

Report & Un-Audited Accounts for the 1st Quarter Ended March 31, 2018



Expanding  
Possibilities..



*Servis*

Service Industries Limited

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## Company Information

### Board of Directors

Chaudhry Ahmed Javed  
*(Chairman)*

*Non-Executive Director*

Mr. Omar Saeed  
*(Chief Executive Officer)*

*Executive Director*

Mr. Arif Saeed  
*Executive Director*

Mr. Hassan Javed  
*Executive Director*

Mr. Riaz Ahmed  
*Non-Executive Director*

Mr. Osman Saifullah Khan  
*Independent Director*

Mr. Rehman Naseem  
*Independent Director*

Mr. Muhammad Amin  
*Independent Director*

Mr. Shahid Hussain Jatoi  
*Independent Director*

### Advisor

Ch. Ahmad Saeed

### Chief Financial Officer

Mr. Ashfaq Alidina

### Company Secretary

Mr. Waheed Ashraf

### Audit Committee

Mr. Muhammad Amin  
*Chairman*

Mr. Riaz Ahmed  
*Member*

Mr. Rehman Naseem  
*Member*

### Human Resource and Remuneration Committee

Mr. Osman Saifullah Khan  
*Chairman*

Mr. Arif Saeed  
*Member*

Mr. Riaz Ahmed  
*Member*

### Bankers

Allied Bank Limited

Askari Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Soneri Bank Limited

Faysal Bank Limited

Habib Bank Limited

MCB Bank Limited

Meezan Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

National Bank Limited

JS Bank Limited

### Auditors

M/s. Rahman Sarfaraz

Rahim Iqbal Rafiq

*Chartered Accountants*

### Legal Advisor

M/s. Bokhari Aziz & Karim

2-A, block-G, Gulberg-II, Lahore.

### Registered Office

Servis House,

2-Main Gulberg, Lahore-54662.

Tel:+92-42-35751990-96

Fax:+92-42-35710593,

35712109

### Shares Registrar

M/s. Corplink (Pvt.) Limited

Wings Arcade, 1-K

Commercial, Model Town, Lahore

Tel: +92-42-35916714,

35916719,

35839182

Fax: +92-42-35869037

### Pakistan Stock Exchange Limited

Stock Exchange Symbol SRVI

### Factories

G.T. Road, Gujrat.

Muridke-Sheikhupura Road, Muridke.

### Web Presence

www.servisgroup.com



## Directors' Report to the Shareholders

The Directors take pleasure in presenting their report along with the condensed interim financial information of the company for the Quarter ended March 31, 2018.

### Company performance:

Key Financial Indicators of your company are summarized below:

	Quarter ended March 31		
	2018	2017	Growth
	PKR in Million		
Net Sales	5,526	5,103	8%
Profit Before Tax	286	363	-21%
Profit After Tax	259	281	-8%
Earnings Per Share (PKR)	21.51	23.35	-8%

Your company achieved sales of PKR 5.53 billion during the three months of the year compared to PKR 5.10 billion during corresponding period last year, with steady growth of 8%. The growth in sales is driven by the tyre business as well as the footwear export.

The footwear export business reflected healthy growth in sales along with better product mix, higher production efficiencies, and continuous investment in technology resulted in profitability compared to the same period last year. The footwear local business showed a decline in sales due to depressed retail environment, as well as lower corporate sales. The tyre business showed a healthy growth in sales but margins were challenged by intense competition.

The earnings per share stood at PKR 21.51 during the period under review registering a decline of 8% over same period Last Year.

### Future Outlook

Our footwear export sales are expected to continue growing and contribute more to the company's profitability. Further, as part of its diversification strategy, your Company will continue to invest further in the domestic retail sector.

In the Tyre business segment, despite increased competition your company will continue to focus on maintaining its leading market share, introducing new products, cost optimization and investment in new technology.

### Acknowledgment

The directors wish to place on record the efforts of our staff and workers in attaining these results.

For and on behalf of the Board



CHAUDHRY AHMED JAVED  
Chairman



OMAR SAEED  
Chief Executive

Dated: April 26, 2018  
Lahore

## ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 31 مارچ 2018 تک کی سہ ماہی کی مختصر عبوری مالیاتی معلومات پیش کی جارہی ہیں۔

### مالیاتی کارکردگی

شرح نمو	سہ ماہی اختتام 31 مارچ	
	2017	2018
	روپے ملین میں	
8%	5,103	5,526
-21%	363	286
-8%	281	259
-8%	23.35	21.51

خالص فروخت

منافع قبل از ٹیکس

منافع بعد از ٹیکس

فی شیئر آمدنی (روپے)

آپ کی کمپنی نے اس سہ ماہی میں 5.53 بلین روپے کی فروخت کی جبکہ پچھلے سال اسی مدت میں 5.1 بلین روپے کی فروخت ہوئی جو کہ 8 فیصد مستحکم نمو کو ظاہر کرتا ہے۔ نمو کی وجہ ٹائر کی فروخت اور جوتوں کی برآمدات میں اضافہ ہے

اس سہ ماہی میں پچھلے سال کی اسی مدت کے مقابلے میں جوتوں کی برآمدات میں صحت مند نمو رہا اور منافع بھی بہتر رہا جس کی وجہ بہتر ملی جلی مصنوعات، پیداواری کارکردگی، کام کرنے کی صلاحیت میں بہتری اور لگاتار جدید ٹیکنالوجی میں سرمایہ کاری ہے۔ جوتوں کی مقامی منڈی سست رہی کا شکار رہی ہے جس کی وجہ سے ریٹیل اور کارپوریٹ فروخت کم رہی ہے۔ ٹائروں کی فروخت میں صحت مند اضافہ ہوا ہے لیکن منافع زبردست مقابلے کے رجحان کی وجہ سے نسبتاً کم رہا ہے۔

اس مدت کے دوران فی شیئر آمدنی 21.51 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 8 فیصد کمی ظاہر کرتا ہے۔

### مستقبل پر ایک نظر

جوتوں کی برآمدات میں لگاتار نمو متوقع ہے اور یہ کمپنی کا منافع بڑھانے میں لگاتار معاون رہیں گی۔ علاوہ ازیں، کمپنی اپنے تنوع کی پالیسی پر عمل کرتے ہوئے مزید مقامی ریٹیل سیکٹر میں سرمایہ کاری کرتی رہے گی۔

