual book values not exceeding Rupees 500,000	70	5,119	4,456	663	2,277	1,614		
		27,504	12,978	14,526	16,187	1,661		

2024 2023
(Rupees in thousand)

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

Cost of sales	(Note 29)	251,189	223,552
Distribution expenses	(Note 30)	443	163
Administrative expenses	(Note 31)	33,707	21,870
		285,339	245,585

14.3 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	-

14.4 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 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
Add: Additions during the year	39,911	47,081	9,867	60,710	27,107	184,676
Less: Transferred to operating fixed assets during the year	(45,246)	(83,377)	(10,040)	(35,365)	(24,107)	(198,135)
Less: Advance against vehicle received back	-	-	-	-	(6,659)	(6,659)
At 31 December 2024	30,297	5,029	-	41,841	3,000	80,167

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	2024 Amount	2023 Amount
Rupees in thousand		
15. LONG TERM SECURITY DEPOSITS		
Security deposits against Ijarah	6,756	6,756
Security deposits - others	4,354	4,301
	11,110	11,057
Less: Current portion shown under current asset (Note 24)	(6,756)	-
	4,354	11,057

16. LONG TERM LOANS TO EMPLOYEES

Considered good:

Executives (Note 16.1, Note 16.2 and Note 16.3)	7,388	13,353
Other employees (Note 16.3)	892	2,478
	8,280	15,831
Less: Current portion shown under current assets (Note 22)		
Executives	(4,978)	(6,437)
Other employees	(457)	(1,027)
	(5,435)	(7,464)
	2,845	8,367

16.1 Reconciliation of carrying amount of loans to executives:

Balance as at the beginning of the year	13,353	20,248
Add: Disbursements	2,000	2,325
Less: Repayments	(7,965)	(9,220)
Balance as at the end of the year	7,388	13,353

16.2 Maximum aggregate balance due from executives at the end of any month during the year was Rupees 6.967 million (2023: Rupees 17.743 million).

16.3 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.

16.4 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.

	2024	2023
	Amount	Amount
	Rupees in thousand	
17. LONG TERM INVESTMENT		
Investment in associate (with significant influence) - under equity method		
Service Long March Tyres (Private) Limited		
270,971,704 (2023: 242,331,650) fully paid ordinary shares of Rupees 10 each		
Cost of investment	2,720,975	2,434,575
Share of post acquisition changes in investee's net assets:		
As at the beginning of the year	257,114	(216,925)
Add: Share of net profit of associate accounted for using the equity method	1,323,147	474,039
Less: Dividend received during the year	(379,360)	-
Add: Share of employee share options reserve	24,389	-
	1,225,290	257,114
Balance at the end of the year	3,946,265	2,691,689
17.1 Summary of financial information of associate as per audited financial statements for the year:		
Current assets	19,676,462	15,484,919
Non-current assets	26,030,800	20,821,253
Total assets	45,707,262	36,306,172
Current liabilities	15,461,185	13,514,813
Non-current liabilities	9,359,306	8,538,456
Total liabilities	24,820,491	22,053,269
Net assets	20,886,771	14,252,903
17.2 Reconciliation to carrying amounts:		
Balance at the beginning of the year	14,252,903	11,746,089
Transaction with owners in their capacity as owners	(363,208)	-
Profit after income tax	6,997,076	2,506,814
Other comprehensive income	-	-
Balance at the end of the year	20,886,771	14,252,903
Share deposit money	(18,102)	(18,697)
	20,868,669	14,234,206
Percentage of holding	18.91%	18.91%
Holding Company's share	3,946,265	2,691,689

Notes to the Consolidated Financial Statements

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	2024 Amount	2023 Amount
	Rupees in thousand	
17.3 Summarized statement of comprehensive income:		
Revenue	44,882,004	26,768,189
Profit for the year	6,997,076	2,506,814
Other comprehensive income for the year	-	-
Total comprehensive income for the year	6,997,076	2,506,814

17.4 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.

	2024 Amount	2023 Amount
	Rupees in thousand	
18. LONG TERM LOAN TO ULTIMATE HOLDING COMPANY		
Balance at the beginning of the year	1,250,000	2,250,000
Less: Loan repaid by the Ultimate Holding Company	(1,250,000)	(1,000,000)
	-	1,250,000
Less: Current portion shown under current assets (Note 22)	-	(500,000)
Balance at the end of the year	-	750,000

18.1 This represented unsecured loan to Service Industries Limited - Ultimate Holding Company. This carried 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 350 million (2023: Rupees 2,250 million). It was neither past due nor impaired. Effective rate of mark-up charged on this long term loan ranged from 20.39% to 21.74% (2023: 17.29% to 23.22%) per annum.

	2024 Amount	2023 Amount
	Rupees in thousand	
19. STORES, SPARES AND LOOSE TOOLS		
Stores	49,831	45,718
Machinery spares	108,115	77,614
Loose tools	15,220	8,857
	173,166	132,189
Less: Provision for slow moving and obsolete items (Note 19.1)	(7,132)	(8,456)
	166,034	123,733

	2024	2023
	Amount	Amount
	Rupees in thousand	
19.1 Provision for slow moving and obsolete items		
Balance at the beginning of the year	8,456	7,243
Less: (Reversal of provision) / provision for the year	(1,324)	1,213
Balance at the end of the year	7,132	8,456
20. STOCK-IN-TRADE		
Raw materials (Note 20.1)	1,543,062	1,926,537
Packing materials	90,399	69,899
Work-in-process (Note 20.2)	822,088	877,342
Finished goods (Note 20.3 and Note 20.4)	1,707,810	1,704,823
	4,163,359	4,578,601
Less: Provision for slow moving and obsolete stocks (Note 20.6)	(11,547)	(24,465)
	4,151,812	4,554,136

20.1 These include stock-in-transit of Rupees 114.933 million (2023: Rupees 478.231 million).

20.2 This includes stock of Rupees 79.307 million (2023: Rupees 166.903 million) sent to outside parties for processing.

20.3 These include stock in transit of Rupees 73.541 million (2023: Rupees 404.498 million).

20.4 Finished goods of Rupees 61.015 million (2023: Rupees 17.455 million) are being carried at net realizable value.

20.5 The aggregate amount of Rupees 10.654 million (2023: Rupees 10.097 million) has been charged to cost of sales, being the cost of inventory written down during the year.

	2024	2023
	Amount	Amount
	Rupees in thousand	
20.6 Provision for slow moving and obsolete stocks		
Balance at the beginning of the year	24,465	49,270
Less: Reversal of provision for the year	(12,918)	(24,805)
Balance at the end of the year	11,547	24,465

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

	2024	2023
	Amount	Amount
	Rupees in thousand	
21. TRADE DEBTS		
Considered good:		
Secured:		
- Against irrevocable letters of credit	1,201,942	916,305
Unsecured:		
- Related party (Note 21.3, Note 21.4 and Note 21.5)	2,016	11,471
- Others (Note 21.6)	1,201,469	788,890
	1,203,485	800,361
Less: Allowance for expected credit losses (Note 21.7)	(67,010)	(6,300)
	2,338,417	1,710,366

21.1 Types of counter-parties

Export

Corporate	2,369,769	1,675,463
Other	-	-
	2,369,769	1,675,463

Local

Corporate	35,585	37,630
Other	73	3,573
	35,658	41,203
	2,405,427	1,716,666

21.2 Foreign jurisdictions of trade debts

Europe	1,623,725	1,081,412
Asia, Africa and Australia	258,099	199,995
United States of America and Canada	487,945	394,056
	2,369,769	1,675,463

21.3 This represents amounts due from following related parties:

Service Industries Limited - Ultimate Holding Company	2,016	11,471
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21.4 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	197,486	87,462
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21.5 As at the reporting date, trade debts due from related party was Rupees 2.016 million (2023: Rupees 1.490 million). The ageing analysis of this trade debts is as follows:

	2024	2023
	Amount	Amount
	Rupees in thousand	
Upto 1 month	2,016	1,490

21.6 As at the reporting date, trade debts due from other than related parties of Rupees 142.997 million (2023: Rupees 138.086 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:

	2024	2023
	Amount	Amount
	Rupees in thousand	
Upto 1 month	23,674	44,668
1 to 6 months	52,349	77,214
More than 6 months	66,974	16,204
	142,997	138,086

21.7 Allowance for expected credit losses

Balance at the beginning of the year		6,300	8,610
Add / (less): Recognized / (reversed) during the year	(Note 32 and Note 33)	60,710	(2,310)
Balance at the end of the year		67,010	6,300

22. LOANS AND ADVANCES

Considered good:

Short term loan to Ultimate Holding Company	(Note 22.1)	2,500,000	-
Current portion of long term loan to Ultimate Holding Company	(Note 18)	-	500,000
Advances against letters of credit		344,247	847,564
Advances to suppliers	(Note 22.2)	63,867	117,779
Advances to staff		3,988	6,982
Current portion of long term loans to employees	(Note 16)	5,435	7,464
		2,917,537	1,479,789

22.1 This represents unsecured loan to Service Industries Limited - Ultimate Holding Company for working capital requirement. This carries 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 2,500 million (2023: Rupees 1,718.297 million). It is neither past due nor impaired. Effective rate of mark-up charged on this short term loan ranges from 14.98% to 22.16% per annum (2023: 17.57% to 22.66% per annum).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

	2024	2023
	Amount	Amount
	Rupees in thousand	
22.2 Advances to suppliers		
Advances to suppliers	63,867	117,779
Less: Provision against doubtful advances to suppliers (Note 22.2.1)	-	-
	63,867	117,779

22.2.1 Provision against doubtful advances to suppliers

Balance at the beginning of the year	-	5,883
Less: Reversal of provision for doubtful advances to suppliers (Note 33)	-	(5,883)
Balance at the end of the year	-	-

23. ACCRUED MARK-UP

On short term loan to Ultimate Holding Company (Note 23.1)	-	-
On long term loan to Ultimate Holding Company (Note 23.2)	-	-
On saving account	9,599	5,357
	9,599	5,357

23.1 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 4.959 million (2023: Rupees 62.475 million).

23.2 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 17.285 million (2023: Rupees 113.237 million).

	2024	2023
	Amount	Amount
	Rupees in thousand	
24. SHORT TERM DEPOSITS AND PREPAYMENTS		
Short term security deposits	13,249	3,832
Prepayments	6,038	5,179
Current portion of long term security deposits (Note 15)	6,756	-
	26,043	9,011

		2024	2023
		Amount	Amount
		Rupees in thousand	
25. OTHER RECEIVABLES			
Considered good:			
Custom duty rebate		674,500	620,068
Duty drawback		1,594	10,740
Sales tax refundable		1,043,595	818,478
Fair value of forward exchange contracts		167,213	-
Lab testing charges	(Note 25.1)	6,521	14,065
Claims receivable	(Note 25.2)	42,677	-
Insurance claim receivable		492	444
Miscellaneous	(Note 25.3)	-	5,697
Receivable from Ultimate Holding Company	(Note 25.4)	8,363	-
		1,944,955	1,469,492
25.1 Lab testing charges			
Lab testing charges		6,521	14,065
Less: Allowance for expected credit losses	(Note 25.1.1)	-	-
		6,521	14,065
25.1.1 Allowance for expected credit losses			
Balance at the beginning of the year		-	1,055
Less: Reversal of allowance recognized during the year	(Note 33)	-	(1,055)
Balance at the end of the year		-	-
25.2 Claims receivable			
Claims receivable		42,677	13,621
Less: Allowance for expected credit losses	(Note 25.2.1)	-	(13,621)
		42,677	-
25.2.1 Allowance for expected credit losses			
Balance at the beginning of the year		13,621	-
Add: Recognized during the year	(Note 32)	-	13,621
Less: Written off against expected credit losses		(13,621)	-
Balance at the end of the year		-	13,621
25.3 Miscellaneous			
Miscellaneous		-	13,346
Less: Allowance for expected credit losses	(Note 25.3.1)	-	(7,649)
		-	5,697

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

	2024 Amount	2023 Amount
	Rupees in thousand	
25.3.1 Allowance for expected credit losses		
Balance at the beginning of the year	7,649	-
Add: Recognized during the year (Note 32)	-	7,649
Less: Written off against expected credit losses	(7,649)	-
Balance at the end of the year	-	7,649

25.4 This represents amount receivable from Service Industries Limited - Ultimate Holding Company against expenses incurred on behalf of the Ultimate Holding Company. This is not past due neither impaired. The maximum aggregate amount receivable at the end of any month during the year was Rupees 8.363 million (2023: Rupees Nil).

