

Report & Un-Audited Accounts for the
3rd Quarter Ended September 30, 2020

Taking it further..



Servis

Service Industries Limited

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Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)

Non-Executive Director

Mr. Arif Saeed
(Chief Executive Officer)

Executive Director

Mr. Omar Saeed
Executive Director

Mr. Hassan Javed
Executive Director

Mr. Riaz Ahmed
Non-Executive Director

Mr. Muhammad Amin
Non-Executive Director

Mr. Osman Saifullah Khan
Independent Director

Mr. Shahid Hussain Jatoi
Independent Director

Mrs. Ayesha Naweed
Independent Director

Chief Financial Officer

Mr. Badar Ul Hassan

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Osman Saifullah Khan
Chairman

Mr. Riaz Ahmed
Member

Mr. Muhammad Amin
Member

Human Resource and Remuneration Committee

Mrs. Ayesha Naweed
Chairperson

Mr. Arif Saeed
Member

Mr. Riaz Ahmed
Member

Bankers

Allied Bank Limited

Askari Bank limited

Bank Al Habib Limited

Bank Alfalah Limited

Faysal Bank limited

Habib Bank Limited

Habib Metro Bank

ICBC Pakistan

JS Bank Limited

MCB Bank Limited

MCB Islamic Bank

Meezan Bank Limited

National Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

Soneri Bank limited

The Bank of Punjab

United Bank Limited

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

Factory

G.T. Road, Gujrat.

Web Presence

www.servisgroup.com

**“ Strength and Growth
come only through
Continuous Effort and
Struggle.”** -Napolean Hill



Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the condensed interim financial information of Service Industries Limited ("SIL") for nine months ended September 30, 2020.

Scheme of Compromises, Arrangements and Reconstruction

In accordance with the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017) entered between SIL and its wholly owned subsidiary, Service Global Footwear Limited ("SGFL"), approved by the shareholders of SIL and shareholders of SGFL on 14 December 2019 and sanctioned by the Lahore High Court, Lahore vide its order dated 15 January 2020, the undertaking comprising the assets, liabilities, rights, entitlements and obligations of SIL has been split into two (2) separate segments i.e. Muridke Footwear Undertaking and Retained Undertaking. The segment comprising all the assets, liabilities, rights, entitlements and obligations of Muridke Footwear Undertaking has been carved out / bifurcated from SIL and stand merged / amalgamated with, transferred to, vested in, and be assumed by SGFL with effect from 01 July 2019 against issuance of shares by SGFL to SIL in accordance with the Scheme.

This bifurcation / merger / amalgamation will result in SIL becoming a Holding Company in respect of SGFL and overseeing and supervising the same (to the extent applicable). The managements of SIL and SGFL shall independently operate the businesses on a regular basis. This structure will result in the businesses being managed and carried out in a more effective and efficient manner, thus benefiting the shareholders.

The Financial Statements of SIL for the nine months ended September 30, 2020 have been prepared in accordance with the sanctioned Scheme. Resultantly, the financial results of Muridke Footwear Undertaking are not included in the financial statements of SIL for the nine months ended September 30, 2020. However, the corresponding figures include the financial results of Muridke Footwear Undertaking from January 01, 2019 to September 30, 2019. Since SGFL is a wholly owned subsidiary of SIL, the consolidated financial statements of SIL and its subsidiaries will reflect these results.

Company's Performance:

Key Performance Indicators for the Period 2020 versus Period 2019

Please find below key performance indicators of separate condensed interim financial statements of Service Industries Limited for the nine months ended September 30, 2020.

Particulars	Nine months ended		
	September 2020 (SIL excluding SGFL) "000"	September 2019 (SIL including SGFL) "000" Restated	Percentage Change
Net Sales	16,992,448	21,969,178	(22.65%)
Operating profit	1,354,069	1,854,975	(27.00%)
Profit before tax	487,432	1,099,740	(55.68%)
Net profit after tax	250,329	949,175	(73.63%)

Please find below key performance indicators of consolidated condensed interim financial statements of Service Industries Limited and its Subsidiaries (including SGFL) for the nine months ended September 30, 2020.

Particulars	Nine months ended		
	September 2020 Rs'000	September 2019 Rs'000 Restated	Percentage Change
Net Sales	22,215,184	22,210,168	0.02%
Operating profit	1,927,274	1,870,755	3.02%
Profit before tax	1,119,030	1,120,027	(0.09%)
Net profit after tax	819,644	969,462	(15.45%)

SIL and its subsidiaries (including SGFL) recorded sales of PKR 22.21 billion in its consolidated financial statements during the nine months almost matching the corresponding period sales value. Profit before tax of PKR 1.12 billion also matched the corresponding period profit before tax. Net profit after tax decreased to Rs 819.64 million during the nine months as compared to Rs 969.46 million during corresponding period showing a negative growth of 15.45%. This reduction in net profit after tax was due to abolishment of tax credit available under Section 65B of the Income Tax Ordinance, 2001 w.e.f. 01 July 2019 (which was earlier available to the Company on the amount of investment made in the purchase of plant and machinery at the rate of 10% of the amount invested).