ٹائروں کے کاروبار میں، بڑھتے ہوئے مقابلہ کے باوجود آپ کی کمپنی اپنے بڑے مارکیٹ شیئر کو برقرار رکھنے، نئی مصنوعات متعارف کرانے، لاگت کی اصلاح اور نئی ٹیکنالوجی میں سرمایہ کاری پر توجہ مرکوز رکھے گی۔

### اعتراف

ان نتائج کو حاصل کرنے میں ڈائریکٹر اپنے اسٹاف اور کارکنوں کی کوششوں کو سراہتے ہیں۔

منجانب بورڈ



OMAR SAEED  
چیف ایگزیکٹو



CHAUDHRY AHMED JAVED  
چیرمین

مورخہ 26، اپریل 2018  
لاہور

## Condensed Interim Balance Sheet (Unaudited)

As at March 31, 2018

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
Authorized share capital 100,000,000 (2017: 100,000,000)		
ordinary shares of Rs. 10/- each:	<b>1,000,000</b>	1,000,000
Paid up share capital	<b>120,288</b>	120,288
Reserves	<b>4,891,924</b>	4,626,473
	<b>5,012,212</b>	4,746,761
<b>Non-current liabilities</b>		
Long term financing	<b>2,309,712</b>	2,431,930
Long term deposits	<b>5,258</b>	5,258
Deferred liabilities	<b>541,645</b>	536,410
	<b>2,856,615</b>	2,973,598
<b>Current liabilities</b>		
Trade and other payables	<b>2,697,735</b>	2,929,706
Interest and mark-up accrued	<b>79,592</b>	108,065
Short term borrowings	<b>5,173,272</b>	4,520,732
Current portion of long term financing	<b>451,642</b>	451,642
Provision for taxation	<b>185,907</b>	154,366
	<b>8,588,148</b>	8,164,511
	<b>16,456,975</b>	15,884,870

Contingencies and commitments

7

The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>6,044,611</b>	5,957,312
Intangible assets	<b>481</b>	929
Long term investments	<b>545,587</b>	521,663
Long term loans	<b>17,656</b>	17,762
Long term deposits	<b>102,568</b>	99,393
	<b>6,710,903</b>	6,597,059
<b>Current assets</b>		
Stores, spares and loose tools	<b>118,716</b>	122,467
Stock in trade	<b>4,225,123</b>	3,917,187
Trade debts	<b>2,685,542</b>	2,797,402
Loans and advances	<b>352,253</b>	295,456
Trade deposits and prepayments	<b>114,199</b>	131,883
Other receivables	<b>62,749</b>	55,496
Tax refunds due from government	<b>2,129,750</b>	1,888,736
Cash and cash equivalents	<b>57,740</b>	79,184
	<b>9,746,072</b>	9,287,811
	<b>16,456,975</b>	15,884,870



Omar Saeed  
(Chief Executive)



Ashfaq Alidina  
(Chief Financial Officer)

## Condensed Interim Profit and Loss Account (Unaudited)

For the period ended March 31, 2018

	Note	March 31, 2018 (Rupees in thousand)	March 31, 2017
Sales	8	5,525,719	5,103,296
Cost of sales	9	4,524,211	4,142,140
<b>Gross profit</b>		<b>1,001,508</b>	961,156
<b>Operating expenses</b>			
Distribution cost		352,903	293,422
Administrative expenses		282,702	271,209
Other operating expenses		49,485	67,033
		<b>685,090</b>	631,664
<b>Operating profit before other income</b>		<b>316,418</b>	329,492
Other operating income		80,841	86,495
<b>Operating profit</b>		<b>397,259</b>	415,987
Finance cost		111,694	53,008
<b>Profit before taxation</b>		<b>285,565</b>	362,979
Taxation		26,874	82,166
<b>Profit after taxation</b>		<b>258,691</b>	280,813

<b>Earning per share-Basic and diluted (Rupees)</b>	<b>21.51</b>	23.35
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The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)



Ashfaq Alidina  
(Chief Financial Officer)



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)



Ashfaq Alidina  
(Chief Financial Officer)

## Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended March 31, 2018

	March 31, 2018 (Rupees in thousand)	March 31, 2017
Profit after taxation for the period	258,691	280,813
<b>Other comprehensive income</b>		
<b>Items that may reclassify to profit and loss account</b>		
Gain/(loss) on investments-net of tax	6,760	-
<b>Items that may not reclassify to profit and loss account</b>	-	-
<b>Total comprehensive income for the period</b>	<b>265,451</b>	280,813


The annexed notes from 1 to 14 form an integral part of these financial statements.

## Condensed Interim Cash Flow Statement (Unaudited)

For the period ended March 31, 2018

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	285,565	362,979
<b>Adjustments for:</b>		
Depreciation and amortization	138,673	108,905
Employee benefit plans	11,885	10,988
Finance cost	111,694	53,008
Provision for slow moving	(12,573)	2,086
Provision for W.P.P.F.	15,088	15,693
Provision for W.W.F.	1,012	1,198
Ijarah rentals	21,484	17,428
Unrealized loss on short term investment	-	9,744
Unrealized income on short term investment	-	(2,659)
Share of profit from Speed (Private) Limited	(17,164)	(30,000)
Loss / (Profit) on sale of property, plant and equipment	-	14,758
<b>Operating profit before working capital changes</b>	<b>555,664</b>	<b>564,128</b>
<b>Changes in working capital</b>		
(increase) / decrease in current assets		
Stores, spares and loose tools	6,275	(10,924)
Stock in trade	(297,886)	(631,588)
Trade debts	111,860	(195,674)
Advances, deposits, prepayments and other receivables	(46,366)	(100,886)
Tax refunds, due from / to government	(143,911)	(72,030)
	(370,028)	(1,011,102)
(decrease) / increase in current liabilities		
Trade and other payables	(247,763)	(178,906)
<b>Cash (used in) operations</b>	<b>(62,127)</b>	<b>(625,880)</b>
Finance cost paid	(140,167)	(72,017)
Income taxes paid	(97,104)	(79,241)
Staff retirement benefits paid	(1,981)	(9,915)
W.P.P.F. receipt	-	2,872
<b>Net cash (used in) operating activities</b>	<b>(301,379)</b>	<b>(784,181)</b>
<b>Cash flow from investing activities</b>		
Capital expenditure	(224,901)	(223,972)
Long term investment	(6,760)	-
Long term loans	(106)	(2,075)
Long term deposit	3,175	(10,733)
Dividend from associated company	-	16,071
Payment for short term investment	-	(61,824)
Proceeds from sale of property, plant and equipment	-	847
<b>Net cash (used in) investing activities</b>	<b>(228,592)</b>	<b>(281,686)</b>
<b>Cash flow from financing activities</b>		
Short term borrowings - net	652,540	1,031,573
Long term financing	(122,218)	(71,115)
Ijarah rentals	(21,484)	(17,428)
Dividend paid	(311)	(155)
<b>Net cash from financing activities</b>	<b>508,527</b>	<b>942,875</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(21,444)</b>	<b>(122,992)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>79,184</b>	<b>224,887</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>57,740</b>	<b>101,895</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)