	2024 Amount	2023 Amount
	Rupees in thousand	
26. ADVANCE INCOME TAX AND PREPAID LEVY - NET		
Advance income tax - net		
Advance income tax	333,542	232,612
Less: Provision for taxation	(426,496)	(313,719)
	(92,954)	(81,107)
Prepaid levy - net		
Prepaid levy	742,641	489,081
Less: Levy payable	(471,542)	(274,409)
	271,099	214,672
	178,145	133,565

27. CASH AND BANK BALANCES		
Cash in hand	6,637	2,282
With banks:		
Current accounts:		
Local currency (Note 27.1)	121,826	491,593
Foreign currency (Note 27.2)	100,607	297,669
	222,433	789,262
Saving accounts:		
Local currency (Note 27.3 and Note 27.4)	567,401	2,159,685
	796,471	2,951,229

27.1 This includes CNY 1,191,154 (2023: CNY 67,783).

27.2 This represents EURO 346,821.72 (2023: EURO 831,930.31) and USD 2.01 (2023: USD 143,156)

27.3 Rate of profit on bank deposits ranges from 2.82% to 21.5% (2023: 0.80% to 21.5%) per annum.

27.4 This includes CNY 3,534 (2023: CNY 165,935).

	2024	2023
	Amount	Amount
	Rupees in thousand	
28. REVENUE - net		
Revenue from contracts with customers:		
Export sales	16,946,451	14,942,446
Local sales	803,073	281,788
	17,749,524	15,224,234
Less: Discounts and commission.	(281,549)	(153,071)
	17,467,975	15,071,163
28.1 Local sales		
Local sales	937,578	334,174
Less: Sales tax	(134,505)	(52,386)
	803,073	281,788

28.2 The amount of Rupees 142.885 million (2023: Rupees 88.014 million) included in contract liabilities (Note 9) at 31 December 2023 has been recognized as revenue in 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

28.3 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	2024	2023
-------------	------	------

Rupees in thousand

Region

Europe	12,009,071	11,783,358
United States of America and Canada	3,508,806	2,170,311
Asia, Africa, Australia	1,186,638	835,706
Pakistan	763,460	281,788
	17,467,975	15,071,163

Timing of revenue recognition

Products and services transferred at a point in time	17,467,975	15,071,163
Products and services transferred over time	-	-
	17,467,975	15,071,163

Major products / service lines

Raw material	285,445	-
Footwear	17,182,530	15,071,163
	17,467,975	15,071,163

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

		2024	2023
		Amount	Amount
		Rupees in thousand	
29. COST OF SALES			
Raw materials consumed	(Note 29.1)	7,921,916	6,866,535
Processing charges		64,446	117,502
Salaries, wages and other benefits	(Note 29.2, Note 29.3 and Note 29.4)	3,577,586	3,009,372
Packing materials consumed		995,600	878,626
Stores and spares consumed		390,946	504,872
Fuel and power		397,320	343,451
Repair and maintenance		54,279	41,264
Insurance		24,894	20,330
Travelling		68,681	32,522
Entertainment		3,347	6,715
Rent, rates and taxes	(Note 29.5)	2,839	1,498
Reversal of provision for slow moving and obsolete inventory		(14,242)	(23,592)
Depreciation	(Note 14.2)	251,189	223,552
Other manufacturing charges		46,251	73,143
		13,785,052	12,095,790
Work-in-process:			
Opening stock		877,342	802,489
Closing stock		(822,088)	(877,342)
		55,254	(74,853)
Cost of goods manufactured		13,840,306	12,020,937
Finished goods:			
Opening stock		1,704,823	1,072,894
Finished goods purchased		451,377	335,681
Closing stock		(1,707,810)	(1,704,823)
		448,390	(296,248)
		14,288,696	11,724,689

29.1 Raw materials consumed

Opening stock		1,926,537	1,463,833
Add: Purchases during the year	(Note 29.6)	7,538,441	7,329,239
Less: Closing stock		(1,543,062)	(1,926,537)
		7,921,916	6,866,535

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

29.2 Salaries, wages and other benefits include contributions of Rupees 116.403 million (2023: Rupees 101.659 million) and Rupees 38.743 million (2023: Rupees 28.985 million) in respect of provident fund and gratuity fund respectively.

29.3 Salaries, wages and other benefits include compensated absences expense of Rupees 36.331 million (2023: Rupees 26.176 million).

29.4 Salaries, wages and other benefits include share options expense of Rupees 3.598 million (2023: Rupees 0.552 million).

29.5 These include rent expense of Rupees 0.180 million (2023: Rupees 0.428 million) related to short term leases.

29.6 Custom duty rebate for the year amounting to Rupees 458.199 million (2023: Rupees 507.770 million) has been adjusted against raw materials consumed.

		2024	2023
		Amount	Amount
		Rupees in thousand	
30. DISTRIBUTION COST			
Salaries and other benefits	(Note 30.1 and Note 30.2)	224,295	118,383
Freight and insurance		560,947	377,283
Samples, claims and product development		618,785	525,938
Postage and courier		129,010	117,136
Fuel and power		13,197	12,377
Travelling and conveyance		53,986	60,406
Entertainment		14,500	13,146
Rent, rates and taxes	(Note 30.3)	4,485	5,831
Depreciation	(Note 14.2)	443	163
		1,619,648	1,230,663

30.1 Salaries and other benefits include contributions of Rupees 5.724 million (2023: Rupees 3.734 million) and Rupees Nil (2023: Rupees 0.185 million) in respect of provident fund and gratuity fund respectively.

30.2 Salaries, and other benefits include share options expense of Rupees 1.108 million (2023: Rupees 0.127 million).

30.3 These include rent expense of Rupees 1.049 million (2023: Rupees 4.154 million) related to short term leases.

		2024	2023
		Amount	Amount
		Rupees in thousand	
31. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	(Note 31.1, Note 31.2 and Note 31.3)	528,213	454,740
Communication		2,670	2,539
Printing and stationery		5,778	8,610
Travelling and conveyance		21,708	12,912
Entertainment		25,765	15,835
Vehicles' running		30,180	25,438
Insurance		5,632	5,189
Rent, rates and taxes		15,348	10,952
Fuel and power		27,535	20,730
Repairs and maintenance		7,616	11,719
Auditor's remuneration	(Note 31.4)	3,898	3,629
Legal and professional		25,230	33,120
Subscription		340	112
Depreciation	(Note 14.2)	33,707	21,870
Ijarah rentals		11,445	11,876
Computer running		11,289	11,580
Advertisement		-	161
General		36,153	30,448
		792,507	681,460

31.1 Salaries and other benefits include contributions of Rupees 14.229 million (2023: Rupees 13.605 million) and Rupees 5.452 million (2023: Rupees 3.749 million) in respect of provident fund and gratuity fund respectively.

31.2 Salaries and other benefits include share options expense of Rupees 2.097 million (2023: Rupees 0.216 million).

31.3 Salaries and other benefits include compensated absences expense of Rupees 2.951 million (2023: Rupees 2.415 million).

		2024	2023
		Amount	Amount
		Rupees in thousand	
31.4 Auditor's remuneration			
Statutory audit fee		1,837	1,670
Statutory audit fee of consolidated financial statements		390	354
Half yearly review		666	605
Certification charges		529	550
Reimbursable expenses		476	450
		3,898	3,629

Notes to the Consolidated Financial Statements

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		2024	2023
		Amount	Amount
		Rupees in thousand	
32. OTHER EXPENSES			
Allowance for expected credit losses - trade debts	(Note 21.7)	60,710	-
Prepayment written off		2,352	-
Allowance for expected credit losses - claims receivable	(Note 25.2.1)	-	13,621
Allowance for expected credit losses - miscellaneous receivables	(Note 25.3.1)	-	7,649
Exchange loss - net		3,485	-
Unrealised exchange loss on forward contracts		-	443
Workers' profit participation fund	(Note 9.2)	-	33,990
Workers' welfare fund	(Note 9.3)	33,202	32,527
		99,749	88,230
33. OTHER INCOME			
Income from financial assets			
Interest on loans to Ultimate Holding Company		87,133	532,170
Interest on saving accounts		26,546	16,398
Reversal of allowance for expected credit losses - trade debts	(Note 21.7)	-	2,310
Reversal of allowance for expected credit losses - Lab testing charges	(Note 25.1.1)	-	1,055
Exchange gain - net		-	182,795
Unrealised exchange gain on forward contracts		167,213	-
Income From Non-Financial Assets			
Gain on disposal of operating fixed assets - net	(Note 14.1.1)	1,661	1,139
Scrap sales		39,998	30,822
Reversal of provision for doubtful advances to suppliers	(Note 22.2.1)	-	5,883
		322,551	772,572
34. FINANCE COST			
Mark-up on:			
Short term borrowings		553,104	893,977
Long term financing		38,926	37,689
Interest on workers' profit participation fund	(Note 9.2)	2,380	1,270
Bank charges and commission		83,800	76,262
		678,210	1,009,198

	2024	2023
	Amount	Amount
	Rupees in thousand	
35. LEVY		
Final tax	-	154,281
Minimum tax differential	197,852	-
Super tax	-	53,200
Prior period adjustment	(719)	24,954
	197,133	232,435

35.1 Levy for the Holding Company represents final taxes levied under the Income Tax Ordinance, 2001, minimum tax (excess over the amount designated as provision for current tax) on sales under section 113 and related super tax on income calculated as per section 4C of the Income Tax Ordinance, 2001. Levy for Dongguan Service Global Limited - Subsidiary Company is computed in accordance with the tax legislation in force in China.

	2024	2023
	Amount	Amount
	Rupees in thousand	
36. TAXATION		
Current	76,909	78,411
Super tax	35,868	-
Prior period adjustment	-	34,261
Deferred tax	211,703	67,093
	324,480	179,765

36.1 Current tax represents provision for taxation calculated based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001, tax (final tax) deducted by associate on distribution of dividend to the Holding Company and related super tax as per section 4C of Income Tax Ordinance, 2001 for the Holding Company. Provision for current tax of Dongguan Service Global Limited - Subsidiary Company is computed in accordance with the tax legislation in force in China.

	2024	2023
37. EARNINGS PER SHARE - BASIC AND DILUTED		
37.1 Basic earnings per share		
Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)	1,113,250	1,171,334
Weighted average number of ordinary shares of the Holding Company (Numbers) (Note 37.3)	205,978,980	205,464,979
Basic earnings per share (Rupees)	5.40	5.70

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37.2 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 5.3.

