

Report & Un-Audited Accounts for the 3rd Quarter Ended September 30, 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

Chief Financial Officer

Mr. Usman Liaqat

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

MCB Islamic Bank 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 nine month period ended September 30, 2018.

Company performance:

Key Financial Indicators of your company are summarized below:

	Nine Months ended September 30			Quarter ended September 30		
	2018	2017	Growth	2018	2017	Growth
	PKR in Millions			PKR in Millions		
Net Sales	17,281	15,577	11%	5,508	5,363	3%
Profit Before Tax	573	669	-14%	121	128	-5%
Profit After Tax	507	622	-18%	100	197	-49%
Earnings Per Share (PKR)	42.13	51.69	-18%	8.35	16.41	-49%

Your company achieved sales of PKR 17.28 billion during the nine months of the year compared to PKR 15.58 billion during corresponding period last year, with steady growth of 11%. Footwear exports and tyre division sales were the most promising areas in terms of revenue growth.

The Footwear export business has also returned better profitability on account of the rupee devaluation. The domestic footwear business continues to face a challenge as the retail markets in the country stay depressed.

The Tyre business showed a healthy growth in sales but due to unprecedented increase in tyre related raw materials price and the currency depreciation, profitability remained under pressure.

The earnings per share stood at PKR 42.13 during the period under review registering a decline of 18% over same period last year due to reason stated above.

Future Outlook

Footwear export sales are expected to continue growing and contribute more to the company's profitability. Driving growth in the retail segment will remain a challenge as we expect the local economy to go through a tough transitional year.

In the Tyre business segment, improvements in productivity have been aggressively targeted and we expect to see the results in 2019.

Acknowledgment

The Directors wish to place on record the efforts of our staff and especially our workers in attaining these results. We remain indebted to all our stakeholders for their continued support.

For and on behalf of the Board



CHAUDHRY AHMED JAVED
Chairman



OMAR SAEED
Chief Executive

Dated: October 25, 2018
Lahore

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 30 ستمبر 2018 تک کی نو ماہی کی مختصر عبوری مالیاتی معلومات پیش کی جارہی ہیں۔

مالیاتی کارکردگی

سہ ماہی اختتام 30 ستمبر			نومای اختتام 30 ستمبر		
شرح نمو	2017	2018	شرح نمو	2017	2018
روپے بلین میں			روپے بلین میں		
3%	5,363	5,508	11%	15,577	17,281
-5%	128	121	-14%	669	573
-49%	197	100	-18%	622	507
-49%	16.41	8.35	-18%	51.69	42.13

خاص فروخت
منافع قبل از ٹیکس
منافع بعد از ٹیکس
فی شیئر آمدنی (پہ)

آپ کی کمپنی نے اس نومای میں 17.28 بلین روپے کی فروخت کی جبکہ پچھلے سال اسی مدت میں 15.58 بلین روپے کی فروخت ہوئی جو کہ 11 فیصد مستحکم نمو کو ظاہر کرتا ہے۔ نمو کی وجہ ٹائر کی فروخت اور جوٹوں کی برآمدات میں اضافہ ہے۔

جوٹوں کی برآمدات سے بھی بہتر منافع حاصل ہوا ہے جس کی وجہ روپے کی قدر میں کمی ہے۔ جبکہ جوٹوں کی مقامی منڈی سست روی کا شکار ہے۔ ٹائر کے کاروبار میں صحت مند نمو رہی ہے لیکن خام مال کی قیمتوں میں زبردست اضافے اور روپے کی قدر میں کمی کی وجہ منافع کم رہا ہے۔ اس مدت کے دوران فی شیئر آمدنی 42.13 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 18 فیصد کمی ظاہر کرتا ہے۔

مستقبل پر ایک نظر

جوٹوں کی برآمدات میں لگاتار نمو متوقع ہے اور یہ کمپنی کا منافع بڑھانے میں لگاتار معاون رہیں گی۔ جوٹوں کی مقامی منڈی میں اس سال نمو انتہائی مشکل نظر آرہی ہے کیونکہ ملک تبدیلی کے سخت مراحل سے گزر رہا ہے۔ ٹائر کے کاروبار میں پیداوار بڑھانے کے زبردست اہداف پر کام ہو رہا ہے جسکے نتائج 2019 میں متوقع ہیں۔

اعتراف

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



چوہدری احمد جاوید
چیئر مین

مورخہ 25، اکتوبر 2018

لاہور

مضامین بورڈ



عمر سعید
چیف ایگزیکٹو

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Condensed Financial Statements

Condensed Interim Balance Sheet (Unaudited)

As at September 30, 2018

(Unaudited) (Audited)
September December
30, 2018 31, 2017

Note (Rupees in thousand)

EQUITY AND LIABILITIES

Share capital and reserves

Authorized share capital

100,000,000 (2017: 100,000,000)

ordinary shares of Rs. 10/- each:

1,000,000

1,000,000

Paid up share capital

120,288

120,288

Reserves

4,866,734

4,626,473

4,987,022

4,746,761

Non-current liabilities

Long term financing

2,907,966

2,431,930

Long term deposits

3,443

5,258

Deferred liabilities

509,089

536,410

3,420,498

2,973,598

Current liabilities

Trade and other payables

2,975,200

2,901,932

Unclaimed Dividend

32,956

27,774

Interest and mark-up accrued

142,322

108,065

Short term borrowings

6,320,025

4,520,732

Current portion of long term financing

548,034

451,642

Provision of taxation

282,046

154,366

10,300,583

8,164,511

18,708,103

15,884,870

Contingencies and commitments

5

The annexed notes from 1 to 15 form an integral part of this condensed interim financial statements.