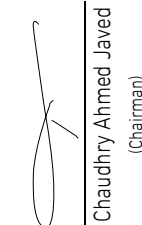
  
Ashfaq Alidina  
(Chief Financial Officer)


## Condensed Interim Statement of Changes in Equity (Unaudited)

For the period ended March 31, 2018

	(Rupees in thousand)					
	Share capital	Capital reserves	Revenue reserves	Total		
	Capital gain	Share premium	General reserves	Un-appropriated profit		
Balance as at Dec. 31, 2016	120,288	102,730	21,217	1,558,208	2,581,497	4,383,940
Net profit for the quarter ended Mar. 31, 2017	-	-	-	-	280,813	280,813
Balance as at Mar. 31, 2017	120,288	102,730	21,217	1,558,208	2,862,310	4,664,753
Balance as at Dec. 31, 2017	120,288	102,730	21,217	1,558,208	2,944,318	4,746,761
Net profit for the quarter ended Mar. 31, 2018	-	-	-	-	265,451	265,451
<b>Balance as at Mar. 31, 2018</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>3,209,769</b>	<b>5,012,212</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)

  
Ashfaq Alidina  
(Chief Financial Officer)

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2018

### 1. The Company and its operations

Service Industries Limited (the Company) was incorporated as a private limited company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017), was converted into a public limited company on September 23, 1959 and got listed on June 27, 1970. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is located at 2-Main Gulberg, Lahore. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. These financial statements pertain to Service Industries Limited as an individual entity.

### 2. Basis of preparation

These financial statements for the period ended March 31, 2018 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

As per the requirements of circular No. 23/2017 dated October 4, 2017 issued by Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes after December 31, 2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017.

### 3. Accounting policies

Accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended December 31, 2017.

4. Provisions for income tax, workers' profit participation fund and workers' welfare fund have been made on the basis of three months profit. These are subject to change on final results.

		(Unaudited) March 31, 2018	(Audited) December 31, 2017
	Note	(Rupees in thousand)	
<b>5. Property, plant and equipment</b>			
Operating fixed assets	5.1	5,336,602	4,739,012
Capital work in progress		708,009	1,218,300
		<b>6,044,611</b>	5,957,312

### 5.1 Operating fixed assets

Opening written down value		4,739,012	4,116,625
Add: Additions during the period	5.2	735,815	1,115,918
		<b>5,474,827</b>	5,232,543
Less: Disposals during the period (at book value)		-	32,630
		<b>5,474,827</b>	5,199,913
Less: Depreciation charged during the period		138,225	460,901
		<b>5,336,602</b>	4,739,012

### 5.2 Following is the detail of additions and disposals during the period/year

	Additions		Disposals - NBV	
	Unaudited March 31, 2018	Audited December 31, 2017	Unaudited March 31, 2018	Audited December 31, 2017
	(Rupees in thousand)			
Building on freehold land	97,808	358,169	-	9,426
Plant and machinery	601,861	547,440	-	8,649
Furniture, fixture and fittings	501	9,651	-	-
Vehicles	154	12,191	-	885
Service equipments	30,689	132,617	-	10,990
Leasehold improvements	4,802	55,850	-	2,680
	<b>735,815</b>	1,115,918	-	32,630

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
Note		

### 6 Long term investment

These represent long term investments in:

Related parties	6.1	509,227	492,063
Other	6.2	36,360	29,600
		<b>545,587</b>	521,663

#### 6.1 Investment in Related Parties:

##### 6.1.1 Service Industries Capital (Private) Limited-SICPL (12,568,100 fully paid shares of Rs.10/- each)

218,681      218,681

##### 6.1.2 Investment in associate:

Speed (Private) Limited      6.1.2.1      290,066      272,902



## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2018

### 6.1.3 Investment in Joint Venture:

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)	240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)	240	240
	480	480
	<b>509,227</b>	492,063
	(Unaudited)	(Audited)
	March	December
	31, 2018	31, 2017
Note	(Rupees in thousand)	

### 6.1.2.1 Investment in Associate

Cost of investment		
160,709 fully paid ordinary shares of Rs. 100/- each	190,949	190,949
Share of post acquisition reserve		
As at the beginning of the year	81,953	56,745
Share of post acquisition profit for the year / period	17,164	49,314
Less: Dividends received during the year	-	(24,106)
	99,117	81,953
	<b>290,066</b>	272,902

### 6.2 Other - Available for sale

TRG Pakistan Limited		
1,000,000 fully paid ordinary shares		
(2017- 1,000,000 fully paid ordinary shares)	36,360	29,600

## 7. Contingencies and commitments

### Contingencies

- 7.1 The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Company were released without the payment of duties and taxes amounting to Rupees 17.99 million. The Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favor of Collector of Customs, Sambrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favor of the Company by Collector (Appeals) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still pending. However, the Company has a strong case therefore no provision has been made in these financial statements against the case.
- 7.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rupees 18.6 million and 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal

Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favor.