	2024	2023
Profit after taxation attributable to ordinary shareholders of the Holding Company (Rupees in thousand)	1,113,250	1,171,334
Weighted average number of ordinary shares (Numbers)	(Note 37.3) 205,978,980	205,464,979
Adjustment for share options (Numbers)	938,191	75,348
Weighted average number of ordinary shares of the Holding Company for diluted earnings per share (Numbers)	206,917,171	205,540,327
Diluted earnings per share (Rupees)	5.38	5.70

37.2.1 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.

	2024	2023
	Numbers	
37.3 Weighted average number of ordinary shares outstanding during the year:		
Issued ordinary shares of the Holding Company at the beginning of the year	205,917,500	205,087,500
Effect of ordinary shares of the Holding Company issued under Employees Stock Option Scheme	61,480	377,479
Weighted average number of ordinary shares of the Holding Company at the end of the year	205,978,980	205,464,979

		2024	2023
		Amount	Amount
		Rupees in thousand	
38. CASH GENERATED FROM OPERATIONS			
Profit before levy and taxation		1,634,863	1,583,534
Adjustments for non-cash charges and other items:			
Depreciation	(Note 14.2)	285,339	245,585
Provision for gratuity	(Note 7.5.1)	44,195	32,919
Provision for workers' profit participation fund	(Note 9.2)	-	33,990
Provision for workers' welfare fund	(Note 9.3)	33,202	32,527
Reversal of provision for slow moving and obsolete inventory	(Note 29)	(14,242)	(23,592)
Prepayment written off	(Note 32)	2,352	-
Expected credit losses - trade debts recognized / (reversed)	(Note 21.7)	60,710	(2,310)
Reversal of allowance for expected credit losses - lab testing charges	(Note 25.1.1)	-	(1,055)
Allowance for expected credit losses - claims receivable	(Note 25.2.1)	-	13,621
Allowance for expected credit losses - miscellaneous receivables	(Note 25.3.1)	-	7,649
Reversal of provision against doubtful advances to suppliers	(Note 22.2.1)	-	(5,883)
Finance cost	(Note 34)	678,210	1,009,198
Gain on disposal of operating fixed assets - net	(Note 33)	(1,661)	(1,139)
Interest on loans to Ultimate Holding Company	(Note 33)	(87,133)	(532,170)
Interest on saving accounts	(Note 33)	(26,546)	(16,398)
Unrealised exchange (gain) / loss on forward contracts	(Note 33 / Note 32)	(167,213)	443
Exchange loss / (gain) - net	(Note 32 and Note 33)	3,485	(182,795)
Share of net profit of associate accounted for using the equity method	(Note 17)	(1,323,147)	(474,039)
Employees' share option expense	(Note 5.3.2)	6,803	895
Working capital changes	(Note 38.1)	(515,919)	(1,012,184)
		613,298	708,796

38.1 WORKING CAPITAL CHANGES

Increase in current assets:			
Stores, spares and loose tools		(40,977)	(42,990)
Stock-in-trade		415,242	(1,168,972)
Trade debts		(525,033)	314,016
Loans and advances		560,223	(251,380)
Prepayments		(3,211)	2,282
Other receivables		(475,463)	(632,165)
		(69,219)	(1,779,209)
(Decrease) / Increase in trade and other payables		(446,700)	767,025
		(515,919)	(1,012,184)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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

	Year ended 31 December 2024			
	Liabilities from financing activities			
	Long term financing	Short term borrowings	Unclaimed dividend	Dividend payable
	------(Rupees in thousand)-----			
Balance at the beginning of the year	362,364	8,282,347	4,944	617,753
Add: Borrowings obtained	-	44,393,494	-	-
Less: Repayment of financing / borrowings	(49,395)	(43,643,401)	-	-
Add: Dividend declared	-	-	411,835	-
Less: Dividend paid	-	-	(411,201)	(617,753)
Balance at the end of the year	312,969	9,032,440	5,578	-

	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

39. 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	
	2024	2023	2024	2023	2024	2023
	------(Rupees in thousand)-----					
Managerial remuneration	54,443	46,431	37,776	26,629	225,625	150,165
Bonus	107,000	48,000	15,872	13,236	80,922	55,906
Allowances:						
House rent	5,444	4,643	10,194	7,135	60,912	42,200
Conveyance	5,444	4,643	-	489	10,378	17,287
Medical	-	-	5,451	3,867	32,558	21,598
Special allowance	-	-	6,542	4,304	942	1,886
Retirement and other benefits	4,083	3,482	3,787	4,285	65,350	41,619
Total	176,414	107,199	79,622	59,945	476,687	330,661
Number of persons	1	1	2	2	82	61
Employee share options granted (No. of options)	-	-	122,500	100,000	1,104,825	605,000
Issuance of ordinary shares (No. of shares)	-	-	25,000	250,000	113,900	580,000
Charged to profit or loss (Rupees in thousand)	-	-	431	127	6,372	768

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

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

39.3 Aggregate amount charged in these consolidated financial statements for meeting fee to three (2023: three) directors was Rupees 1.78 million (2023: Rupees 2.16 million).

Notes to the Consolidated Financial Statements

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39.4 Detail of employee share options of the Holding Company to Chief Executive, Directors and executives of the Holding Company is as follows:

Employees of the Holding Company	Status in Holding Company	2024				2023			
		Share options of the Holding Company granted		Share options of the Holding Company exercised		Share options of the Holding Company granted		Share options of the Holding Company exercised	
		Numbers	Vesting period	Numbers	Exercise price	Numbers	Vesting period	Numbers	Exercise price
			Years		Rupees		Years		Rupees
Mr. Hassan Javed	Chief Executive	-	-	-	-	-	-	-	-
Mr. Hassan Ehsan Cheema	Executive Director	122,500	1 to 4	12,500	30	50,000	1 to 4	150,000	10
Mr. Qadeer Ahmed Vaseer	Executive Director	-	1 to 4	12,500	30	50,000	1 to 4	100,000	10
Mr. Amer Ahmad Javed	Executive	80,000	1 to 4	-	30	40,000	1 to 4	35,000	10
Syed Arshad Hussain Shah	Executive	-	1 to 4	-	30	40,000	1 to 4	35,000	10
Mr. Usman Liaqat	Executive	80,600	1 to 4	10,000	30	40,000	1 to 4	101,500	10
Mr. Muhammad Ashfaq	Executive	80,600	1 to 4	10,000	30	40,000	1 to 4	100,000	10
Mr. Anwar Ul Haq	Executive	60,450	1 to 4	7,500	30	30,000	1 to 4	25,000	10
Mr. Naseer Ahmed	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	14,000	10
Mr. Zayyad Saleem	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	15,000	10
Hafiz Muhammad Ahmed	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	11,000	10
Mr. Muhammad Zahid Mumtaz	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	15,000	10
Mr. Abid Mehmood	Executive	41,000	1 to 4	5,000	30	20,000	1 to 4	11,500	10
Mr. Muhammad Ashraf	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	15,500	10
Syed Munawar Hussain	Executive	40,300	1 to 4	5,000	30	20,000	1 to 4	16,000	10
Mr. Shamaz Wali	Executive	40,300	1 to 4	5,000	30	20,000	1 to 4	16,000	10
Mr. Muhammad Fazil	Executive	40,000	1 to 4	4,400	30	20,000	1 to 4	16,000	10
Syed Rizwan Ali Bukhari	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	10,000	10
Mr. Muhammad Iqbal	Executive	30,225	1 to 4	3,750	30	15,000	1 to 4	7,000	10
Mr. Abdul Rauf	Executive	30,225	1 to 4	3,750	30	15,000	1 to 4	10,000	10
Mr. Habib Ali Bhatti	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	11,000	10
Mr. Muhammad Haider Anwaar	Executive	30,150	1 to 4	2,500	30	10,000	1 to 4	8,000	10
Mr. Arif Ghaffar	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	11,000	10
Syed Ejaz Ali Shah	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	11,000	10
Mr. Muhammad Akram	Executive	30,225	1 to 4	3,750	30	15,000	1 to 4	12,000	10
Mr. Muhammad Sajid Rashid	Executive	30,000	1 to 4	3,300	30	15,000	1 to 4	12,000	10
Mr. Fazal ur Rehman	Executive	30,750	1 to 4	3,750	30	15,000	1 to 4	-	-
Mr. Bilal Ahmad Sajid	Executive	20,000	1 to 4	-	-	-	-	-	-
Mr. Anas Ahmed Khan	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	7,000	10
Mr. Adil Saddique Khan	Executive	20,000	1 to 4	-	-	-	-	-	-
Mr. Altaf Ahmed	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	8,000	10
Mr. Muhammad Umer Anwaar	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	8,000	10
Mr. Saqib Riaz	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	8,500	10
Mr. Mirza Rizwan Baig	Executive	20,000	1 to 4	2,200	30	10,000	1 to 4	9,000	10
Mr. Ibrar Hussain	Executive	-	-	-	-	15,000	1 to 4	11,000	10
Mr. Mahmood Sadiq	Executive	-	-	-	-	-	-	10,000	10
Mr. Khalid Rashid	Executive	-	-	-	-	10,000	1 to 4	-	-
Mr. Abid Hussain	Executive	-	-	-	-	15,000	1 to 4	-	-
		1,227,325		138,900		705,000		830,000	

40. 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:

		2024	2023
		Amount	Amount
		Rupees in thousand	
Nature of relationship	Nature of transactions		
Ultimate Holding Company			
Service Industries Limited	Sale of goods	290,233	305,772
	Expenses charged to the Company	234,049	280,647
	Purchase of goods	495,280	390,094
	Purchase of operating fixed assets	8,584	-
	Sale of operating fixed assets	5,000	-
	Processing charges	17,290	109,186
	Loans given	6,025,000	11,589,162
	Loans repaid	4,775,000	12,596,780
	Interest income	87,133	532,170
	Dividend paid	817,750	163,550
Subsidiary of the Ultimate Holding Company			
Service Tyres (Private) Limited	Sale of goods	26,635	-
Service Retail (Private) Limited	Sale of goods	168,697	-
SIL GULF (FZE)	Purchase of machinery	-	43,904
	Purchase of goods	-	73,391
Associate of subsidiary of the Ultimate Holding Company			
Jomo Technologies (Private) Limited	Sale of goods	-	3,035
	Purchase of goods	-	15,134
Associate of the Holding Company			
Service Long March Tyres (Private) Limited	Investment made	286,400	-
	Dividend received	379,360	-
	Sale of goods	-	9,346
Key management personnel	Dividends paid	16,895	2,888
	Loan repaid	1,842	1,092
Post employment benefit plans	Holding Company's contribution to gratuity fund trust	44,195	32,919
	Holding Company's contribution to provident fund trust	136,357	118,998

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40.1 Detail of compensation to key management personnel of Holding Company is disclosed in Note 39.