The Footwear export business (including SGFL) showed a healthy performance during the nine months despite disruption in international markets owing to COVID-19 pandemic. Although the domestic footwear business continued facing tough challenges as the retail market in the country remained stressed, our local Footwear business showed a healthy recovery by increasing new areas of sales and achieving better sales mix.

The Tyre business showed an increase of 8.12% in sales leading to better profitability. The markets have recovered better than expected after initial lock down in COVID-19. The Tyre segment of the company continued getting the leading share of market by achieving efficiencies in sales network, production, maintaining quality, better product mix and brand awareness.

The earning per share stood at PKR 10.66 as compared to PKR 40.40 during the nine months in the separate financials of Service Industries Limited, whereas the earnings per share in the consolidated financial statements of Service Industries Limited and its Subsidiaries stood at PKR. 34.89 as compared to PKR 41.26 during the nine months under review.

Future Outlook amid COVID-19

Economy of Pakistan is now set on the path of recovery with the threat of COVID-19 which is increasing day by day with the expectation of 2nd wave in the coming weeks. The management of the Company is working hard to optimize the cost levels and finding new avenues of revenue generation in all segments of the company to maximize benefit to the shareholders.

Acknowledgment

The Directors wish to place on record the efforts of the staff and especially the workers in minimizing the effects of the disruption caused by COVID-19 and its related closures and lockdowns. We have swiftly recovered to optimum operating levels and hope to show steady improvement in the remaining part of the year. We remain indebted to all our stakeholders for their continued support.

For and on behalf of the Board



CHAUDHRY AHMED JAVED
Chairman



ARIF SAEED
Chief Executive

Dated: October 29, 2020
LAHORE.

اعتراف

ڈائریکٹرز، کرونا وبا اور اس سے وابستہ بندشوں اور لاک ڈاون کی وجہ سے پیدا ہونے والی مشکلات کے اثرات کو کم کرنے میں عملے اور خصوصاً کلارکوں کی کوششوں کو سراہتے ہیں۔ ہم نے تیزی سے لپٹی روز مرہ کی کاروباری سرگرمیوں کو بحال کیا ہے اور سال کے باقی حصے میں لگاتار بہتری کی امید کرتے ہیں۔ ہم اپنے تمام اسٹیک ہولڈرز کے لگاتار تعاون کے ممنون ہیں۔

منجانب بورڈ



عارف سعید
چیف ایگزیکٹو



چوہدری احمد جاوید
چیرمین

مورخہ 29 اکتوبر 2020
لاہور

30 ستمبر 2020 کو ختم ہونے والی نو ماہی میں سروس انڈسٹریز لمیٹڈ اور اس کے ذیلی اداروں (بشمول سروس گلوبل فٹ ویئر لمیٹڈ) کی مجموعی عبوری مالیاتی کارکردگی درج ذیل ہے۔

نو ماہی اختتام 30 ستمبر 2020		
نمبر 2020	نمبر 2019 رہسٹینڈ	فیصد تبدیلی
روپے ہزار میں		
خالص فروخت	22,210,168	22,215,184 (0.02%)
آپریٹنگ منافع	1,870,755	1,927,274 3.02%
منافع قبل از ٹیکس	1,120,027	1,119,030 (0.09%)
منافع بعد از ٹیکس	969,462	819,644 (15.45%)

سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت ذیلی ادارے بشمول سروس گلوبل فٹ ویئر لمیٹڈ نے اس نو ماہی میں اپنے مجموعی مالی گوشواروں کے مطابق 22.21 ارب روپے فروخت کی جو پچھلے سال کی اسی مدت کے دوران بھی تقریباً اتنی ہی تھی۔ ٹیکس سے قبل خالص منافع اس نو ماہی میں ایک 1.12 ارب رہا جو کہ پچھلے سال کی اسی مدت کے ہونے والے منافع کے برابر ہے۔ ٹیکس کے بعد منافع 819.64 ملین روپے رہا جو پچھلے سال کی اسی مدت میں 969.46 ملین روپے تھا جو کہ 15.45 فیصد کمی ظاہر کرتا ہے۔ جس کی وجہ 1 جولائی 2019 سے لاگو کردہ انکم ٹیکس آرڈیننس 2001 کی شق نمبر 65 بی کے تحت دستیاب ٹیکس میں چھوٹ کا خاتمہ ہے۔ یہ چھوٹ پہلے کمپنی کے پلانٹ اور مشینری کی خریداری پر صرف کی گئی رقم پر 10 فیصد کی شرح سے دستیاب تھی۔