- 7.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rupees 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rupees 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. In the third case, Rupees 77.6 million is recoverable by PESSI. The case had been decided in the favor of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI send a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 7.4 The DCIR, LTU initiated a case against the Company after post Sales Tax refund audit in which demand of Rupees 27.92 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.65 million. The Company had further filed an appeal before Tribunal against said points. In management's opinion, chances of success in the aforesaid case are strong and there is no likelihood of any unfavorable outcome.
- 7.5 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Company filed an appeal before CIR(Appeals) which is pending for hearing. The management of the Company is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.
- 7.6 The DCIR, LTU initiated income tax audit for the year 2014 in which a demand of Rupees 123 million was created. The Company preferred an appeal before CIR(Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.
- 7.7 The Company preferred an appeal against FBR in Honorable Lahore High Court for show cause notice of post sales tax refund audit for various tax periods. The writ petition has been accepted. As of reporting date Rupees 13 million is payable on this account but the management of Company is confident that payment will not be required.
- 7.8 The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 38.71 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Company preferred an appeal before ATIR as its appeal before CIR (Appeals) was unsuccessful. The Company expects a favourable outcome of the appeal based on advise of tax counsel.
- 7.9 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2018

claimed input sales tax paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made these financial statements.

7.10 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company and has allowed the Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Company has claimed input sales tax on such goods in its respective monthly sales tax returns. An amount of Rupees 3.82 million being the provision is made these financial statements.

7.11 The DCIR, LTU initiated income tax cases of tax years 2006 and 2008. A demand of 12.7 million and 68.4 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company is on process of filing appeal with ATIR. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

### Commitments

7.12 Guarantees issued through banks Rs. 1,841 million (Dec-2017 : Rs. 1,882 million).

7.13 Irrevocable letters of credit Rs. 1,424.8 million (Dec-2017 : Rs. 1,370.16 million).

7.14 The amount of future Ijarah financing and the period in which these payments will become due are as follows:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
Not later than one year	74,603	75,144
Later than one year but not later than five years	110,174	121,914
Later than 5 years	-	-
	<b>184,777</b>	197,058
	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
	(Rupees in thousand)	
	-	-

### 8. Sales

Sale of footwear (Net)		
Export sales	1,441,598	1,121,811
Local sales	1,115,315	1,467,072
	<b>2,556,913</b>	2,588,883

Sale of tyre and tube (Net)		
Export sales	232,994	96,211
Local sales	2,734,773	2,418,180
	<b>2,967,767</b>	2,514,391

Sale of technical rubber products (Net)		
Local sales	1,039	22
	<b>1,039</b>	22
	<b>5,525,719</b>	5,103,296

	Note	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
		(Rupees in thousand)	
<b>9. Cost of sales</b>			
Raw material consumed	9.1	2,761,546	2,650,687
Salaries, wages and benefits		689,004	673,883
Stores and spares consumed		42,424	47,160
Packing material consumed		151,370	173,147
Fuel and power		175,689	177,499
Insurance		4,346	3,603
Depreciation		126,258	96,723
Travelling and conveyance		5,184	3,118
Repair and maintenance		37,622	31,684
Entertainment		756	621
Provision of slow moving and obsolete item		(12,573)	2,086
Other manufacturing charges		34,526	34,040
		<b>4,016,152</b>	3,894,251
Work in process			
Opening stock		294,958	288,944
Closing stock		(358,412)	(322,028)
		<b>(63,454)</b>	(33,084)
<b>Cost of goods manufactured</b>		<b>3,952,698</b>	3,861,167
Opening stock		2,209,271	1,375,329
Finished goods purchased		614,208	477,704
Closing stock		(2,251,966)	(1,572,060)
		<b>571,513</b>	280,973
<b>Cost of goods sold</b>		<b>4,524,211</b>	4,142,140
<b>9.1 Raw material consumed</b>			
Opening stock		1,315,442	962,327
Purchases		2,723,687	2,934,235
Closing stock		(1,277,583)	(1,245,875)
		<b>2,761,546</b>	2,650,687

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2018

### 10. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017
	2,556,913	2,588,883	2,967,767	2,514,391	1,039	22	5,525,719	5,103,296
External sales	-	-	-	-	-	-	-	-
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	2,556,913	2,588,883	2,967,767	2,514,391	1,039	22	5,525,719	5,103,296
Profit/(Loss) before tax and unallocated expenses	260,072	263,169	322,543	289,109	(3,098)	(2,973)	579,517	549,305
<b>Unallocated corporate expenses</b>								
Finance cost	-	-	-	-	-	-	(103,560)	(42,974)
Other operating expenses	-	-	-	-	-	-	(209,986)	(207,682)
Other operating income	-	-	-	-	-	-	19,594	64,330
Taxation	-	-	-	-	-	-	(26,874)	(82,166)
<b>Profit after taxation</b>	<b>260,072</b>	<b>263,169</b>	<b>322,543</b>	<b>289,109</b>	<b>(3,098)</b>	<b>(2,973)</b>	<b>258,691</b>	<b>280,813</b>
<b>10.1 Reconciliation of segment profit</b>								
Total profit for reportable segments							579,517	549,305
Unallocated expenses							(293,952)	(186,326)
<b>Profit before tax</b>							<b>285,565</b>	<b>362,979</b>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2018

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
	5,899,779	5,769,296	8,274,323	7,949,945	41,950	46,964	14,216,052	13,766,205
Total assets for reportable segments							2,240,924	2,118,664
Unallocated assets							16,456,975	15,884,870
<b>Total assets as per balance sheet</b>								
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							11,444,763	11,138,109
<b>Total liabilities as per balance sheet</b>							<b>11,444,763</b>	<b>11,138,109</b>

### 10.2 Reconciliation of segment

#### Assets & Liabilities

Total assets for reportable segments	5,899,779	5,769,296	8,274,323	7,949,945	41,950	46,964	14,216,052	13,766,205
Unallocated assets							2,240,924	2,118,664
<b>Total assets as per balance sheet</b>							<b>16,456,975</b>	<b>15,884,870</b>
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							11,444,763	11,138,109
<b>Total liabilities as per balance sheet</b>							<b>11,444,763</b>	<b>11,138,109</b>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2018

11. The related parties comprise associated companies, entities over which the directors are able to exercise influence, staff retirement funds, directors and key management personnel. Balances and transactions with the related parties are shown as follows:

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions for the period ended Mar 31, 2018	March 31, 2018 Closing balance		December 31, 2017 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	290,546		273,382	
	Advances	-	10,874		10,874	
	Expenses	-	2,503		2,503	
	Others	-		3,782		3,782
Subsidiary	Advances	152	172		20	
	Investment	-	218,681		218,681	
Retirement Benefits	Contribution	44,033		164,739		156,083

### 12. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2017.

There have been no changes in the risk management policies since the year end.