40.2 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
		2024	2023	
Service Industries Limited	Ultimate Holding Company	Yes	Yes	Nil
S2 Power Limited	Common directorship of directors of the Holding Company	No	No	Nil
S2 Hydro Limited	Common directorship of directors of the Holding Company	No	No	Nil
Speed (Private) Limited	Associate of subsidiary of the Ultimate Holding Company	No	No	Nil
SBL Trading (Private) Limited	Common directorship of directors of the Holding Company	No	No	Nil
Jomo Technologies (Private) Limited	Associate of subsidiary of the Ultimate Holding Company	No	Yes	Nil
Service Industries Capital (Private) Limited	Subsidiary of the Ultimate Holding Company	No	No	
Service Long March Tyres (Private) Limited	Common directorship of directors of the Holding Company and associate of Holding Company	Yes	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	No	Nil
Servis Foundation	Common directorship of directors of the Holding Company	No	No	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 of directors of the Holding Company	No	No	Nil
SIL GULF FZE	Subsidiary of the Ultimate Holding Company	Yes	Yes	Nil
Service Provident Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Industries Limited Employees Gratuity Fund Trust	Post employment benefit plan	Yes	Yes	Nil
Service Charitable Trust	Directors of the Holding Company are Trustees	No	No	Nil
Service Tyres (Private) Limited	Subsidiary of the Ultimate Holding Company	Yes	No	Nil
Service Retail (Private) Limited	Subsidiary of the Ultimate Holding Company	Yes	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

40.3 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%

40.4 As on 31 December 2024, 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	
Address of beneficial owner	Servis House, 2 - Main Gulberg, Lahore	Servis House, 2 - Main Gulberg, Lahore	Servis House, 2 - Main Gulberg, Lahore	
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	Investment in shares	Investment in shares	
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	

41. PLANT CAPACITY

	Installed capacity		Actual production	
	(Pairs in thousand)		(Pairs in thousand)	
	2024	2023	2024	2023
Strobel construction	1,662	1,662	1,649	1,467
Lasted construction	2,338	2,338	2,319	2,062
	4,000	4,000	3,968	3,529

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41.1 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.

42. FINANCIAL RISK MANAGEMENT

42.1 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 Arab Emirates Dirham (AED). 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:

	2024	2023
	Amount	Amount
Cash at banks - EURO	346,822	831,930
Trade debts - USD	3,215,270	2,252,146
Trade debts - EURO	4,847,127	3,192,348
Trade debts - GBP	59,665	124,857
Trade debts - AED	596,199	-
Other receivables - USD	166,458	33,566
Other receivables - EURO	35,000	-
Trade and other payables - USD	(689,491)	(1,401,560)
Trade and other payables - EURO	(343,903)	(281,673)
Trade and other payables - GBP	(4,844)	(1,526)
Trade and other payables - AED	(184,822)	-
Short term borrowings - USD	(5,076,200)	(1,925,000)
Net exposure - USD	(2,383,963)	(897,692)
Net exposure - EURO	4,885,046	3,742,605
Net exposure - GBP	54,821	123,331
Net exposure - AED	411,377	-

	2024	2023
	Amount	Amount
The following significant exchange rates were applied during the year :		
Rupees per US Dollar		
Average rate	278.53	283.35
Reporting date rate	278.55	281.86
Rupees per EURO		
Average rate	301.41	307.13
Reporting date rate	290.08	311.50
Rupees per GBP		
Average rate	356.08	353.63
Reporting date rate	349.71	358.60
Rupees per AED		
Average rate	75.83	76.33
Reporting date rate	75.84	76.74

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, Euro, GBP and AED with all other variables held constant, profit before levy and taxation for the year would have been higher / lower by Rupees 39.365 million (2023: Rupees 42.625 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:

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	2024 Amount	2023 Amount
	(Rupees in thousand)	
Fixed rate instruments		
Financial asset		
	-	-
Financial liabilities		
Long term financing	164,170	202,078
Short term borrowings	6,445,920	6,743,006
Floating rate financial instruments		
Financial asset		
Bank balances - saving accounts	567,401	2,159,685
Loan to Ultimate Holding Company	2,500,000	1,250,000
Financial liabilities		
Long term financing	148,799	160,286
Short term borrowings	2,586,520	1,539,341

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 before levy and taxation for the year would have been Rupees 3.254 million (2023: Rupees 15.637 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:

	2024 Amount (Rupees in thousand)	2023 Amount
Security deposits (including long term security deposits)	24,359	14,889
Trade debts	2,338,417	1,710,366
Loans and advances	2,512,268	1,272,813
Accrued mark-up	9,599	5,357
Other receivables	225,266	20,206
Bank balances	789,834	2,948,947
	5,899,743	5,972,578

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			2024	2023
	Short term	Long term	Agency	Amount	Amount
Banks					(Rupees in thousand)
Meezan Bank Limited	A1+	AAA	VIS	58,218	2,142
United Bank Limited	A1+	AAA	VIS	3,879	92
MCB Bank Limited	A1+	AAA	PACRA	9,163	21,856
Habib Bank Limited	A1+	AAA	VIS	31,367	17,083
Allied Bank Limited	A1+	AAA	PACRA	2,039	-
MCB Islamic Bank Limited	A1	A	PACRA	11,548	3,309
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	6,344	17,824
Askari Bank Limited	A1+	AA+	PACRA	897	21,770
Soneri Bank Limited	A1+	AA-	PACRA	571,661	2,592,081
Faysal Bank Limited	A1+	AA	PACRA	513	3,097
Bank AL Habib Limited	A1+	AAA	PACRA	2,513	21,527
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,907	713
Samba Bank Limited	A1	AA	VIS	21	-
Dubai Islamic Bank Pakistan Limited	A1+	AA	VIS	465	73,247
BankIslami Pakistan Limited	AA-	A1	PACRA	42,129	91,555
The Bank of Punjab	A1+	AA+	PACRA	1,579	34,728
Industrial and Commercial Bank of China Limited	P1	A1	Moody's	135	6,587
China Merchants Bank Limited	P1	A2	Moody's	45,456	41,336
				789,834	2,948,947

The Group's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 21.

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.

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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 2024 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.

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows:

At 31 December 2024

	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%	31,123	-	0%	1,075,621	-
Up to 30 days	0.03%	-	-	0.03%	23,674	8
31 to 60 days	0.38%	3,272	13	0.38%	2,739	11
61 to 90 days	1.08%	-	-	1.08%	-	-
91 to 180 days	4.78%	-	-	4.78%	82	4
181 to 360 days	15.93%	-	-	15.93%	-	-
Above 360 days	100.00%	1,263	1,263	100.00%	65,711	65,711
		35,658	1,276		1,167,827	65,734
Trade debts which are not subject to risk of default		-	-		1,201,942	-
Gross Trade debts		35,658	1,276		2,369,769	65,734

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	-	0.00%	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

(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 2024, the Group had Rupees 4,217.560 million (2023: Rupees 2,604.268 million) available borrowing limits from financial institutions and Rupees 796.471 million (2023: Rupees 2,951.229 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 2024:

	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	312,969	435,612	47,518	45,324	86,450	256,320
Trade and other payables	2,125,626	2,125,626	2,125,626	-	-	-
Accrued mark-up	46,928	46,928	46,928	-	-	-
Short term borrowings	9,032,440	9,121,277	9,121,277	-	-	-
Unclaimed dividend	5,578	5,578	5,578	-	-	-
	11,523,541	11,735,021	11,346,927	45,324	86,450	256,320

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
Trade and other payables	2,506,308	2,506,308	2,506,308	-	-	-
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	-	-	-
	11,943,270	12,232,413	11,752,337	40,356	94,749	344,971

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at reporting date. The rates of interest / mark up have been disclosed in note 6 and note 11 to these consolidated financial statements.

2024		2023
At amortized cost	FVTPL	At amortized cost

42.2 Financial instruments by categories

Assets as per consolidated statement of financial position

Security deposits (including long term security deposits)	24,359	-	14,889
Trade debts	2,338,417	-	1,710,366
Loans and advances	2,512,268	-	1,272,813
Accrued mark-up	9,599	-	5,357
Other receivables	58,053	167,213	20,206
Cash and bank balances	796,471	-	2,951,229
	5,739,167	167,213	5,974,860

2024	2023	
At amortized cost	At amortized cost	FVTPL

(Rupees in thousand)

Liabilities as per consolidated statement of financial position

Long term financing	312,969	362,364	-
Trade and other payables	2,125,626	2,506,308	443
Accrued mark-up	46,928	169,111	-
Short term borrowings	9,032,440	8,282,347	-
Dividend payable	-	617,753	-
Unclaimed dividend	5,578	4,944	-
	11,523,541	11,942,827	443

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

2024		
Financial assets	Non-financial assets	Assets as per consolidated statement of financial position

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

Assets

Long term security deposits	4,354	-	4,354
Trade debts	2,338,417	-	2,338,417
Loans and advances	2,512,268	408,114	2,920,382
Accrued markup	9,599	-	9,599
Short term deposits and prepayments	20,005	6,038	26,043
Other receivables	225,266	1,719,689	1,944,955
Cash and bank balances	796,471	-	796,471
	5,906,380	2,133,841	8,040,221

Notes to the Cosolidated Financial Statements

For the year ended December 31, 2024

2024		
Financial liabilities	Non-financial liabilities	Liabilities as per consolidated statement of financial position

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

Liabilities

Long term financing	312,969	-	312,969
Accrued mark-up	46,928	-	46,928
Short term borrowings	9,032,440	-	9,032,440
Trade and other payables	2,125,626	201,365	2,326,991
Unclaimed dividend	5,578	-	5,578
	11,523,541	201,365	11,724,906

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	1,272,813	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
	5,974,860	2,426,790	8,394,668

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	2,506,751	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

42.3 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.

42.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Group as referred to in note 6 and note 11 respectively. Total capital employed includes 'total equity' as shown in the consolidated statement of financial position plus 'borrowings'.

	2024 Amount	2023 Amount
(Rupees in thousand)		
Borrowings	9,345,409	8,644,711
Total equity	7,201,055	6,485,961
Total capital employed	16,546,464	15,130,672
Gearing ratio	56.48%	57.13%

Decrease in gearing is due to increase in equity.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

43. 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 2024	Level 1	Level 2	Level 3	Total
------(Rupees in thousand)-----				

Financial assets

Derivative financial assets	-	167,213	-	167,213
-----------------------------	---	---------	---	---------

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
----------------------------------	---	-----	---	-----

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..

44. 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.

45. OPERATING SEGMENTS

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

4.37% (2023: 1.93%) of the sales of the Group relates to customers in Pakistan. Of the remaining sales of the Group relating to customers outside Pakistan, 36.80% (2023: 40.39%) of those sales are made to customers in Germany.

All non-current assets of the Group as at 31 December 2024 were located in Pakistan and China.

36.14% (2023: 13.32%) of the local sales of the Group are made to a single customer in Pakistan.

46. NUMBER OF EMPLOYEES

	2024	2023
Number of employees	5,684	5,695
Average number of employees during the year	5,752	5,723

47. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2024	2023	2024	2023
	(Rupees in thousand)		(Rupees in thousand)	
Total facilities	3,275,000	3,175,000	13,250,000	10,886,615
Utilized at the end of the year	(301,931)	(912,030)	(9,032,440)	(8,282,347)
Unutilized at the end of the year	2,973,069	2,262,970	4,217,560	2,604,268

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

48. DISCLOSURE REQUIREMENT FOR GROUP NOT ENGAGED IN SHARIAH NON-PERMISSIBLE BUSINESS ACTIVITIES AS ITS CORE BUSINESS ACTIVITIES

	2024 Amount	2023 Amount
	(Rupees in thousand)	
Description		
Financing (long-term, short-term, or lease financing) obtained as per Islamic mode		
Short term borrowings	4,769,140	3,654,133
Interest or mark-up accrued on any conventional loan or advance	33,966	97,374
Long-term and short-term Shariah compliant Investments		
Long term investments (Note 17)	3,946,265	2,691,689
Shariah-compliant bank deposits, bank balances, and TDRs	112,873	173,350
Revenue earned from a Shariah-compliant business segment (Note 28)	17,467,975	15,061,817
Break-up of late payments or liquidated damages	-	-
Gain or loss or dividend earned on Shariah compliant investments or share of profit from Shariah-compliant associates		
Dividend income (Note 17)	379,360	-
Share of net profit of associate accounted for using the equity method (Note 17)	1,323,147	474,039
Profit earned from Shariah-compliant bank deposits, bank balances, or TDRs		
Profit on deposits with banks	-	-
Exchange gain earned from actual currency	-	182,795
Exchange gains earned using conventional derivative financial instruments	167,213	-
Profit paid on Islamic mode of financing	273,053	433,023
Total interest earned on conventional loan		
Interest on saving accounts (Note 33)	26,546	16,398
Interest on loans to Ultimate Holding Company (Note 33)	87,133	532,170
Source and detailed breakup of other income, including breakup of other or miscellaneous portions of other income into Shariah-compliant and non compliant income		
Shariah-compliant		
Exchange gain - net	-	182,795
Gain on disposal of operating fixed assets - net (Note 14.1.1)	1,661	1,139
Scrap sales	39,998	30,822
Reversal of allowance for expected credit losses - trade debts (Note 21.7)	-	2,310
Reversal of provision for doubtful advances to suppliers (Note 22.2.1)	-	5,883
Reversal of allowance for expected credit losses - Lab testing charges (Note 25.1.1)	-	1,055
Non-compliant		
Unrealised exchange gain on forward contracts	167,213	-
Interest on loans to Ultimate Holding Company (Note 33)	87,133	532,170
Interest on saving accounts (Note 33)	26,546	16,398

Relationship with Shariah-compliant financial institutions, including banks, takaful operators and their windows, etc

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

49. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Holding Company has proposed final cash dividend for the year ended 31 December 2024 of Rupees 4 per share at their meeting held on 25 March 2025. 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.

50. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 25 March 2025 by the Board of Directors of the Holding Company.

51. CORRESPONDING FIGURES

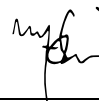
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, except for reclassifications as disclosed in note 2.4 to these consolidated financial statements, no other significant rearrangements / reclassifications have been made.

52. 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, 2024

Number of Shareholders	Shareholding		Total Shares held
	From	To	
352	1	100	9,965
776	101	500	352,371
495	501	1,000	469,273
451	1,001	5,000	1,170,752
91	5,001	10,000	729,259
55	10,001	15,000	688,008
31	15,001	20,000	557,185
36	20,001	25,000	822,246
10	25,001	30,000	291,375
7	30,001	35,000	231,488
10	35,001	40,000	379,181
6	40,001	45,000	259,853
9	45,001	50,000	440,853
4	50,001	55,000	211,050
8	55,001	60,000	466,442
3	60,001	65,000	193,536
1	65,001	70,000	70,000
2	70,001	75,000	147,461
3	75,001	80,000	234,521
1	85,001	90,000	86,767
2	90,001	95,000	188,975
11	95,001	100,000	1,099,762
3	105,001	110,000	324,000
2	110,001	115,000	225,565
1	115,001	120,000	120,000
1	120,001	125,000	120,350
3	125,001	130,000	384,180
1	135,001	140,000	140,000
2	145,001	150,000	293,103
1	165,001	170,000	168,000
1	170,001	175,000	173,125
2	175,001	180,000	353,078
2	180,001	185,000	366,394
1	185,001	190,000	189,772

Pattern of Shareholding

As at December 31, 2024

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	190,001	195,000	191,500
4	195,001	200,000	796,916
2	200,001	205,000	407,061
1	210,001	215,000	214,318
5	245,001	250,000	1,246,989
1	255,001	260,000	257,000
1	275,001	280,000	279,100
1	280,001	285,000	284,500
1	305,001	310,000	310,000
1	310,001	315,000	312,500
1	320,001	325,000	325,000
1	325,001	330,000	328,000
1	355,001	360,000	357,376
2	370,001	375,000	741,538
1	395,001	400,000	396,405
1	405,001	410,000	406,175
1	410,001	415,000	412,500
1	470,001	475,000	472,461
1	475,001	480,000	479,165
2	495,001	500,000	1,000,000
1	540,001	545,000	543,325
1	550,001	555,000	553,038
1	595,001	600,000	600,000
1	610,001	615,000	610,500
1	695,001	700,000	700,000
1	780,001	785,000	782,000
1	815,001	820,000	818,500
1	1,030,001	1,035,000	1,034,827
1	1,230,001	1,235,000	1,231,598
1	1,455,001	1,460,000	1,455,500
1	1,595,001	1,600,000	1,596,413
1	5,335,001	5,340,000	5,337,852
1	6,065,001	6,070,000	6,066,462
1	163,545,001	163,550,000	163,549,991
2,428			206,056,400

Pattern of Shareholding

As at December 31, 2024

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Directors, Chief Executive Officer, and their spouses and minor children	13	2,962,509	1.4377
Associated Companies, Parent Company, undertakings and related Parties	1	163,549,991	79.3715
NIT and ICP	4	1,522,951	0.7391
Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,704,059	0.8270
Insurance Companies	3	324,051	0.1573
Modarabas and Mutual Funds	17	11,032,222	5.3540
General Public			
a. Local	2,339	17,628,168	8.5550
b. Foreign	6	5,370,852	2.6065
Others (to be specified)			
1- Joint Stock Companies	27	1,353,228	0.6567
2- Investment Companies	1	6,067	0.0029
3- Pension Funds	4	165,500	0.0803
4- Others	11	436,802	0.2120
	2,428	206,056,400	100.0000
Shareholders holding 10% or more	1	163,549,991	79.3715

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	79.3715
Mutual Funds		
CDC - TRUSTEE ABL STOCK FUND (CDC)	250,000	0.1213
CDC - TRUSTEE AL HABIB ASSET ALLOCATION FUND (CDC)	6,338	0.0031
CDC - TRUSTEE AL HABIB ISLAMIC STOCK FUND (CDC)	553,038	0.2684
CDC - TRUSTEE AL HABIB STOCK FUND (CDC)	146,103	0.0709
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	214,318	0.1040
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC)	6,066,462	2.9441
CDC - TRUSTEE APIF - EQUITY SUB FUND (CDC)	173,125	0.0840
CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND (CDC)	114,065	0.0554
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND (CDC)	1,596,413	0.7747
CDC - TRUSTEE AWT ISLAMIC STOCK FUND (CDC)	120,350	0.0584
CDC - TRUSTEE AWT STOCK FUND (CDC)	24,500	0.0119
CDC - TRUSTEE FAYSAL ISLAMIC STOCK FUND (CDC)	57,451	0.0279
CDC - TRUSTEE GOLDEN ARROW STOCK FUND (CDC)	130,000	0.0631
CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	925	0.0004
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT (CDC)	982	0.0005
CDC - TRUSTEE MEEZAN ISLAMIC FUND (CDC)	543,325	0.2637
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	1,034,827	0.5022
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	0.3795
MR. OMAR SAEED	1	0.0000
MR. OMAR SAEED (CDC)	1,455,500	0.7064
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)	412,500	0.2002
MR. QADEER AHMED VASEER	1	0.0000
MR. QADEER AHMED VASEER (CDC)	312,500	0.1517

Pattern of Shareholding

As at December 31, 2024

Categories of Shareholders	Number of Shares held	Percentage
Executives	64,662	0.0314
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	2,193,610	1.0646
Shareholders holding five percent or more voting rights		
SERVICE INDUSTRIES LIMITED (CDC)	163,549,991	79.3715

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

Name	Shares Acquired under ESOS / Purchase	Sale
MR. HASSAN EHSAN CHEEMA - DIRECTOR	12,500	-
MR. QADEER AHMED VASEER - DIRECTOR	12,500	-
MR. USMAN LIAQAT - CFO	10,000	46,838

Form of Proxy

6th 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 6th Annual General Meeting to be held on April 28, 2025 at 9:30 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 _____ 2025
 in the presence of _____ Signed this _____ day of _____ 2025

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

Signature on Fifty - Rupees
Revenue Stamp

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

Important:

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

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

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



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

AFFIX
CORRECT
POSTAGE

پراکسی فارم

چھٹا سالانہ اجلاس عام

میں / ہم _____ سروس گلوبل فٹ ویئر لیٹڈ 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 پرکسی مقرر کرتا / کرتی ہوں کہ میری غیر موجودگی کی صورت میں میری / ہماری طرف سے کمپنی کے چھٹے سالانہ اجلاس عام جو کہ مورخہ 28 اپریل 2025
 صبح 9:30 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 ریونیولٹ پر دستخط کریں۔	سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
	اکاؤنٹ نمبر	پارٹیسپنٹ آئی ڈی	
(دستخط کمپنی میں درج نمونہ دستخط کے مطابق ہونے چاہئیں)			

اہم ہدایات:

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

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

- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر اڈومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کرائیں۔
- حصص یافتگان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹر اڈومی 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 بعد دستخط کا نمونہ پراکسی فارم کے ساتھ جمع کروانا ضروری ہوگا۔



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

AFFIX
CORRECT
POSTAGE

**SERVICE GLOBAL FOOTWEAR LIMITED**

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

Phone: +92 42- 35751990-6

Email: shareholders@servis.comWebsite: www.serviceglobalfootwear.com

Ballot Paper For Voting Through Post

(in person and virtual 6th Annual General Meeting to be held at 9:30 a.m. on Monday, April 28, 2025)

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 21, 2025) 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 26, 2024 and expiring on June 30, 2025, for a further period of one year till June 30, 2026 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 27, 2025 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.

صنف کی بنیاد پر اجرت میں فرق

SECP کے سرکلر 10 آف 2024 کے تحت درکار صنف کی بنیاد پر اجرت میں فرق کی معلومات سالانہ رپورٹ میں شامل کی گئی ہیں۔

اظہارِ تشکر

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

حصص یافتگان کی تفصیل

مقررہ فارم 20 میں 31 دسمبر 2024 کو حصص یافتگان کی تفصیل کے بارے میں معلومات تجویز کردہ فارم 20 میں سالانہ رپورٹ میں شامل کر دیا گیا ہے۔ ڈائریکٹر، ایگزیکٹوز اور ان کی شریک حیات اور نابالغ بچوں کی کمپنی کے حصص کی خرید و فروخت کی تفصیل بھی اس رپورٹ میں شامل ہے۔

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۔

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

ہم آنے والے سالوں میں بہتر نتائج حاصل کرنے کیلئے پرعزم 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۔

حسن جاوید

چیف ایگزیکٹو

عارف سعید

چیئر مین

سالانہ گوشواروں کی تیاری کے بعد تبدیلیاں

31 دسمبر 2024 سے لے کر 25 مارچ 2025 تک اس سالانہ رپورٹ میں کوئی تبدیلی ایسی نہیں ہوئی جو کہ اس مالی گوشوارے پر اثر انداز ہو ماسوائے 31 دسمبر 2024 کو ختم ہونے والے مالی سال کا اعلان برائے حتمی ڈیویڈنڈ 4 روپے فی شیئر (یعنی 40 فیصد) جس کی ادائیگی حصص یافتگان کے سالانہ اجلاس عام میں منظور کرنے سے مشروط ہے۔

مورخہ مارچ 25، 2025

آڈٹ کمیٹی

آڈٹ کمیٹی اس وقت تین اراکین پر مشتمل ہے جس میں سے دو انڈیپنڈنٹ ڈائریکٹرز ہیں اور ایک نان ایگزیکٹو ڈائریکٹر ہے۔ کمیٹی کا چیئر مین انڈیپنڈنٹ ڈائریکٹر ہے۔ اس کمیٹی کے حوالے کی شرائط کارپوریٹ گورننس کے ضابطہ اخلاق ریگولیشن کے مطابق ترتیب دی گئیں ہیں اور کمیٹی کو اس کی تعینل کرنے کا حکم دیا گیا ہے۔