Chaudhry Ahmed Javed

(Chairman)

	(Unaudited)	(Audited)
	September	December
	30, 2018	31, 2017
Note	(Rupees in thousand)	

ASSETS

Non-current assets

Property, plant and equipment	6	6,896,170	5,957,312
Intangible assets		2,342	929
Long term investments	7	561,057	521,663
Long term loans		22,387	17,762
Long term deposits		103,457	99,393
		7,585,413	6,597,059

Current assets

Stores, spares and loose tools		203,462	122,467
Stock in trade		4,822,222	3,917,187
Trade debts		2,851,137	2,797,402
Loans and advances		451,419	295,456
Trade deposits and prepayments		124,298	131,883
Other receivables		94,273	55,496
Tax refunds due from government		2,529,225	1,888,736
Cash and Bank Balances		46,654	79,184
		11,122,690	9,287,811
		18,708,103	15,884,870



Omar Saeed
(Chief Executive)




Usman Liaqat
(Chief Financial Officer)

Condensed Interim Profit and Loss Account (Unaudited)

For the period ended September 30, 2018

	Note	Nine months ended		Three months ended	
		Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
(Rupees in thousand)					
Sales - net	8	17,280,552	15,577,289	5,507,727	5,363,103
Cost of sales	9	14,458,949	13,076,311	4,580,232	4,606,025
Gross profit		2,821,603	2,500,978	927,495	757,078
Operating expenses					
Distribution cost		1,108,487	994,493	389,558	329,256
Administrative expenses		846,061	785,190	289,195	267,104
Other operating expenses		102,700	96,012	16,497	19,434
		2,057,248	1,875,695	695,250	615,794
Operating profit before other income		764,355	625,283	232,245	141,284
Other income		218,084	277,669	52,258	82,493
Operating profit		982,439	902,952	284,503	223,777
Finance cost		409,251	233,463	163,905	96,189
Profit/Loss before taxation		573,188	669,489	120,598	127,588
Taxation		66,383	47,663	20,199	(69,789)
Profit after taxation		506,805	621,826	100,399	197,377
Earnings per share basic and diluted (Rupees)		42.13	51.69	8.35	16.41

The annexed notes from 1 to 15 form an integral part of this condensed interim financial statements.


 Chaudhry Ahmed Javed
 (Chairman)


 Omar Saeed
 (Chief Executive)


 Usman Liaqat
 (Chief Financial Officer)

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2018

	Nine months ended		Three months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
	(Rupees in thousand)			
Profit after taxation for the period	506,805	621,826	100,399	197,377
Other Comprehensive Income				
Items that may reclassify to profit and loss account				
(Loss)/ gain on investments	(1,910)	(24,904)	(950)	(3,170)
Add: Adjustment for amount transferred to profit and loss account		(40,436)		(40,436)
Items that may not reclassify to profit and loss account				
	-	-	-	-
Total comprehensive income for the period	504,895	556,486	99,449	153,771

The annexed notes from 1 to 15 form an integral part of this condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Condensed Interim Cash Flow Statement (Unaudited)

For the period ended September 30, 2018

Nine months ended
Sep
30, 2018 Sep
30, 2017
(Rupees in thousand)

Cash flow from operating activities		
Profit before taxation	573,188	669,489
Adjustments for non-cash charges and other items:		
Depreciation and amortization	435,757	336,621
Employee benefit plans	42,499	32,950
Ijarah rentals	57,250	56,378
Finance cost	409,251	233,463
Provision for workers' profit participation fund	30,314	30,109
Provision for workers' welfare fund	2,770	(11,847)
Provision for slow moving stocks	227	32,739
Provision for doubtful debts	19,587	-
loss on Long term investment	(1,910)	-
Share of profit from Speed (Private) Limited	(57,375)	(30,000)
(Profit)/ loss on sale of property, plant and equipment	39	18,723
Operating profit before working capital changes	1,511,596	1,368,625
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(75,319)	1,062
Stock in trade	(910,928)	(1,326,604)
Trade debts	(73,322)	(436,844)
Advances, deposits, prepayments and other receivables	(187,155)	26,850
Tax refunds, due from / to government	(428,320)	(265,729)
	(1,675,043)	(2,001,265)
Increase in current liabilities		
Trade and other payables	38,467	(265,897)
Cash generated from / (used in) operations	(124,980)	(898,537)
Finance cost paid	(374,994)	(206,726)
Ijarah rentals paid	(57,250)	(56,378)
Income taxes paid	(212,170)	(248,664)
Staff retirement benefits paid	(8,520)	(23,646)
W.P.P.F and W.W.F paid	1,704	2,872
Net cash generated from / (used in) operating activities	(776,210)	(1,431,079)
Cash flow from investing activities		
Capital expenditure	(1,377,939)	(1,389,953)
Proceeds from sale of property, plant and equipment	1,872	2,935
Long term investments	1,910	(36,920)
Dividend received from associated company	16,071	24,106
Short term investments	-	103,745
Long term loans	(4,625)	(2,341)
Long term deposits	(4,064)	(26,356)
Net cash (used in) investing activities	(1,366,775)	(1,324,784)
Cash flow from financing activities		
Long term deposits	(1,815)	-
Short term borrowings - net	1,799,293	1,857,596
Long term financing	572,428	1,162,563
Dividend paid	(259,451)	(359,869)
Net cash (used in) financing activities	2,110,455	2,660,290
Net (decrease) / increase in cash and cash equivalents	(32,530)	(95,573)
Cash and cash equivalents at the beginning of the period	79,184	224,887
Cash and cash equivalents at the end of the period	46,654	129,314