### 13. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - International Financial Reporting the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-classified, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

### 14. Authorization date

These financial statements were authorized for issue by the Board of Directors as on April 26, 2018.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)

  
Ashfaq Alidina  
(Chief Financial Officer)

## Consolidated Financial Statements

## Group Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the Group Condensed Interim Financial Information of the Service Industries Limited (SIL) for the Quarter ended March 31, 2018.

The SIL Group comprises of Service Industries Limited and Service Industries Capital (Private) Limited (SICPL), a wholly owned subsidiary.

### Service Industries Limited

The Directors' Report providing a commentary on the performance of Service Industries Limited for the Quarter ended March 31, 2018 has been presented separately.

### Service Industries Capital (Private) Limited

SICPL is a wholly owned subsidiary of the SIL and the main object of the subsidiary is to invest in new ventures, shares and securities listed or otherwise, in Pakistan or elsewhere in the world. SICPL invested an aggregate amount of PKR 62.8 million in a subsidiary namely Service Shoe Lanka (Private) Limited and PKR 151.6 million in an associated company namely Speed (Private) Limited.

## گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 31 مارچ 2018 تک گروپ کی سہ ماہی مختصر عبوری مالیاتی معلومات پیش کی جا رہی ہے۔

SIL گروپ، سروس انڈسٹریز لمیٹڈ اور سروس انڈسٹریز کپٹیل (پرائیویٹ) لمیٹڈ (SICPL) جو کہ ایک مکمل ملکیتی ماتحت ادارہ ہے پیش ہے۔

### سروس انڈسٹریز لمیٹڈ

31 مارچ 2018 کو ختم ہونے والے دورانیے کے لیے سروس انڈسٹریز لمیٹڈ کی کارکردگی پر ڈائریکٹرز رپورٹ، علیحدہ سے پیش کی گئی ہے۔

### سروس انڈسٹریز کپٹیل پرائیویٹ لمیٹڈ

SIL، SICPL کا ایک مکمل ملکیتی ماتحت ادارہ ہے اور اس ماتحت ادارے کا بنیادی مقصد پاکستان میں یا دنیا میں کہیں بھی، نئے کاروبار اور حصص میں سرمایہ کاری کرنا ہے۔ SICPL نے اپنے ایک ماتحت ادارے سروس شوونکا پرائیویٹ لمیٹڈ میں 62.8 ملین روپے کی سرمایہ کاری کی اور ایک متعلقہ کمپنی سپیڈ پرائیویٹ لمیٹڈ میں 151.6 ملین روپے کی سرمایہ کاری کی۔

For and on behalf of the Board



CHAUDHRY AHMED JAVED  
Chairman

Dated: April 26, 2018  
Lahore



OMAR SAEED  
Chief Executive



چوہدری احمد جاوید  
چیئر مین

مورخہ 26، اپریل 2018  
لاہور

منجانب بورڈ



عمر سعید  
چیئر ایگزیکٹو

## Condensed Consolidated Interim Balance Sheet (Unaudited)

As at March 31, 2018

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
Authorized share capital 100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10/- each:	<b>1,000,000</b>	1,000,000
Paid up share capital	<b>120,288</b>	120,288
Reserves	<b>4,865,420</b>	4,613,014
Attributable to owners of the holding company	<b>4,985,708</b>	4,733,302
Non-controlling interest	<b>7,258</b>	10,662
	<b>4,992,966</b>	4,743,964
<b>Non-current liabilities</b>		
Long term financing	<b>2,309,712</b>	2,431,930
Long term deposits	<b>5,258</b>	5,258
Deferred liabilities	<b>560,940</b>	536,596
	<b>2,875,910</b>	2,973,784
<b>Current liabilities</b>		
Trade and other payables	<b>2,842,201</b>	2,964,472
Interest and mark-up accrued	<b>79,592</b>	108,065
Short term borrowings	<b>5,242,425</b>	4,589,272
Current portion of long term financing	<b>451,642</b>	451,642
Provision for taxation	<b>185,907</b>	154,366
	<b>8,801,767</b>	8,267,817
	<b>16,670,643</b>	15,985,565

Contingencies and commitments

8

The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>6,148,809</b>	6,060,867
Intangible assets	<b>40,136</b>	39,546
Long term investments	<b>490,599</b>	455,648
Long term loans	<b>17,656</b>	17,762
Long term deposits	<b>102,568</b>	99,393
	<b>6,799,768</b>	6,673,216
<b>Current assets</b>		
Stores, spares and loose tools	<b>118,716</b>	122,467
Stock in trade	<b>4,268,119</b>	3,973,831
Trade debts	<b>2,713,341</b>	2,741,731
Loans and advances	<b>367,805</b>	305,841
Trade deposits and prepayments	<b>121,765</b>	137,700
Other receivables	<b>64,026</b>	56,848
Tax refunds due from government	<b>2,130,505</b>	1,889,483
Cash and cash equivalents	<b>86,598</b>	84,448
	<b>9,870,875</b>	9,312,349
	<b>16,670,643</b>	15,985,565



Omar Saeed  
(Chief Executive)




Ashfaq Alidina  
(Chief Financial Officer)


## Condensed Consolidated Interim Profit and Loss Account (Unaudited)

For the period ended March 31, 2018

	Note	March 31, 2018 (Rupees in thousand)	March 31, 2017
Sales	9	5,586,661	5,103,296
Cost of sales	10	4,583,700	4,142,140
<b>Gross profit</b>		<b>1,002,961</b>	961,156
<b>Operating expenses</b>			
Distribution cost		354,179	293,422
Administrative expenses		291,243	271,259
Other operating expenses		49,478	67,143
		<b>694,900</b>	631,824
<b>Operating profit before other income</b>		<b>308,061</b>	329,332
Other operating income		92,031	86,552
<b>Operating profit</b>		<b>400,092</b>	415,884
Finance cost		113,059	53,008
<b>Profit before taxation</b>		<b>287,033</b>	362,876
Taxation		45,982	82,166
<b>Profit after taxation</b>		<b>241,051</b>	280,710
<b>Attributable to:</b>			
Owners of the holding company		244,812	280,710
Non-controlling interest		(3,761)	-
		<b>241,051</b>	<b>280,710</b>
<b>Earnings per share - basic and diluted (Rupees) attributable to owners of the holding company</b>		<b>20.04</b>	23.34