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

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

ہیومن ریسورس اور ریسیونیٹی کمیٹی

یہ ہیومن ریسورس اور ریسیونیٹی 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 جانشینی کی منصوبہ بندی وغیرہ کے بارے میں اپنی سفارشات بورڈ کو پیش کرتے ہیں۔

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

ممبران	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 سٹریٹجز کے مطابق ہے۔ سروس انڈسٹریز لیڈنگ 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۔

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

31 دسمبر 2024 کو ختم ہونے والے سال کے دوران، معاوضے کے لیے مالیاتی گوشواروں میں درج ذیل رقم وصول کی گئیں جن میں چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹرز اور نان ایگزیکٹو ڈائریکٹرز کی دیگر مراعات شامل ہیں:

- 176,414 ملین روپے (2023: 107,199 ملین روپے) چیف ایگزیکٹو آفیسر کو ادا کیے گئے۔
- دو ایگزیکٹو ڈائریکٹرز کو 79,662 ملین روپے (2023: 59,945 ملین) ادا کیے گئے۔
- ایپلائز اسٹاک آپشنز اسکیم (ESOS) 2020 کے تحت دو ایگزیکٹو ڈائریکٹرز کو 36 روپے فی شیئر کی قیمت پر 122,500 شیئر آپشنز دیئے گئے تھے۔ (2023: 100,000 شیئر آپشنز 30 روپے فی شیئر کی قیمت پر دیئے گئے تھے۔)
- اس سال کے دوران 25,000 (2023: 250,000) ڈی ایگزیکٹو ڈائریکٹرز کو پہلے سالوں میں دیئے گئے شیئر آپشنز کے عوض الاٹ کیے گئے تھے۔
- 1.78 ملین روپے (2023: 2.16 ملین روپے) تین ڈائریکٹرز کو میٹنگ فیس کے طور پر ادا کیے گئے۔

بورڈ آف ڈائریکٹرز کے اجلاس

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

ڈائریکٹرز	عہدہ	حاضری
جناب عارف سعید	چیئر مین	4/4
جناب حسن جاوید	چیف ایگزیکٹو آفیسر	4/4
چوہدری احمد جاوید	ڈائریکٹر	0/4
جناب عمر سعید	ڈائریکٹر	4/4
جناب عظمت علی رانجھا	ڈائریکٹر	4/4
جناب عبدالرشید لون	ڈائریکٹر	3/4
محترمہ ملیہ ہمایوں بگٹش	ڈائریکٹر	2/4
جناب حسن احسان چیمہ	ڈائریکٹر	4/4
جناب قدیر احمد وسیر	ڈائریکٹر	3/4

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

3۔ مالی گوشواروں اور اکاؤنٹنگ کے تخمینوں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ استعمال کیا جا رہا ہے، ماسوائے "ٹیکسیشن اور لیوی" کی اکاؤنٹنگ پالیسی میں تبدیلی جیسا کہ نوٹ 2.3 میں منسلک مالی گوشواروں میں بیان کیا گیا ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔

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

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

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

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

8۔ پچھلے 5 سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار اس سالانہ رپورٹ میں درج ہے۔

مستند اندرونی مالی کنٹرولز

ڈائریکٹرز اور مالی 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 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 منظم 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 ڈائریکٹرز کو ادا کرے گی۔

دریں اثناء، ہمارے اہم منڈیاں۔ امریکہ اور یورپی یونین۔ اقتصادی غیر یقینی صورتحال کا سامنا کر رہی ہیں، جو ہمارے گاہکوں کے منافع کو متاثر کر رہی ہے۔ اس صورتحال میں قیمتوں میں اضافہ ممکن نہیں، جس کا مطلب ہے کہ SGFL جیسے مینوفیکچررز کو بڑھتے ہوئے اخراجات خود برداشت کرنے ہوں گے، جس سے منافع کے مارجن پر مزید دباؤ پڑے گا۔ جو تاہم صنعت ایک ایسے مرحلے میں داخل ہو رہی ہے جہاں صرف مضبوط ترین کاروبار ہی بقا برقرار رکھ سکیں گے۔

ان مسائل سے نمٹنے کے لیے، SGFL کارکردگی میں بہتری سے منافع بڑھانے پر توجہ مرکوز کرے گا۔ ہم فٹ ویئر مینوفیکچرنگ میں عالمی معیار کو اپنانے، پیداواری ترتیب کو بہتر بنانے، خود کار نظام (Automation) کے انضمام اور ڈیجیٹل ٹیکنالوجی کو اپنانے پر کام کر رہے ہیں۔ بین الاقوامی کمپنیوں کے ساتھ تعاون ہمیں بہترین طریقے اپنانے اور فٹ ویئر مینوفیکچرنگ میں ایک عالمی طاقت بننے میں مدد دے رہا ہے۔ مزید برآں، 2025 میں سٹیٹس تو اتائی کی پیداواری صلاحیت کو دوگنا کرنے سے ہمیں بجلی کے اخراجات میں برتری حاصل ہوگی۔

ہمارا مضبوط بیلنس شیٹ ورک اور معروف برانڈز کے ساتھ اسٹریٹیجک تعاون ہمیں شمالی امریکہ اور یورپ میں مارکیٹ شیئر بڑھانے کا بہترین موقع فراہم کرتی ہے۔ بڑھتی ہوئی طلب کو پورا کرنے کے لیے، ہم اس سال ایک نئی پروڈکشن یونٹ میں سرمایہ کاری کر رہے ہیں، تاکہ مارکیٹ کی بہتری کے ساتھ ہم مواقع سے زیادہ سے زیادہ فائدہ اٹھا سکیں اور مقابلے میں آگے رہیں۔

کارپوریٹ گورننس کے بہترین طریقوں پر عمل

کمپنی تمام ممکنہ اخلاقی اور قانونی ضوابط پر پورا اترنے اور کاروبار کو اعلیٰ ترین پیشہ ورانہ اور اخلاقی معیارات اور طریقوں کے مطابق چلانے کے لیے پرعزم ہے۔ بورڈ نے لگاتار بہتری کیلئے ایک طریقہ کار تشکیل کر دیا ہے جو کہ لگاتار موجودہ طریقوں کو جانچتا رہتا ہے اور یہ اس بات کا بھی تقاضا کرتا ہے کہ کمپنی میں وقت کے ساتھ ساتھ تبدیلی آئے اور جب مناسب مواقع آئیں تو کمپنی اس کیلئے تیار ہو۔ چنانچہ کمپنی مارکیٹ میں دستیاب بہترین ملازمین حاصل کرے اور ان کو وہ مہارت اور مواقع دے جس سے وہ اعلیٰ ہدف 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 فلوا اور ایکویٹی میں تبدیلی کو احسن طریقے سے پیش کرتے ہیں۔
- 2۔ کمپنی نے اچھی طرح سے اکاؤنٹس کے کھاتے تیار کر رکھے ہیں۔

(2) سماجی ذمہ داری

(ب) کاروباری اخلاقیات اور ایمانداری

SGFL اعلیٰ ترین اخلاقیات کو درج ذیل نکات کے ذریعے زور دیتا ہے:

- ایک مضبوط ضابطہ اخلاق جو قانونی اور ریگولیٹری تقاضوں کی مکمل تعمیل کو یقینی بناتا ہے۔
- ایک شفاف اور اخلاقی کاروباری ماحول جو دیانتداری اور جوابدہی کو بنیادی اہمیت دیتا ہے۔
- منصفانہ تجارتی اصولوں پر عمل درآمد، جو ہمیں ایک ذمہ دار ادارے کے طور پر ہماری پہچان ہے۔

SGFL اخلاقی لیبر پریکٹسز، کام کے دوران حفاظت اور سماجی بہبود کو ملحوظ خاطر رکھنے کے لیے پرعزم ہے۔ ہم محض قانونی تقاضوں کی تعمیل تک محدود نہیں رہتے بلکہ روزمرہ کے معمولات میں باہمی تعاون اور سب کی شمولیت کو یقینی بناتے ہیں۔

سرٹیفیکیشن اور کمپلائنس:

ہم عالمی سماجی قوانین کے تقاضوں کے لئے درج ذیل سرٹیفیکیشن حاصل کر چکے ہیں:

- SEDEX (سپلائر تھیکل ڈیٹا ایسیسٹنٹ)
- BSCI (برنس سوشل کمپلائنس انیشیٹیو)
- SLCP (سوشل اینڈ لیبر کنورجینس پروگرام)
- HIGG FSLM (سہولت سماجی اور مزدور ماڈیول)

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 عالمی کمیونٹی کے درمیان اعتماد پیدا کرنے کے لیے ضروری ہے۔

قومی محصولات میں ہمارا حصہ

سروس گلوبل فٹ ویئر لمیٹڈ کا ٹیکس، ڈیوٹی اور محصولات کی مدد میں قومی خزانے میں ایک اہم سالانہ شراکت ہے۔ 2024 میں سروس گلوبل فٹ ویئر لمیٹڈ نے 397 ملین روپے اس مدت میں ادا کئے۔

یہ سرٹیفیکیشنز 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۔

کمپنی کی سماجی ذمہ داری

سروس گلوبل فٹ ویئر لمیٹڈ کو سروس انڈسٹریز لمیٹڈ کی طرح اداروں کو عطیات دینے کی روایت پر عمل کر کے سماجی طور پر باشعور کاروباری ادارہ بننے کے نظریہ 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، شیئرز، ہولڈرز اور متعلقہ آبادیوں کی خدمت کرنا اور ماحول کی بہتری کے لیے کوشش کرنا ہے۔

ورک فورس انکلو سٹی اور اخلاقی لیبر پریکٹسز:

- مساوی مواقع فراہم کرنے والا ادارہ: SGFL تنوع اور سب کی شمولیت کو فروغ دیتا ہے، خواہ تین کی شمولیت کی حوصلہ افزائی کرتا ہے اور خصوصی ضروریات رکھنے والے افراد کو روزگار کے مواقع فراہم کرتا ہے۔
- اوپن ڈور پالیسی: ہم تھرڈ پارٹی آڈٹس اور مسلسل تنقید کا خیر مقدم کرتے ہیں تاکہ کارخانے کے ماحول اور ملازمین کے اطمینان کو بہتر بنایا جاسکے۔

کمپنی کار ادارہ بالکل سادہ ہے: لوٹانا، خوشحالی بانڈنا اور احسن طریقے سے لوگوں کی تعمیر و ترقی کرنے میں مدد کرنا اور اپنی کمپنی کی سماجی ذمہ داری سرگرمیوں میں سرمایہ کاری میں اضافہ کرنا ہے۔ 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۔

SGFL ایک ایسا ماحول پروان چڑھانے پر یقین رکھتا ہے جو عزت، انصاف، اور پیشہ ورانہ ترقی پر مبنی ہو، تاکہ ہماری ملازمین متحرک، قابل قدر، اور پرعزم رہے۔

(3) گورننس اور اخلاقی کاروباری طریقے

(ا) کارپوریٹ گورننس

SGFL نے ایک جامع IMS پروگرام نافذ کیا ہے جو تصدیق شدہ ہے:

- ISO 9001/2015 (کوالٹی مینجمنٹ)
- ISO 14001/2015 (ماحولیاتی مینجمنٹ)،
- ISO 45001/2018 (کام کرنے کے طریقوں میں کارکنوں کی حفاظت)
- ISO 17025/2017 (لیبارٹری مینجمنٹ سسٹم)
- CTPAT (کسٹمز ٹریڈ پارٹنرشپ گینسٹ ٹیرریزم)