The annexed notes from 1 to 15 form an integral part of this condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaquat
(Chief Financial Officer)

Condensed Interim Statement of Changes in Equity (Unaudited)

For the period ended September 30, 2018

(Rupees in thousand)

	Share capital		Capital reserves		Revenue reserves		Total
	Share capital	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
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	(300,720)		(300,720)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	(120,288)		(120,288)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	556,486		556,486
Balance as at September 30, 2017	120,288	102,730	21,217	1,558,208	2,716,975		4,519,418
Balance as at December 31, 2017	120,288	102,730	21,217	1,558,208	2,944,318		4,746,761
Final dividend for the year ended December 31, 2017 @ Rs. 22 per share	-	-	-	-	(264,634)		(264,634)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	504,895		504,895
Balance as at September 30, 2018	120,288	102,730	21,217	1,558,208	3,184,579		4,987,022

The annexed notes from 1 to 15 form an integral part of this condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaquat
(Chief Financial Officer)

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 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 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. This condensed financial information pertain to Service Industries Limited as an individual entity.

Information on significant investments of the Company is disclosed in note 7.

2. Basis of preparation and statement of compliance

- 2.1 These condensed financial statements for the nine months ended September 30, 2018 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These condensed financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017. These do not include all of the information required for the full set of annual financial statements and the condensed interim financial statements should be read in conjunction with the annual financial statements of the company for the year ended 31 December 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.

- 2.2 These Condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under Companies Act, 2017.
- Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 2.3 The condensed interim financial statements are presented in Pak Rupee which is the company's functional and presentation currency.

3. Accounting policies

Accounting policies adopted for the preparation of these condensed Interim 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 statements requires management to make judgments, estimates and assumptions that affect 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 statements, 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 six months' profit. These are subject to change on final results.

5. Contingencies and commitments

Contingencies

- 5.1 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of 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 Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.
- 5.2 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 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 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. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour 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 sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 5.3 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.
- 5.4 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 appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back charges to the tune of 172.7 million. The Company filed an appeal with IRAT against the decision of 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.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

- 5.5** 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.
- 5.6** 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.
- 5.7** 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 advice of tax counsel.
- 5.8** 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 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 in these financial statements.
- 5.9** 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 in these financial statements.
- 5.10** 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 has filed appeal with IRAT 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.

Commitments

- 5.11** Guarantees issued through banks Rs. 1,408.10 million (Dec-2017 : Rs. 1,882 million).

5.12 Irrevocable letters of credit Rs. 478.2 million (Dec-2017 : Rs. 1,370.16 million).

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

	Note	(Unaudited)	(Audited)
		September 30, 2018	December 31, 2017
		(Rupees in thousand)	
Not later than one year		67,369	75,144
Later than one year but not later than five years		91,466	121,914
Later than five years		-	-
		158,835	197,058

6. Property, plant and equipment

Operating fixed assets	6.1	5,524,414	4,739,012
Capital work in progress		1,371,756	1,218,300
		6,896,170	5,957,312

6.1 Operating fixed assets

Opening written down value		4,739,012	4,116,625
Add: Additions during the period/ year	6.2	1,222,373	1,115,918
		5,961,385	5,232,543
Less: Disposals during the period/ year (at book value)	6.2	2,113	32,630
		5,959,272	5,199,913
Less: Depreciation charged during the period/ year		434,858	460,901
		5,524,414	4,739,012

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

	Additions		Disposals - NBV	
	Unaudited September 30, 2018	Audited December 31, 2017	Unaudited September 30, 2018	Audited December 31, 2017
(Rupees in thousand)				
Land	-	-	-	-
Building on freehold land	334,284	358,169	-	9,426
Plant and machinery	710,141	547,440	1,145	8,649
Furniture, fixture and fittings	5,112	9,651	241	-
Vehicles	738	12,191	214	885
Service equipments	63,513	132,617	513	10,990
Leasehold improvements	108,586	55,850	-	2,680
	1,222,373	1,115,918	2,113	32,630

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

	Note	(Unaudited) September 30, 2018	(Audited) December 31, 2017
		(Rupees in thousand)	
7. Long term investment			
These represent long term investments in:			
Related parties	7.1	533,367	492,063
Other	7.2	27,690	29,600
		561,057	521,663
7.1 Investment in Related Parties:			
7.1.1 Investment in Subsidiary			
Service Industries Capital (Private) Limited-SICPL		218,681	218,681
7.1.2 Investment in associate:			
Speed (Private) Limited	7.1.2.1	314,206	272,902
7.1.3 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
		533,367	492,063
7.1.2.1 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 period/ year		81,953	56,745
Share of profit during the period/ year		57,375	49,314
Distributions received during the period/year		(16,071)	(24,106)
		123,257	81,953
		314,206	272,902
7.2 Other - Available for sale			
TRG Pakistan Limited			
1,000,000 fully paid ordinary shares		29,600	29,600
(2017- 1,000,000 fully paid ordinary shares)			
Fair value adjustment		(1,910)	-
		27,690	29,600