The annexed notes from 1 to 15 form an integral part of these financial statements.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)


  
Ashfaq Alidina  
(Chief Financial Officer)


## Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the period ended March 31, 2018

	March 31, 2018 (Rupees in thousand)	March 31, 2017
Profit after taxation for the period	241,051	280,710
<b>Other comprehensive income</b>		
<b>Items that may reclassify to profit and loss account</b>		
Gain/(loss) on investments-net of tax	6,760	-
Exchange difference on translation of foreign subsidiary	299	-
Exchange difference on translation of goodwill	892	-
<b>Items that may not reclassify to profit and loss account</b>	-	-
<b>Total comprehensive income for the period</b>	<b>249,002</b>	280,710
<b>Attributable to:</b>		
Owners of the holding company	252,406	280,710
Non-controlling interest	(3,404)	-
	<b>249,002</b>	<b>280,710</b>

The annexed notes from 1 to 15 form an integral part of these financial statements.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)


  
Ashfaq Alidina  
(Chief Financial Officer)

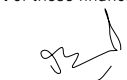
## Condensed Consolidated Interim Cash Flow Statement (Unaudited)

For the period ended March 31, 2018

	March 31, 2018	March 31, 2017
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	287,033	362,875
<b>Adjustments for:</b>		
Depreciation and amortization	141,437	108,905
Employee benefit plans	11,885	10,988
Finance cost	113,059	53,008
Provision for slow moving	(12,573)	2,086
Provision for W.P.P.F.	15,088	15,693
Provision for W.W.F.	1,012	1,198
Ijarah rentals	21,484	17,428
Unrealized loss on short term investment	-	9,744
Unrealized income on short term investment	-	(2,659)
Share of profit from Speed (Private) Limited	(28,191)	(30,000)
Loss / (Profit) on sale of property, plant and equipment	-	14,758
<b>Operating profit before working capital changes</b>	<b>550,234</b>	<b>564,024</b>
<b>Changes in working capital</b>		
(increase) / decrease in current assets		
Stores, spares and loose tools	6,275	(10,924)
Stock in trade	(284,235)	(631,588)
Trade debts	28,390	(195,674)
Advances, deposits, prepayments and other receivables	(53,208)	(100,835)
Tax refunds, due from / to government	(143,919)	(72,030)
	(446,697)	(1,011,051)
(decrease) / increase in current liabilities		
Trade and other payables	(138,061)	(178,906)
<b>Cash (used in) operations</b>	<b>(34,524)</b>	<b>(625,933)</b>
Finance cost paid	(141,532)	(72,017)
Income taxes paid	(97,104)	(79,241)
Staff retirement benefits paid	(1,981)	(9,915)
W.P.P.F. receipt	-	2,872
<b>Net cash (used in) operating activities</b>	<b>(275,141)</b>	<b>(784,234)</b>
<b>Cash flow from investing activities</b>		
Capital expenditure	(229,349)	(223,972)
Long term investment	(6,760)	-
Long term loans	(106)	(2,075)
Long term deposit	3,175	(10,733)
Dividend from associated company	-	16,071
Payment for short term investment	-	(61,824)
Advance against investment	-	(62,770)
Proceeds from sale of property, plant and equipment	-	847
<b>Net cash (used in) investing activities</b>	<b>(233,040)</b>	<b>(344,456)</b>
<b>Cash flow from financing activities</b>		
Short term borrowings - net	653,153	1,031,573
Long term financing	(122,218)	(71,115)
Ijarah rentals	(21,484)	(17,428)
Exchange differences on translation of investments in foreign subsidiary	1,190	-
Dividend paid	(310)	(155)
<b>Net cash from financing activities</b>	<b>510,331</b>	<b>942,875</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>2,150</b>	<b>(185,815)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>84,448</b>	<b>288,245</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>86,598</b>	<b>102,430</b>

The annexed notes from 1 to 15 form an integral part of these financial statements.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)

  
Ashfaq Alidina  
(Chief Financial Officer)

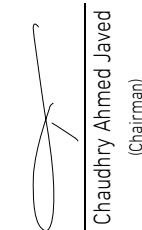
## Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

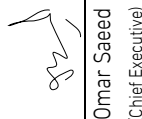
For the period ended March 31, 2018

	Paid up share capital	Capital reserves			Revenue reserves		Attributable to owners of the holding company	Non-controlling Interest	Total
		Capital gain	Share premium	Exchange translation reserve	General reserves	Un-appropriated profit			
<b>Balance as at December 31, 2016</b>	120,288	102,730	21,217	-	1,558,208	2,580,421	4,382,864	-	4,382,864
Net profit for the quarter ended March 31, 2017	-	-	-	-	-	280,710	280,710	-	280,710
<b>Balance as at March 31, 2017</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>-</b>	<b>1,558,208</b>	<b>2,861,131</b>	<b>4,663,574</b>	<b>-</b>	<b>4,663,574</b>
<b>Balance as at December 31, 2017</b>	120,288	102,730	21,217	3,093	1,558,208	2,927,766	4,733,302	10,662	4,743,964
Total comprehensive income for the year	-	-	-	834	-	251,572	252,406	(3,404)	249,002
<b>Balance as at March 31, 2018</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>3,927</b>	<b>1,558,208</b>	<b>3,179,338</b>	<b>4,985,708</b>	<b>7,258</b>	<b>4,992,966</b>

←-----Rupees in thousand-----→

The annexed notes from 1 to 15 form an integral part of these financial statements.

  
Chaudhry Ahmed Javed  
(Chairman)

  
Omar Saeed  
(Chief Executive)

  
Ashfaq Alidina  
(Chief Financial Officer)



## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2018

### 1. The Company and its operations

Service Industries Limited (the Holding Company) was incorporated as a private limited Holding Company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now Companies Act, 2017), was converted into a public limited Holding Company on September 23, 1959 and got listed on June 27, 1970. The shares of the Holding Company are quoted on the Pakistan Stock Exchange. The registered office of the Holding Company is located at 2-Main Gulberg, Lahore. The principal activities of the Holding Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products.

Information on significant investments of the Group is disclosed in note Long term investments.