آنے والے سالوں میں نمایاں نمو کے لیے تیار ہے۔ ہم فروخت کے بارے میں انتہائی پر یقین ہیں، اور ہم بڑھتی ہوئی طلب کو پورا کرنے کے لیے اپنی پیداواری صلاحیت میں اضافہ کر رہے ہیں۔ موجودہ کسٹمز ہمیں توسیع کی ترغیب دے رہے ہیں، جبکہ نئے مواقع بھی سامنے آ رہے ہیں۔ انتظامیہ کو اگلے تین سالوں میں تیزی سے سالانہ فروخت میں اضافے کی توقع ہے۔

یہ سرٹیفیکیشنز رسک مینجمنٹ، قوانین و ضوابط کی تعمیل، ماحولیات کا تحفظ اور کام کے طریقوں میں مسلسل بہتری لانے کی لئے بہترین طریقہ کار فراہم کرتے ہیں۔

تاہم، مشکلات بدستور موجود ہیں، خاص طور پر منافع کے حوالے سے۔ پاکستان کا برآمدی شعبہ جاری IMF پروگرام کے تحت فوری ریلیف کی توقع نہیں کرتا۔ بڑھتے ہوئے پیداواری اخراجات۔ جن میں توانائی کی قیمتیں، مزدوری کے اخراجات، مال کی ترسیل کے اخراجات، خام مال کی قیمتوں میں اضافہ، برآمد دوست قرضوں کا خاتمہ، ناموافق ٹیکس پالیسیاں، اور سخت زرمبادلہ کے ضوابط شامل ہیں جو سال 2025 میں بھی منافع کے مارجن پر دباؤ برقرار رکھیں گے۔

علاوہ ازیں، سینیئر انتظامیہ کی ٹیم کمپنی اور اس کے کاروباری شعبوں کیلئے ایک انتہائی تفصیلی بجٹنگ 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 المدتی اہداف 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۔ اسٹریٹجک رسک مینجمنٹ کے لیے عزم کمپنی کو بدلتے ہوئے حالات کے مطابق ڈھالنے اور اپنی صنعت میں بھرتے ہوئے مواقع سے فائدہ اٹھانے کیلئے تیار رکھتا ہے۔

ماحول، سماجی ذمہ داری اور گورننس

سروس گلوبل فٹ ویئر لمیٹڈ صنعتوں میں مروج بہترین ماحولیاتی، سماجی اور کارپوریٹ گورننس طریقوں کو بروئے کار لانے میں سب سے آگے رہنے کے لیے کوشاں ہے۔ ہمارا ESG فریم ورک عالمی معیارات سے ہم آہنگ کرنے کے لیے تیار کیا گیا ہے، جو پائیداری، اخلاقی کاروباری اصولوں، اور کارپوریٹ ذمہ داری کو یقینی بناتا ہے۔

1 ماحولیات

SGFL ماحولیاتی پائیداری کے حوالے سے ایک فعال حکمت عملی اپناتا ہے۔ ہمیں فخر ہے کہ ہم اس نخطے میں تھسی توانائی سے چلنے والی اولین فیٹریوں میں شامل ہیں۔ ہمارا گرین انرجی کاسفر 2017 میں 1 میگاواٹ کے سولر پاور پلانٹ سے شروع ہوا اور آج ہم 2 میگاواٹ کاسولر سسٹم چلا رہے ہیں، جو ہماری بجلی کی نصف ضروریات پوری کرتا ہے۔ سال 2025 میں، ہم اس صلاحیت کو دوگنا کرتے ہوئے مزید 2 میگاواٹ کاسولر پلانٹ شامل کرنے جا رہے ہیں۔

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 درج ذیل بنیادی نظام بھی نافذ کئے ہیں:

- خام مال کی خریداری ری سائیکلڈ کلیم اسٹیٹڈ (RCS) کی تعمیل
- پیکنگ 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۔

ہمارے ماحولیاتی اقدامات نہ صرف ماحولیاتی آلودگی میں کمی کا باعث بنتے ہیں بلکہ طویل مدتی پائیداری کے لیے کم لاگت توانائی کے حل بھی فراہم کرتے ہیں۔

اس کے پیش نظر، 31 دسمبر 2024 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 25 مارچ 2025 کو ہونے والے اپنے اجلاس میں 4 روپے فی شیئر کے حتمی ڈیویڈنڈ کا اعلان کیا ہے (2023: حتمی کیش ڈیویڈنڈ 2 روپے فی شیئر اور عبوری کیش ڈیویڈنڈ 3 روپے فی شیئر) جو کہ سالانہ اجلاس عام جو کہ 28 اپریل 2025 کو منعقد ہوگی، میں ممبران کی منظوری سے مشروط ہے۔

سروس لانگ مارچ ٹائز (پرائیویٹ) لمیٹڈ میں سرمایہ کاری

سال SLM 2024 کے لیے اچھا سال رہا ہے۔ کمپنی نے سروس لانگ مارچ ٹائز (پرائیویٹ) لمیٹڈ میں مزید 286 ملین روپے کی سرمایہ کاری کی سروس لانگ مارچ ٹائز (پرائیویٹ) لمیٹڈ نے اس سال اپنی پیداواری صلاحیت میں اضافہ کیا اور مکمل استعداد پر کام کیا۔ اس توسیع کے نتیجے میں سروس لانگ مارچ ٹائز (پرائیویٹ) لمیٹڈ کی آمدنی میں نمایاں اضافہ ہوا۔

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 مینٹنگ میں مستعدی سے اپنی شمولیت کو یقینی بناتا ہے اہم معاملات پر تفصیلی گفتگو ہوتی ہے اور انتظامیہ کو واضح ہدایات دی جاتی ہیں اور ان ہدایات کے عمل درآمد پر بورڈ اور کمیٹیاں مستقل نظر رکھتی ہیں۔

کمپنی کی کارکردگی کا جائزہ لینے کے لیے انتظامیہ نے مختلف معیارات بنا رکھے ہیں جن میں صنعتی شرح نمو، ہم مرتبہ کمپنیوں کی صورت حال، گزشتہ سالوں کی کارکردگی اور کمپنی پر اثر انداز ہونے والے مجموعی اقتصادی اور کاروباری حالات شامل ہیں۔ بجٹ بنایا جاتا ہے اور اصل کارکردگی کا بجٹ سے تقابلی جائزہ سال کے دوران باقاعدگی سے لیا جاتا ہے تاکہ بلا تاخیر اصلاح کی جاسکے۔

انتظامیہ اس بات کو یقینی بناتی ہے کہ کاروبار کے بہترین طریقوں پر عمل درآمد ہو رہا ہے۔ انتظامیہ کاروبار کی کارکردگی کا ہر 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۔ اہم بات یہ ہے کہ کمپنی نے پورے سال کے دوران کسی بھی قرض پر ڈیفالٹ نہ کرنے کا ریکارڈ برقرار رکھا ہے، جو مالیاتی نظم و ضبط اور استحکام کی عکاسی کرتا ہے۔ جامع تجزیے، کارپوریٹ گورننس پریکٹسز کی پابندی، اور مالی ذمہ داری کے اس عزم سے ظاہر ہوتا ہے کہ SGFL پائیدار کامیابی اور ذمہ دارانہ کاروباری طرز عمل کے لیے پرعزم ہے۔

رسک، غیر ممکنات اور ان سے بچاؤ

کمپنی کاررسک مینجمنٹ پروگرام کمپنی کی کارکردگی پر ممکنہ مضر اثرات کو کم کرنے پر موزوں رہتا ہے۔ کمپنی کی سینیئر انتظامیہ رسک مینجمنٹ کا کام سرانجام دیتی ہے اور اپنے نتائج، بورڈ آف ڈائریکٹرز کے سامنے رکھتی ہے۔

اس کارروائی میں حکمت عملی سے متعلقہ مالی، کمرشل اور آپریشنل رسک کی شناخت، جائزہ اور اسکے حل شامل ہیں۔ رسک کی ان مختلف وجوہات کو حل کرتے ہوئے، SGFL کا مقصد غیر یقینی صورتحال سے نپٹنے کی اپنی صلاحیت کو مضبوط کرنا ہے۔

تاہم، برآمدی صنعت کو غیر موافق فاریکس پالیسیوں کے باعث دباؤ کا سامنا رہے گا، کیونکہ مستحکم ایکسچینج ریٹ برآمدی شعبے میں بڑھتے ہوئے پیداواری اخراجات کو آگے منتقل کرنے کی صلاحیت کو محدود کر دیتا 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 ملکیٹی ذیلی کمپنی ہے۔

ڈونگ گوان سروس گلوبل لمیٹڈ

ڈونگ گوان سروس گلوبل لمیٹڈ ایک لمیٹڈ لائیبلٹی کمپنی ہے جو کہ ڈونگ گوان ایڈمنسٹریشن آف مارکیٹ ریگولیشنز، چین کے ساتھ رجسٹرڈ ہے۔ ڈونگ گوان سروس گلوبل لمیٹڈ کی تشکیل کی تاریخ 18 دسمبر 2022 ہے۔ ڈونگ گوان سروس گلوبل لمیٹڈ کا کاروباری دائرہ کار جو توں اور ٹویچوں کی بڑے پیمانے پر فروخت، چمڑے کی مصنوعات کی فروخت، سہلے ہوئے ملبوسات اور اس سے منسلک خام مال کی فروخت، ہارڈ ویئر مصنوعات کی بڑے پیمانے پر فروخت، بیگز کی فروخت، روزمرہ کی ضروریات، ملبوسات کا معائنہ اور ان کی فنشنگ کی خدمات، تکنیکی خدمات اور دیگر متعلقہ امور پر محیط ہے۔ ڈونگ گوان سروس گلوبل لمیٹڈ کم عمرہ 302، نمبر 18، ہو جی ٹاؤن، ڈونگ گوان ٹی، 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 ملکیٹی ذیلی کمپنی کے مجموعی مالیاتی نتائج درج ذیل ہیں:

تفصیلات	2024		2023	
	روپے ہزار میں	آمدن فروخت کا فیصد	روپے ہزار میں	آمدن فروخت کا فیصد
خالص آمدنی	17,467,975		15,071,163	
گروس منافع	3,179,279	18%	3,346,474	22%
منافع قبل از لیوی اور ٹیکس	1,634,863	9%	1,583,534	11%
منافع بعد از ٹیکس	1,113,250	6%	1,171,334	8%
فی شیئر آمدنی (بنیادی)	5.40		5.70	
فی شیئر آمدنی (ڈائیبلوڈ)	5.38		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 31 دسمبر 2024 کو ختم ہونے والے سال کے لیے غیر آڈٹ شدہ اعداد و شمار شامل ہیں۔ ڈونگ گوان سروس گلوبل لمیٹڈ کے مالیاتی بیانات انتظامیہ نے چینی اکاؤنٹنگ معیارات برائے چھوٹے کاروباری ادارے کے مطابق تیار کیے ہیں۔ علاوہ ازیں، ڈونگ گوان سروس گلوبل لمیٹڈ کے مالیاتی بیانات مکمل طور پر 31 دسمبر 2024 کو ختم ہونے والے سال کے لیے کمپنی کے مجموعی مالیاتی گوشواروں کیلئے غیر اہم ہیں،

جغرافیائی سیاسی خطرات بدستور بلند سطح پر ہیں۔ امریکی انتخابات کے نتائج کے ساتھ، مہنگی تجارت اور امیگریشن پالیسیوں کے باعث بین الاقوامی تجارت کی رفتار کم ہونے کا امکان ہے۔ اگر امریکہ میں محصولات میں کوئی بڑا تغیر آتا ہے، تو جو ابی اقدامات سامنے آسکتے ہیں۔ آئندہ کی پیشگوئی کافی حد تک اس بات پر منحصر ہوگی کہ محصولات میں اضافے کی رفتار کیسی رہتی ہے اور آیا بڑی تجارتی جنگ چھڑتی ہے یا نہیں۔ مہنگائی کا دباؤ ایشیائی ضروریہ کی قیمتوں کو بڑھا سکتا ہے، جس کا بوجھ مینوفیکچررز خصوصاً ایشیائی برآمد کنندگان پر پڑے گا، کیونکہ انہیں امریکی منڈی میں اپنی برآمدات برقرار رکھنے کے لیے سخت مقابلہ کا سامنا کرنا ہوگا۔