	Note	Nine months ended		Three months ended	
		Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
(Rupees in thousand)					
8. Sales - net					
Sales of footwear - net					
Export		4,592,650	3,344,701	1,638,491	1,202,017
Local		3,311,373	4,321,435	1,007,831	1,368,261
		7,904,023	7,666,136	2,646,322	2,570,278
Sales of tyre division - net					
Export		604,812	464,288	172,151	185,839
Local		8,756,687	7,439,667	2,679,294	2,601,181
		9,361,499	7,903,955	2,851,445	2,787,020
Sales of technical rubber products - net					
Export		-	-	-	-
Local		15,030	7,198	9,960	5,805
		15,030	7,198	9,960	5,805
		17,280,552	15,577,289	5,507,727	5,363,103
9. Cost of sales					
Raw material consumed	9.1	8,755,393	7,965,589	2,850,771	2,657,581
Salaries, wages and benefits		2,107,743	2,007,210	707,145	664,704
Stores and spares consumed		183,778	156,474	56,751	41,692
Packing material consumed		480,707	482,078	150,180	148,236
Fuel and power		546,435	522,019	187,006	170,292
Insurance		15,489	14,733	5,778	5,940
Depreciation		387,339	304,907	133,551	107,681
Travelling and conveyance		13,691	8,835	4,431	2,344
Repair and maintenance		102,976	99,813	29,103	34,847
Entertainment		3,477	4,774	1,602	3,345
Provision for slow moving and obsolete items		227	32,739	11,809	10,482
Other manufacturing charges		104,712	97,390	42,435	34,068
		12,701,967	11,696,561	4,180,562	3,881,212
Work in process					
Opening stock		294,958	288,944	479,474	357,006
Closing stock		(439,186)	(322,901)	(439,186)	(322,901)
		(144,228)	(33,957)	40,288	34,105
Cost of goods manufactured		12,557,739	11,662,604	4,220,850	3,915,317
Finished goods					
Opening stock		2,208,141	1,375,329	1,786,016	1,752,951
Purchases during the period		1,777,095	1,889,595	657,392	788,974
Closing stock		(2,084,026)	(1,851,217)	(2,084,026)	(1,851,217)
		1,901,210	1,413,707	359,382	690,708
		14,458,949	13,076,311	4,580,232	4,606,025
9.1 Raw material consumed					
Opening stock		1,315,442	963,419	1,462,262	1,362,527
Purchases during the period		9,272,401	8,401,130	3,220,959	2,694,014
Closing stock		(1,832,450)	(1,398,960)	(1,832,450)	(1,398,960)
		8,755,393	7,965,589	2,850,771	2,657,581

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

10. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber-Products		Total	
	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017
External sales	7,904,023	7,666,136	9,361,499	7,903,955	15,030	7,198	17,280,552	15,577,289
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	7,904,023	7,666,136	9,361,499	7,903,955	15,030	7,198	17,280,552	15,577,289
Profit/ (loss) before tax and unallocated expenses	669,744	824,640	825,344	477,592	(7,466)	(6,889)	1,487,623	1,295,343
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(381,831)	(206,999)
Other operating expenses	-	-	-	-	-	-	(593,073)	(532,512)
Other operating income	-	-	-	-	-	-	60,469	113,657
Taxation	-	-	-	-	-	-	(66,383)	(47,663)
Profit after taxation							506,805	621,826
10.1 Reconciliation of segment profit								
Total profit for reportable segments							1,487,623	1,295,343
Unallocated expenses							(914,435)	(625,854)
Profit before tax							573,188	669,489

Notes to the Condensed Interim Financial Statements (Unaudited)
For the period ended September 30, 2018

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
10.2 Reconciliation of segment								
Total assets for reportable segments	6,596,849	5,769,296	9,491,302	7,949,945	54,110	46,964	16,142,261	13,766,205
Unallocated assets	-	-	-	-	-	-	2,565,842	2,118,664
Total assets as per balance sheet							18,708,103	15,884,870
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	13,721,081	11,138,109
Total liabilities as per balance sheet							13,721,081	11,138,109

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

11. Fair value measurement of financial instruments.

	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
----- Rupees -----							
On-balance sheet financial instruments							
30 September 2018- (Un-audited)							
Financial assets measured at fair value		27,690	-	-	-	27,690	-
		27,690	-	-	-	27,690	-
Financial assets not measured at fair value	11.1						
Long term loans		-	22,387	-	22,387	-	-
Long Term deposit		-	103,457	-	103,457	-	-
Trade debts		-	2,909,234	-	2,909,234	-	-
Loans and advances		-	38,975	-	38,975	-	-
Trade Deposits		-	82,399	-	82,399	-	-
Other Receivables		-	94,273	-	94,273	-	-
Cash and Bank Balances		-	46,654	-	46,654	-	-
		-	3,297,379	-	3,297,379	-	-
Financial liabilities measured at fair value							
		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value	11.1						
Long term Financing		-	-	3,456,000	3,456,000	-	-
Long term deposits		-	-	3,443	3,443	-	-
Interest and Mauk-up accrued		-	-	142,322	142,322	-	-
Short term borrowings		-	-	6,320,025	6,320,025	-	-
Trade and other payables		-	-	2,975,200	2,975,200	-	-
		-	-	12,896,990	12,896,990	-	-