The group consists of:

- Service Industries Limited - the holding company;
- Service Industries Capital (Private) Limited - Holding of 100%;
- Service Shoes Lanka (Private) Limited - Holding of 60% by Service Industries Capital (Private) Limited;

#### Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 in Pakistan as a company limited by shares on 10 November 2015. The registered office of Service Industries Capital (Private) Limited is situated at Service House, 2-Main Gulberg, Lahore. The main object of Service Industries Capital (Private) Limited is to make investment in new ventures, shares and securities, listed or otherwise, in Pakistan or elsewhere in the world, subject to requirements of applicable law.

#### Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on July 16th, 2015 and domiciled in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The registered office of the Company is located at No 143/17, Sri Wickrema Mawatha, Colombo 15 and the principal place of business is located at Katunayake.

### 2. Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed

at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the holding company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements of the Group include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiaries have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements. Material intragroup balances and transactions are eliminated.

A change in the ownership interest of the subsidiaries, without a change of control, is accounted for as an equity transaction.

The subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of the subsidiaries are established and are excluded from consolidation from the date of disposal or cessation of control.

Non-controlling interest (NCI) is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

#### Associates

Associates are all entities over which the Group has significant influence but not control. Investment in associate is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The consolidated profit and loss account reflects the Group share of the results of the operations of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the profit and loss account.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account.

### 3. Basis of preparation

These condensed consolidated financial statements for the period ended March 31, 2018 are prepared in accordance with International Accounting Standard 34, "Interim Financial

Reporting" as applicable in Pakistan and the provisions and the directives of the Companies Act, 2017 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) . These condensed consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the annual consolidated financial statements.

As per the requirements of circular No. 23/2017 dated October 4, 2017 issued by Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes after December 31,2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017.

#### 4. Accounting policies

Accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of preceding annual financial statements of the Holding Company.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended December 31, 2017.

5. Provisions for income tax, workers' profit participation fund and workers' welfare fund have been made on the basis of three months profit. These are subject to change on final results.

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
(Rupees in thousand)			
<b>6. Property, plant and equipment</b>			
Operating fixed assets	6.1	5,440,291	4,842,097
Capital work in progress		708,518	1,218,770
		<b>6,148,809</b>	6,060,867
<b>6.1 Operating fixed assets</b>			
Opening written down value		4,842,097	4,116,625
Add: Additions during the period	6.2	736,362	1,223,843
		<b>5,578,459</b>	5,340,468
Less: Disposals during the period (at book value)		-	32,630
		<b>5,578,459</b>	5,307,838
Less: Depreciation charged during the period		140,955	465,556
Exchange / other adjustment during the period		2,787	185
		<b>5,440,291</b>	4,842,097

#### 6.2 Following is the detail of additions and disposals during the period/year

	Additions		Disposals - NBV	
	Unaudited March 31, 2018	Audited December 31, 2017	Unaudited March 31, 2018	Audited December 31, 2017
(Rupees in thousand)				
Building on freehold land	97,808	406,270	-	9,426
Plant and machinery	601,860	587,526	-	8,649
Furniture, fixture and fittings	665	10,835	-	-
Vehicles	154	19,277	-	885
Service equipments	31,073	144,085	-	10,990
Leasehold improvements	4,802	55,850	-	2,680
	<b>736,362</b>	1,223,843	-	32,630

	Note	(Unaudited) March 31, 2018	(Audited) December 31, 2017
(Rupees in thousand)			
<b>7 Long term investment</b>			
These represent long term investments in:			
Related parties	7.1	454,239	426,048
Other	7.2	36,360	29,600
		<b>490,599</b>	455,648

#### 7 Long term investment

These represent long term investments in:

Related parties	7.1	454,239	426,048
Other	7.2	36,360	29,600
		<b>490,599</b>	455,648

#### 7.1 Investment in Related Parties:

##### 7.1.1 Investment in associate:

Speed (Private) Limited	7.1.2.1	453,759	425,568
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##### 7.1.2 Investment in Joint Venture:

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)	240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)	240	240
	<b>480</b>	480
	<b>454,239</b>	426,048

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2018

Note	(Unaudited) March 31, 2018 (Rupees in thousand)	(Audited) December 31, 2017
<b>7.1.2.1 Investment in Associate</b>		
<b>Cost of investment</b>		
160,709 fully paid ordinary shares of Rs. 100/- each	190,949	190,949
<b>Cost of investment-SICPL</b>		
30,200 fully paid shares of Rs. 2,044.40 each (2016: Nil)	58,721	58,721
73,000 fully paid ordinary shares of Rs. 1,272 each (2016: Nil)	92,856	92,856
<b>Share of post acquisition reserve</b>		
As at the beginning of the year	83,042	56,745
Share of post acquisition profit for the year / period	28,191	51,913
Less: Dividends received during the year	-	(25,616)
	111,233	83,042
	453,759	425,568
<b>7.2 Other - Available for sale</b>		
<b>TRG Pakistan Limited</b>		
1,000,000 fully paid ordinary shares (2017- 1,000,000 fully paid ordinary shares)	36,360	29,600

## 8. Contingencies and commitments

### Contingencies

- 8.1 The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Holding Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Holding Company were released without the payment of duties and taxes amounting to Rs. 17.99 million. The Holding Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favor of Collector of Customs, Sambrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favor of the Holding Company by Collector (Appeal) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still pending. However, the Holding Company has a strong case therefore no provision has been made in these consolidated financial statements against the case.
- 8.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Holding Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Holding Company's legal counsel, the Holding Company has a good arguable case and there is likelihood that the same will be decided in its favor.
- 8.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Holding Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the

Holding Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Holding Company by the Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favor of the Holding Company in the year 2013 but the case is re-opened in the year 2014. The Holding Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI send a recovery notice for the same amount. The Holding Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Holding Company, the Holding Company has strong legal grounds for its success.

- 8.4 The DCIR, LTU initiated a case against the Holding Company after post Sales Tax refund audit in which demand of Rupees 27.92 million was raised. The Holding Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.65 million. The Holding Company had further filed an appeal before Tribunal against said points.

In management's opinion, chances of success in the aforesaid case are strong and there is no likelihood of any unfavorable outcome.

- 8.5 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Holding Company filed an appeal before CIR(Appeals) which is pending for hearing. The management of the Holding Company is confident that decision will be in favor of the Holding Company, hence, no provision has been made in these financial statements.