اسی دوران، یورپی معیشت نے سال 2024 کے دوران بڑے مسائل کا سامنا کیا، جن میں بنیادی طور پر بجاری روس۔ یوکرین تنازع اور جرمنی اور فرانس جیسی بڑی معیشتوں میں سیاسی عدم استحکام شامل ہیں۔ یورپ کی سب سے بڑی معیشت جرمنی نے 2024 میں منفی نمو رہی ہے، جہاں اسے امیگریشن کے دباؤ، سیاسی غیر یقینی صورتحال، ملکی پیداوار میں کمی، اور مہنگائی کے اثرات جیسے مسائل کا سامنا رہا۔ سال 2025 کے لیے، یورپ کی اقتصادی صورتحال کمزور نظر آتی ہے، اور اس کی بحالی جغرافیائی سیاسی تنازعات کے حل اور سیاسی استحکام کے حصول پر منحصر ہوگی۔

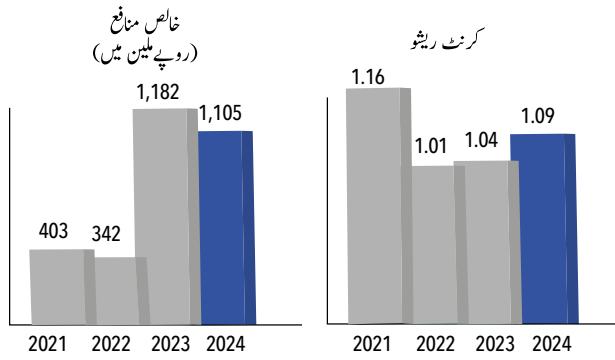
پاکستان کی معیشت

پاکستان کی وزارت خزانہ اور اسٹیٹ بینک آف پاکستان کی شائع کردہ رپورٹس کے مطابق، پاکستان کی معیشت کی مالی سال 2024 میں شرح نمو 2.4% رہی، جو کہ مالی سال 2023 میں 0.2% کی کمی کے بعد بحالی کا اشارہ ہے۔ یہ بہتری بڑی حد تک کثیر الجہتی اور دو طرفہ ممالک سے بات چیت اور نئی معاونت کے باعث ممکن ہوئی، جس میں 3 ارب امریکی ڈالر کے آئی ایم ایف اسٹیبلشمنٹ کے معاہدے کی کامیاب تکمیل اور 7 ارب امریکی ڈالر کے نئے آئی ایم ایف پروگرام کا آغاز شامل ہے۔

کرنٹ اکاؤنٹ خسارے میں نمایاں کمی دیکھنے میں آئی، جو کہ 79% کم ہو کر 0.7 ارب امریکی ڈالر تک آ گیا، جس سے بیرونی مالیاتی توازن میں بہتری کی عکاسی ہوتی ہے۔ درآمدات میں معمولی 0.72% کمی ہوئی، جو 54.79 ارب امریکی ڈالر رہیں، جبکہ پچھلے سال یہ 55.19 ارب امریکی ڈالر تھیں۔ دوسری جانب، برآمدات میں 10.65% اضافہ ہوا، جو 30.67 ارب امریکی ڈالر تک پہنچ گئیں، جبکہ مالی سال 2023 میں یہ 27.72 ارب امریکی ڈالر تھیں۔

اسی طرح، ترسیلات زر میں 10.7% اضافہ ہوا، جو 30.25 ارب امریکی ڈالر تک پہنچ گئیں، جبکہ پچھلے سال یہ 27.33 ارب امریکی ڈالر تھیں، جس سے زرمبادلہ کے ذخائر کو تقویت ملی۔ نتیجتاً، اسٹیٹ بینک آف پاکستان کے زرمبادلہ کے ذخائر 5.0 ارب امریکی ڈالر کے اضافے کے ساتھ 9.4 ارب امریکی ڈالر تک پہنچ گئے، جو مالی سال 2023 میں 4.4 ارب امریکی ڈالر تھے۔

یہ زرمبادلہ کے ذخائر میں بہتری روپے کی قدر میں 3% اضافے کا باعث بنی، جس کے باعث امریکی ڈالر کی قدر 278.3 روپے رہی۔ افراط زر میں نمایاں کمی ہوئی، جو دسمبر 2024 میں 4.1% تک گر گئی، جبکہ دسمبر 2023 میں یہ 29.7% تھی۔ اس بہتری کے نتیجے میں، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو 900 بیسیس پوائنٹس کم کر کے دسمبر 2024 تک 13% اور جنوری 2025 میں مزید کم کر کے 12% کر دیا۔



سروس گلوبل فٹ ویئر لمیٹڈ نے فروخت میں شاندار 15.47% اضافہ حاصل کیا ہے، جو 17.39 ارب روپے تک پہنچ گئی ہے، جبکہ گزشتہ سال یہ 15.06 ارب روپے تھی۔ تاہم، اس سال لاگت کے حوالے سے متعدد مشکلات درپیش رہیں، جس کی وجہ سے پیداواری لاگت میں اضافہ فروخت میں اضافے سے زیادہ رہا۔ اس کے نتیجے میں مجموعی منافع کے مارجن میں گزشتہ سال کے مقابلے میں 24.19% کی کمی واقع ہوئی۔ اہم مشکلات میں توانائی کی بڑھتی ہوئی قیمتیں، کم از کم اجرت میں اضافہ، مستحکم کرنسی، بیچرہ امر میں تنازع کی وجہ سے مال برداری کی زیادہ لاگت، اور دیگر بلند پیداواری اخراجات شامل ہیں۔ انتظامیہ نے مستقبل میں نمو کے لیے امریکی منڈی کو مزید توجہ دینے کا ایک اہم فیصلہ کیا ہے، جس کے لیے بڑے پیمانے پر کام کرنے کی ضرورت ہے تاکہ بہتر مارجن حاصل کیے جاسکیں۔ مارجن میں یہ کمی صنعت بھر میں مینوفیکچررز کو درپیش مسائل کی عکاسی کرتی ہے۔

سروس گلوبل فٹ ویئر لمیٹڈ کے سروس لانگ مارچ ٹائز میں سرمایہ کاری کے ایک حکمت عملی کے تحت کئے گئے اقدام سے کمپنی کی مالی کارکردگی کو مضبوط کرنے میں بہت مدد کی ہے، اور سروس گلوبل فٹ ویئر لمیٹڈ کے منافع میں 1,323 ملین روپے کا حصہ ڈالا ہے، جس کے نتیجے میں ٹیکس سے پہلے کا منافع سال 2024 میں 1,594 ملین روپے سے بڑھ کر 1,627 ملین روپے 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 مثبت اثرات پڑنے کی توقع ہے جس کے نتیجے میں شیئر ہولڈرز کی قدر میں بہتری ہوگی۔ بعد از ٹیکس خالص منافع گزشتہ سال کے 1,182 ملین روپے کے مقابلے میں 1,105 ملین روپے رہا۔ اس سال فی شیئر آمدنی 5.37 روپے رہی، جبکہ گزشتہ سال یہ 5.75 روپے تھی۔

ان مسائل کے باوجود، سروس گلوبل فٹ ویئر لمیٹڈ آپریشنل کارکردگی کی بہتری اور اسٹریٹیجک ترقیاتی اقدامات کے لیے پرعزم ہے، تاکہ کمپنی کو مستقبل میں پائیدار نمو کے لئے بہتر طور پر تیار کیا جاسکے۔

عالمی معیشت

عالمی نموسال 2024 میں 3.1% رہی، جو 2023 کے 3.2% کے مقابلے میں قدرے کم ہے۔ کرونا وبا سے پہلے کے دور (2000-2019) میں اوسط 3.7% کی شرح نمو حاصل کرنا مستقبل قریب میں ایک مشکل ہدف نظر آتا ہے۔ سال 2025 کے لیے، یہ نمو 3.2% کی سطح پر برقرار رہنے کی توقع ہے۔ تاہم، اس سال نئی منتخب امریکی حکومت کی حالیہ پالیسیوں کا عالمی تجارت پر اہم اثر پڑ سکتا ہے۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

سروس گلوبل فٹ ویئر لمیٹڈ (SGFL یا کمپنی) کے ڈائریکٹرز 31 دسمبر 2024 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۔ یہ رپورٹ کمپنی کے آئندہ سالانہ عمومی اجلاس میں ارکان کو پیش کی جانی ہے جو 28 اپریل، 2025 کو منعقد ہوگا۔

سروس گلوبل فٹ ویئر لمیٹڈ پاکستان کا ایک سرکردہ جو توں کا تیار کنندہ ہے، جو خصوصی طور پر برآمدی منڈیوں کے لیے جوئے تیار کرتا ہے۔ ملک کا سب سے بڑا جو توں کا برآمد کنندہ ہونے کے ناطے، ایس جی ایل آر امدہ جو توں میں مہارت رکھتا ہے، جو اس کی مرکزی مصنوعات کی قسم اور اہم آمدنی کا ذریعہ ہیں۔

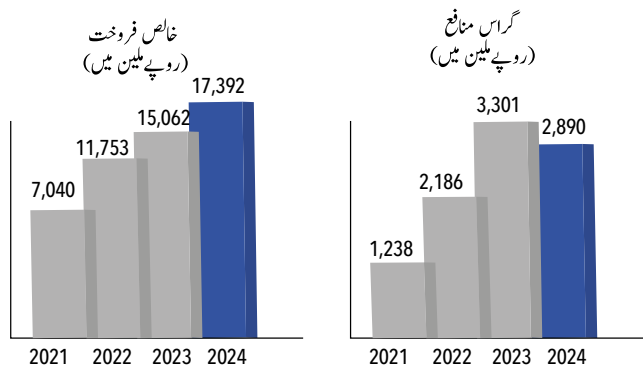
کمپنی کارپوریشنڈ ہیڈ آفس سروس ہاؤس، 2- مین گلبرگ، لاہور میں واقع ہے۔

کاروبار کا جائزہ

مالی سال 2023 اور 2024 کی کارکردگی کا موازنہ

سروس گلوبل فٹ ویئر لمیٹڈ نے مالی سال 2024 میں فروخت میں مضبوط نمو کا مظاہرہ کیا، باوجود اس کے کہ اسے متعدد لاگت سے متعلق مشکلات کا سامنا تھا۔ 31 دسمبر 2024 کو ختم ہونے والے مالیاتی نتائج کے مقابلے میں 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے سروس گلوبل فٹ ویئر لمیٹڈ کی مالیاتی کارکردگی درج ذیل ہے۔

تفصیلات	2024		2023	
	روپے ہزار میں	آمدن فروخت کا فیصد	روپے ہزار میں	آمدن فروخت کا فیصد
خالص آمدنی	17,391,854		15,061,817	
گروس منافع	2,889,891	17%	3,301,121	22%
منافع قبل از ٹیکس اور ٹیکس	1,626,850	9%	1,593,807	11%
منافع بعد از ٹیکس	1,105,237	6%	1,181,607	8%
فی شیئر آمدنی (بنیادی)	5.37		5.75	
فی شیئر آمدنی (ڈائیلوٹڈ)	5.34		5.75	



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