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

On-balance sheet financial instruments	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
----- Rupees -----							
31 Dec 2017							
Financial assets measured at fair value		29,600	-	-	-	29,600	-
		29,600	-	-	-	29,600	-
Financial assets not measured at fair value	11.1						
Long term loans		-	17,762	-	17,762	-	-
Long Term deposit		-	99,393	-	99,393	-	-
Trade debts		-	2,836,634	-	2,836,634	-	-
Loans and advances		-	25,325	-	25,325	-	-
Trade Deposits		-	59,791	-	59,791	-	-
Other Receivables		-	55,496	-	55,496	-	-
Cash and Bank Balances		-	79,184	-	79,184	-	-
		-	3,173,585	-	3,173,585	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value	11.1						
Long term Financing		-	-	2,883,572	2,883,572	-	-
Long term deposits		-	-	5,258	5,258	-	-
Interest and Mauk-up accrued		-	-	108,065	108,065	-	-
Short term borrowings		-	-	4,520,732	4,520,732	-	-
Trade and other payables		-	-	2,901,932	2,901,932	-	-
		-	-	10,419,559	10,419,559	-	-

11.1 The management considers the carrying amount of all financial assets and liabilities not measured according to the fair value hierarchy at the end of the reporting period to approximate their fair value as at the reporting date.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

12. Related party transactions

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 Sep 30, 2018	September 30, 2018 Closing balance		December 31, 2017 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	314,686	-	273,382	-
	Advances	-	10,874	-	10,874	-
	Expenses	-	2,503	-	2,503	-
	Others	3,782	-	-	-	3,782
Subsidiary	Investment	152	218,681	-	218,681	-
	Advances	-	-	-	-	-
	Expenses	-	172	-	20	-
Retirement Benefits	Contribution	138,750	-	192,289	-	156,083

All transactions with the related parties have been carried out on commercial terms and conditions.

13. The 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. Authorization date

This financial information was approved and authorized for issue by the Board of Directors as on October 25, 2018.

15. General

Figures have been rounded off to the nearest thousand of rupees and corresponding figures have been re-arranged, where necessary, for the comparison purposes. However, no material re-arrangements have been made.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Consolidated Condensed 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 nine months ended September 30, 2018.

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

Service Industries Limited

The Director Report providing a commentary on the performance of Service Industries Limited for the nine months ended September 30, 2018 has been presented separately.

Service Industries Capital (Private) Limited

SICPL is 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 62.8million in a subsidiary namely Service Shoe Lanka (Private) Limited and PKR 151.6 million in an associated company namely Speed (Private Limited).

For and on behalf of the Board



CHAUDHRY AHMED JAVED
Chairman



OMAR SAEED
Chief Executive

Dated: October 25, 2018
Lahore

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 30 ستمبر 2018 تک گروپ کی نو 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 پر مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

30 ستمبر 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۔

منجانب بورڈ



چوہدری احمد جاوید
چیئر مین

مورخہ 25 اکتوبر 2018

لاہور



عمر سعید
چیف ایگزیکٹو

Condensed Consolidated Interim Balance Sheet (Unaudited)

As at September 30, 2018

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital 100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10/- each:	1,000,000	1,000,000
Paid up share capital	120,288	120,288
Reserves	4,858,830	4,613,014
Attributable to owners of the holding company	4,979,118	4,733,302
Non-controlling interest	(10,920)	10,662
	4,968,199	4,743,964
Non-current liabilities		
Long term financing	2,907,966	2,431,930
Long term deposits	3,443	5,258
Deferred liabilities	509,089	536,596
	3,420,498	2,973,784
Current liabilities		
Trade and other payables	3,068,171	2,936,698
Unclaimed Dividend	32,956	27,774
Interest and mark-up accrued	142,322	108,065
Short term borrowings	6,392,968	4,589,272
Current portion of long term financing	548,034	451,642
Provision of taxation	283,594	154,366
	10,468,046	8,267,817
	18,856,743	15,985,565

Contingencies and commitments

6

The annexed notes from 1 to 16 form an integral part of this condensed consolidated interim financial statements.



Chaudhry Ahmed Javed
(Chairman)

(Unaudited) (Audited)
September December
30, 2018 31, 2017
(Rupees in thousand)

Note

ASSETS

Non-current assets

Property, plant and equipment	7	7,000,755	6,060,867
Intangible assets		41,402	39,546
Long term investments	8	522,117	455,648
Long term loans		22,387	17,762
Long term deposits		103,457	99,393
		7,690,118	6,673,216

Current assets

Stores, spares and loose tools		203,462	122,467
Stock in trade		4,869,694	3,973,831
Trade debts		2,896,116	2,741,731
Loans and advances		462,082	305,841
Trade deposits and prepayments		126,489	137,700
Other receivables		25,925	56,848
Tax refunds due from government		2,531,600	1,889,483
Cash and bank balances		51,257	84,448
		11,166,625	9,312,349
		18,856,743	15,985,565



Omar Saeed
(Chief Executive)




Usman Liaqat
(Chief Financial Officer)

Condensed Consolidated Interim Profit and Loss Account (Unaudited)