- 8.6 The DCIR, LTU initiated income tax audit for the year 2014 in which a demand of Rupees 123 million was created. The Holding Company preferred an appeal before CIR(Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

- 8.7 The Holding Company preferred an appeal against FBR in Honorable Lahore High Court for show cause notice of post sales tax refund audit for various tax periods. The writ petition has been accepted. As of reporting date Rupees 13 million is payable on this account but the management of the Holding Company is confident that payment will not be required.

- 8.8 The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 38.71 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Holding Company preferred an appeal before ATIR as its appeal before CIR (Appeals) was unsuccessful. The Holding Company expects a favourable outcome of the appeal based on advice of tax counsel.

- 8.9 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(1)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company. Consequently, the Holding Company has claimed input sales tax paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made these financial statements. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made these financial statements.

- 8.10 The Holding Company has challenged, before Honourable Lahore High Court, Lahore, the vires of

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2018

clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Holding Company and has allowed the Holding Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Holding Company has claimed input sales tax on such goods in its respective monthly sales tax returns. An amount of Rupees 3.82 million being the provision is made these financial statements.

- 8.11 The DCIR, LTU initiated income tax cases of tax years 2006 and 2008. A demand of 12.7 million and 68.4 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company is on process of filing appeal with ATIR. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

### Commitments

- 8.12 Guarantees issued through banks Rs. 1,841 million (Dec-2017 : Rs. 1,882 million).
- 8.13 Irrevocable letters of credit Rs. 1,424.8 million (Dec-2017 : Rs. 1,370.16 million).
- 8.14 The amount of future Ijarah financing and the period in which these payments will become due are as follows:

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	(Rupees in thousand)	
Not later than one year	74,603	75,144
Later than one year but not later than five years	110,174	121,914
Later than 5 years	-	-
	<b>184,777</b>	197,058
	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
	(Rupees in thousand)	
	-	-

	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
	(Rupees in thousand)	
<b>9. Sales</b>		
<b>Sale of footwear (Net)</b>		
Export sales	1,499,933	1,121,811
Local sales	1,117,921	1,467,072
	<b>2,617,854</b>	2,588,883
<b>Sale of tyre and tube (Net)</b>		
Export sales	232,995	96,211
Local sales	2,734,773	2,418,180
	<b>2,967,768</b>	2,514,391
<b>Sale of technical rubber products (Net)</b>		
Local sales	1,039	22
	<b>1,039</b>	22
	<b>5,586,661</b>	5,103,296

	Note	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
		(Rupees in thousand)	
<b>10. Cost of sales</b>			
Raw material consumed	10.1	2,789,556	2,650,687
Salaries, wages and benefits		701,793	673,883
Stores and spares consumed		42,468	47,160
Packing material consumed		153,100	173,147
Fuel and power		176,379	177,499
Insurance		4,346	3,603
Depreciation		127,709	96,723
Travelling and conveyance		5,184	3,118
Repair and maintenance		38,127	31,684
Entertainment		755	621
Provision of slow moving and obsolete item		(12,573)	2,086
Other manufacturing charges		38,726	34,040
		<b>4,065,570</b>	3,894,251
Work in process			
Opening stock		311,171	288,944
Closing stock		(367,610)	(322,028)
		<b>(56,439)</b>	(33,084)
<b>Cost of goods manufactured</b>		<b>4,009,131</b>	3,861,167
Finished goods			
Opening stock		2,225,491	1,375,329
Finished goods purchased		614,575	477,704
Closing stock		(2,265,497)	(1,572,060)
		<b>574,569</b>	280,973
<b>Cost of goods sold</b>		<b>4,583,700</b>	4,142,140
<b>10.1 Raw material consumed</b>			
Opening stock		1,337,845	962,327
Purchases		2,748,009	2,934,235
Closing stock		(1,296,298)	(1,245,875)
		<b>2,789,556</b>	2,650,687

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2018

### 11. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2018	3 months ended Mar. 31, 2017
External sales	2,617,854	2,588,883	2,967,768	2,514,391	1,039	22	5,586,661	5,103,296
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	2,617,854	2,588,883	2,967,768	2,514,391	1,039	22	5,586,661	5,103,296
Profit/(Loss) before tax and unallocated expenses	261,541	263,169	322,543	289,109	(3,098)	(2,973)	580,986	549,305
<b>Unallocated corporate expenses</b>								
Finance cost	-	-	-	-	-	-	(103,560)	(42,974)
Other operating expenses	-	-	-	-	-	-	(209,987)	(207,842)
Other operating income	-	-	-	-	-	-	19,594	64,387
Taxation	-	-	-	-	-	-	(45,982)	(82,166)
<b>Profit after taxation</b>	<b>261,541</b>	<b>263,169</b>	<b>322,543</b>	<b>289,109</b>	<b>(3,098)</b>	<b>(2,973)</b>	<b>241,051</b>	<b>280,710</b>
<b>10.1 Reconciliation of segment profit</b>								
Total profit for reportable segments							580,986	549,305
Unallocated expenses							(293,953)	(186,429)
<b>Profit before tax</b>							<b>287,033</b>	<b>362,876</b>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2018

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
<b>10.2 Reconciliation of segment</b>								
<b>Assets &amp; Liabilities</b>								
Total assets for reportable segments	6,332,301	6,126,081	8,274,323	7,949,945	41,950	46,964	14,648,574	14,122,990
Unallocated assets							2,022,069	1,862,575
<b>Total assets as per balance sheet</b>							<b>16,670,643</b>	<b>15,985,565</b>
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							11,684,935	11,241,601
<b>Total liabilities as per balance sheet</b>							<b>11,684,935</b>	<b>11,241,601</b>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2018

12. The related parties comprise associated companies, entities over which the directors are able to exercise influence, staff retirement funds, directors and key management personnel. Balances and transactions with the related parties are shown as follows:

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions for the period ended Mar 31, 2018	March 31, 2018 Closing balance		December 31, 2017 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	454,239		426,048	
	Advances	-	10,874		10,874	
	Expenses	-	2,503		2,503	
	Others	-		3,782		3,782
Retirement Benefits	Contribution	44,033		164,739		156,083

### 13. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2017.

There have been no changes in the risk management policies since the year end.

### 14. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - International Financial Reporting, the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-classified, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

### 15. Authorization date

These financial statements were authorized for issue by the Board of Directors as on April 26, 2018.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)



Ashfaq Alidina  
(Chief Financial Officer)