For the period ended September 30, 2018

	Note	Nine months ended		Three months ended	
		Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
(Rupees in thousand)					
Sales - net	9	17,433,466	15,577,289	5,565,529	5,363,103
Cost of sales	10	14,618,318	13,076,311	4,636,405	4,606,025
Gross profit		2,815,148	2,500,978	929,124	757,078
Operating expenses					
Distribution cost		1,112,791	994,493	389,940	329,256
Administrative expenses		871,701	785,368	296,192	267,116
Other operating expenses		102,681	96,121	16,493	19,433
		2,087,173	1,875,982	702,625	615,805
Operating profit before other income		727,975	624,996	226,499	141,273
Other operating income		255,797	277,726	63,719	82,493
Operating profit		983,772	902,722	290,218	223,766
Finance cost		427,751	233,463	165,796	96,189
Profit before taxation		556,021	669,259	124,421	127,577
Taxation		67,931	47,663	17,745	(69,789)
Profit after taxation		488,090	621,596	106,676	197,366
Attributable to:					
Owners of the holding company		509,850	621,596	109,728	197,366
Non-controlling interest		(21,760)	-	(3,052)	-
		488,090	621,596	106,676	197,366
Earnings per share basic and diluted (Rupees)		40.58	51.68	8.87	16.41

The annexed notes from 1 to 16 form an integral part of this condensed consolidated interim financial statements.


 Chaudhry Ahmed Javed
 (Chairman)


 Omar Saeed
 (Chief Executive)


 Usman Liaquat
 (Chief Financial Officer)

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2018

	Nine months ended		Three months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
	(Rupees in thousand)			
Profit after taxation for the period	488,090	621,596	106,676	197,366
Other Comprehensive Income				
Items that may reclassify to profit and loss account				
Gain/(Loss) on investments	(1,910)	(24,904)	(950)	(3,170)
Exchange difference on translation of foreign subsidiary	2,243	-	1,742	-
Exchange difference on translation of goodwill	446	-	(1,785)	-
Add: adjustment for amount transferred to profit and loss account	-	(40,436)	-	(40,436)
Items that may not reclassify to profit and loss account	-	-	-	-
	779	(65,340)	(993)	(43,606)
Total comprehensive income for the period	488,869	556,256	105,684	153,760
Owners of the holding company	510,450	556,256	109,450	153,760
Non-controlling interest	(21,582)	-	(3,766)	-
	488,869	556,256	105,684	153,760

The annexed notes from 1 to 16 form an integral part of this condensed consolidated interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Condensed Consolidated Interim Cash Flow Statements (Unaudited)

For the period ended September 30, 2018

Nine months ended
September **September**
30, 2018 **30, 2017**
(Rupees in thousand)

Cash flow from operating activities		
Profit before taxation	556,021	669,259
Adjustments for non-cash charges and other items		
Depreciation and amortization	443,333	336,621
Employee benefit plans	42,499	32,950
Ijarah rentals	57,250	56,378
Finance cost	428,945	233,463
Provision for workers' profit participation fund	30,314	30,109
Provision for workers' welfare fund	2,770	(11,847)
Provision for slow moving stocks	227	32,739
Provision for doubtful debts	19,587	-
Unrealized loss on Long term investment	(1,910)	-
Share of profit from Speed (Private) Limited	(94,770)	(30,000)
(Profit)/ loss on sale of property, plant and equipment	39	18,723
Operating profit before working capital changes	1,484,303	1,368,395
Changes in working capital		
(increase) / decrease in current assets		
Stores, spares and loose tools	(75,319)	1,062
Stock in trade	(901,754)	(1,326,604)
Trade debts	(173,972)	(436,844)
Advances, deposits, prepayments and other receivables	(114,107)	(32,721)
Tax refunds, due from / to government	(429,946)	(265,729)
	(1,695,097)	(2,060,836)
(decrease)/Increase in current liabilities		
Loans and advances		
Trade and other payables	97,215	(265,897)
Cash generated from operations	(113,579)	(958,338)
Finance cost paid	(393,494)	(206,726)
Ijarah rentals paid	(57,250)	(56,378)
Income taxes paid	(213,719)	(248,665)
Staff retirement benefits paid	(8,520)	(23,646)
W.P.P.F and W.W.F paid	1,704	2,872
Net cash generated from operating activities	(784,858)	(1,490,880)
Cash flow from investing activities		
Capital expenditure	(1,387,184)	(1,389,953)
Proceeds from sale of property, plant and equipment	1,872	2,935
Long term investments	1,910	(36,920)
Dividend received from Speed (Private) Limited	26,391	24,106
Short term investments	-	103,745
Long term loans	(4,625)	(2,341)
Long term deposits	(4,064)	(26,356)
Net cash (used in) investing activities	(1,365,700)	(1,324,784)
Cash flow from financing activities		
Long term deposits	(1,815)	-
Short term borrowings - net	1,803,696	1,857,596
Exchange differences on translation of investments in foreign subsidiary	2,510	-
Long term financing	572,428	1,162,563
Dividend paid	(259,451)	(359,869)
Net cash (used in) financing activities	2,117,368	2,660,290
Net (decrease) / increase in cash and cash equivalents	(33,190)	(155,374)
Cash and cash equivalents at the beginning of the period	84,448	288,245
Cash and cash equivalents at the end of the period	51,257	132,871

The annexed notes from 1 to 16 form an integral part of this condensed consolidated interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 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 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. This condensed financial information pertain to Service Industries Limited as an individual entity.

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

This condensed financial statements for the nine months ended September 30, 2018 are prepared in accordance with International Accounting Standard 34, "Interim Financial

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

Reporting". This condensed 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.

4. Accounting policies

Accounting policies adopted for the preparation of these condensed Interim 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 affect 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 six months' profit. These are subject to change on final results.

6. Contingencies and commitments

Contingencies

- 6.1 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of 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 Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.
- 6.2 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 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 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. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour 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 sent a recovery notice for the same amount.

The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.

- 6.3 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 ATIR against said points.
- 6.4 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 appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back charges to the tune of 172.7 million. The Company filed an appeal with IRAT against the decision of 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.
- 6.5 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.
- 6.6 The Company preferred an appeal against FBR in Honourable 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.
- 6.7 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 advice of tax counsel.
- 6.8 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 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.
- 6.9 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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

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.

- 6.10 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 has filed appeal with IRAT 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.

Commitments

- 6.11 Guarantees issued through banks Rs. 1,408.10 million (Dec-2017 : Rs. 1,882 million).
- 6.12 Irrevocable letters of credit Rs. 478.2 million (Dec-2017 : Rs. 1,370.16 million).
- 6.13 The amount of future Ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

		(Unaudited) September 30, 2018	(Audited) December 31, 2017
	Note	(Rupees in thousand)	
Not later than one year		67,369	75,144
Later than one year but not later than five years		91,466	121,914
Later than five years		-	-
		158,835	197,058
7. Property, plant and equipment			
Operating fixed assets	7.1	5,628,999	4,842,097
Capital work in progress		1,371,756	1,218,770
		7,000,755	6,060,867
7.1 Operating fixed assets			
Opening written down value		4,842,097	4,116,625
Add: Additions during the period/ year	7.2	1,229,820	1,223,843
		6,071,917	5,340,468
Less: Disposals during the period/ year (at book value)	7.2	2,113	32,630
		6,069,803	5,307,838
Less: Depreciation charged during the period/ year		442,236	465,556
Exchange / other adjustment during the period		1,432	185
		5,628,999	4,842,097

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

	Additions		Disposals - NBV	
	Unaudited September 30, 2018	Audited December 31, 2017	Unaudited September 30, 2018	Audited December 31, 2017
	(Rupees in thousand)			
Land	-	-	-	-
Building on freehold land	335,415	406,270	-	9,426
Plant and machinery	712,687	587,526	1,145	8,649
Furniture, fixture and fittings	5,363	10,835	241	-
Vehicles	738	19,277	214	885
Service equipments	67,031	144,085	513	10,990
Leasehold improvements	108,586	55,850	-	2,680
	1,229,820	1,223,843	2,113	32,630

	Note	(Unaudited)	(Audited)
		September 30, 2018	December 31, 2017
		(Rupees in thousand)	
8. Long term investment			
These represent long term investments in:			
Related parties	8.1	494,427	426,048
Other	8.2	27,690	29,600
		522,117	455,648
8.1 Investment in Related Parties:			
8.1.1 Investment in Associate:			
Speed (Private) Limited	8.1.1.1	493,947	425,568
8.1.2 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
		494,427	426,048

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

	(Unaudited) September 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
8.1.1.1 Speed (Private) Limited - Associated company		
Cost of investment - SIL		
160,709 fully paid ordinary shares of Rs. 100/- each	190,949	190,949
Cost of investment-SICPL		
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
Share of post acquisition reserve		
As at the beginning of the period/ year	83,042	56,745
Share of profit during the period/ year	94,770	51,913
Distributions received during the period/ year	(26,391)	(25,616)
	151,421	83,042
	493,947	425,568
8.2 Other - Available for sale		
TRG Pakistan Limited		
1,000,000 fully paid ordinary shares (2017- 1,000,000 fully paid ordinary shares)	29,600	29,600
Fair value adjustment	(1,910)	-
	27,690	29,600

Note	Nine months ended		Three months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
(Rupees in thousand)				
9. Sales - net				
Sales of footwear - net				
Export	4,740,474	3,344,701	1,695,172	1,202,017
Local	3,316,463	4,321,435	1,008,952	1,368,261
	8,056,937	7,666,136	2,704,124	2,570,278
Sales of tyre division - net				
Export	604,812	464,288	172,151	185,839
Local	8,756,687	7,439,667	2,679,294	2,601,181
	9,361,499	7,903,955	2,851,445	2,787,020
Sales of technical rubber products - net				
Export	-	-	-	-
Local	15,030	7,198	9,960	5,805
	15,030	7,198	9,960	5,805
	17,433,466	15,577,289	5,565,529	5,363,103

10. Cost of sales

Raw material consumed	10.1	8,835,870	7,965,589	2,882,325	2,657,581
Salaries, wages and benefits		2,148,550	2,007,210	720,730	664,704
Stores and spares consumed		183,866	156,474	56,765	41,692
Packing material consumed		486,657	482,078	152,623	148,236
Fuel and power		548,517	522,019	187,662	170,292
Insurance		15,489	14,733	5,778	5,940
Depreciation		391,314	304,907	134,584	107,681
Travelling and conveyance		13,691	8,835	4,431	2,344
Repair and maintenance		104,165	99,813	29,224	34,847
Entertainment		3,477	4,774	1,602	3,345
Provision for slow moving and obsolete items		227	32,739	11,809	10,482
Other manufacturing charges		115,889	97,390	45,882	34,068
		12,847,712	11,696,561	4,233,415	3,881,212
Work in process					
Opening stock		311,171	288,944	489,751	357,006
Closing stock		(445,053)	(322,901)	(445,053)	(322,901)
		(133,882)	(33,957)	44,698	34,105
Cost of goods manufactured		12,713,829	11,662,604	4,278,113	3,915,317
Finished goods					
Opening stock		2,224,361	1,375,329	1,797,480	1,752,951
Purchases during the period		1,774,275	1,889,595	654,960	788,974
Closing stock		(2,094,147)	(1,851,217)	(2,094,147)	(1,851,217)
		1,904,489	1,413,707	358,293	690,708
		14,618,318	13,076,311	4,636,405	4,606,025
10.1 Raw material consumed					
Opening stock		1,337,845	963,419	1,501,387	1,362,527
Purchases during the period		9,361,495	8,401,130	3,244,408	2,694,014
Closing stock		(1,863,470)	(1,398,960)	(1,863,470)	(1,398,960)
		8,835,870	7,965,589	2,882,325	2,657,581

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

11. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2017
External sales	8,056,937	7,666,136	9,361,499	7,903,955	15,030	7,198	17,433,466	15,577,289
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	8,056,937	7,666,136	9,361,499	7,903,955	15,030	7,198	17,433,466	15,577,289
Profit/(Loss) before tax and unallocated expenses	652,577	824,640	825,344	477,592	(7,466)	(6,889)	1,470,456	1,295,343
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(381,831)	(206,999)
Other operating expenses	-	-	-	-	-	-	(593,073)	(532,799)
Other operating income	-	-	-	-	-	-	60,469	113,714
Taxation	-	-	-	-	-	-	(67,931)	(47,663)
Profit after taxation	-	-	-	-	-	-	488,090	621,596
11.1 Reconciliation of segment profit								
Total profit for reportable segments							1,470,456	1,295,343
Unallocated expenses							(914,435)	(626,084)
Profit before tax							556,021	669,259

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

(Rupees in thousand)

	Footwear		Tyre Division		Technical Rubber Products		Total	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
11.2 Reconciliation of segment								
Assets & Liabilities								
Total assets for reportable segments	6,284,300	5,769,296	9,444,551	7,949,945	54,110	46,964	15,782,961	14,122,990
Unallocated assets							3,073,782	1,862,575
Total assets as per balance sheet							18,856,743	15,985,565
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	13,888,544	11,241,601
Total liabilities as per balance sheet							13,888,544	11,241,601

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

Carrying Amount Fair Value

12. Fair value measurement of financial instruments.

On-balance sheet financial instruments	Note	Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- Rupees -----								
30 September 2018- (Un-audited)								
Financial assets measured at fair value		28,640	-	-	-	28,640	-	-
		28,640	-	-	-	28,640	-	-
Financial assets not measured at fair value								
Long term loans	12.1	-	22,387	-	22,387	-	-	-
Long Term deposit		-	103,457	-	103,457	-	-	-
Trade debts		-	2,954,213	-	2,954,213	-	-	-
Loans and advances		-	38,975	-	38,975	-	-	-
Trade Deposits		-	82,399	-	82,399	-	-	-
Other Receivables		-	25,925	-	25,925	-	-	-
Cash and Bank Balances		-	51,257	-	51,257	-	-	-
		-	3,278,613	-	3,278,613	-	-	-
Financial liabilities measured at fair value								
		-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
		-	-	-	-	-	-	-
Long term Financing	12.1	-	-	3,456,000	3,456,000	-	-	-
Long term deposits		-	-	3,443	3,443	-	-	-
Interest and Mauk-up accrued		-	-	142,322	142,322	-	-	-
Short term borrowings		-	-	6,392,968	6,392,968	-	-	-
Trade and other payables		-	-	3,068,171	3,068,171	-	-	-
		-	-	13,062,905	13,062,905	-	-	-

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September, 2018

On-balance sheet financial instruments	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
----- Rupees -----							
31 Dec 2017							
Financial assets measured at fair value		29,600	-	-	-	29,600	-
Financial assets not measured at fair value	12.1	29,600	-	-	-	29,600	-
Long term loans		-	17,762	-	17,762	-	-
Long Term deposit		-	99,393	-	99,393	-	-
Trade debts		-	2,780,963	-	2,780,963	-	-
Loans and advances		-	25,881	-	25,881	-	-
Trade Deposits		-	59,820	-	59,820	-	-
Other Receivables		-	56,848	-	56,848	-	-
Cash and Bank Balances		-	84,448	-	84,448	-	-
		-	3,125,115	-	3,125,115	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
Financial liabilities not measured at fair value	12.1	-	-	-	-	-	-
Long term Financing		-	-	2,883,572	2,883,572	-	-
Long term deposits		-	-	5,258	5,258	-	-
Interest and Mauk-up accrued		-	-	108,065	108,065	-	-
Short term borrowings		-	-	4,589,272	4,589,272	-	-
Trade and other payables		-	-	2,751,389	2,751,389	-	-
		-	-	10,337,556	10,337,556	-	-

12.1 The management considers the carrying amount of all financial assets and liabilities not measured according to the fair value hierarchy at the end of the reporting period to approximate their fair value as at the reporting date.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2018

13. Related party transactions

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 September 30, 2018	September 30, 2018 Closing balance		December 31, 2017 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	494,427		426,048	
	Advances	-	10,874		10,874	
	Expenses	-	2,503		2,503	
	Others	3,782				3,782
Retirement Benefits	Contribution	138,750		192,289		156,083

All transactions with the related parties have been carried out on commercial terms and conditions.

14. The 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.

15. Authorization date

This financial information was approved and authorized for issue by the Board of Directors as on October 25, 2018.

16. General

Figures have been rounded off to the nearest thousand of rupees and corresponding figures have been re-arranged, where necessary, for the comparison purposes. However, no material re-arrangements have been made.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

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