کورونا وبا کی وجہ سے بین الاقوامی منڈیوں میں رکاوٹ کے باوجود جوتوں کی برآمدات (بشمول سروس گلوبل فٹ ویئر لمیٹڈ) میں صحت مند اضافہ ہوا۔ اگرچہ جوتوں کی مقامی منڈی دباؤ کا شکار رہی۔ لیکن فروخت کے نئے شعبوں میں اضافے اور بہتر ملی جلی مصنوعات کی حکمت عملی سے صحت مند بحالی ہوئی۔

ٹائر کے فروخت میں 8.12 فیصد اضافہ ہوا ہے جس کے نتیجے میں منافع بہتر رہا ہے۔ ابتدائی لاک ڈاؤن کے بعد ٹائر کے کاروبار میں توقع سے زیادہ بحالی ہوئی ہے۔ فروخت اور پروڈکشن میں بہتر کارکردگی، معیار کو برقرار رکھ کر، بہتر ملی جلی مصنوعات اور اپنے برانڈ کے ساکھ کی لگاتار تشریح کے ذریعے کمپنی ٹائر کے کاروبار میں لگاتار سب سے زیادہ حصہ حاصل کیے ہوئے ہے۔

سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشواروں کے مطابق اس نو ماہی کی فی ٹشیر آمدنی 10.66 روپے رہی ہیں جو پچھلے سال کی اسی مدت کے دوران 40.40 روپے تھی۔ جبکہ سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت اداروں کے اس نو ماہی کے مجموعی مالی گوشواروں کے مطابق فی ٹشیر آمدنی 34.89 روپے رہی جو کہ پچھلے سال کی اسی مدت کے دوران 41.26 تھی۔

کورونا کے تناظر میں مستقبل پر ایک نظر

پاکستان کی معیشت بحال ہو رہی ہے لیکن آئندہ موسم سرما میں کورونا وبا میں زیادتی متوقع ہے۔ کمپنی کی انتظامیہ لگاتار کم کرنے اور آمدنی بڑھانے کے ذرائع تلاش کرنے کے لیے کوشاں ہے تاکہ حصص یافتگان کو زیادہ سے زیادہ فائدہ پہنچایا جاسکے۔

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز اپنی رپورٹ بمعہ کمپنی کی 30 ستمبر 2020 تک کی نوماہی کی مختصر عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

سکیم آف کپرمائز، اینڈورسمنٹس اینڈ ری کنسٹرکشن

سکیم آف کپرمائز، اینڈورسمنٹس اینڈ ری کنسٹرکشن (کمپنیز ایکٹ 2017 کے سیکشن 279 سے 283 اور 285 کے تحت) کے مطابق سروس انڈسٹریز لمیٹڈ اور اس کی مکمل ملکیتی ماتحت کمپنی سروس گلوبل فٹ ویئر لمیٹڈ کے مابین طے پایا، جس کی منظوری سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ کے حصص یافتگان نے 14 دسمبر 2019 کو دی ہے اور اسے لاہور ہائی کورٹ نے اپنے حکم مورخہ 15 جنوری 2020 کے تحت توثیق کی ہے۔ ایس آئی ایل کے اثاثوں، واجبات، حقوق، حقداروں اور ذمہ داریوں پر مشتمل معاہدہ کو دو حصوں یعنی مرید کے فٹ ویئر انڈر ٹیکنگ اور ریٹینڈ انڈر ٹیکنگ میں تقسیم ہو گئی ہے۔ مرید کے فٹ ویئر انڈر ٹیکنگ اپنے تمام اثاثوں، واجبات، حقوق، اور ذمہ داریوں سمیت سروس انڈسٹریز لمیٹڈ سے منقسم ہو گئی ہے اور اسے سروس گلوبل فٹ ویئر لمیٹڈ میں مورخہ 01 جولائی 2019 سے سروس گلوبل فٹ ویئر لمیٹڈ کے سروس انڈسٹریز لمیٹڈ کو حصص جاری کرنے کے عوض ضم کر دیا گیا ہے۔

اس تقسیم / انضمام / ملاپ کے توسط سے سروس انڈسٹریز لمیٹڈ کو سروس گلوبل فٹ ویئر لمیٹڈ کی ہولڈنگ کمپنی کی حیثیت سے کام کرنے اور اس کی نگرانی اور کنٹرول کرنے (جس حد تک قابل اطلاق ہے) کی اجازت ہوگی۔ سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ کی انتظامیہ کاروبار کو چلانے میں خود مختار ہوں گے۔ اس طرح کاروبار زیادہ موثر انداز میں چلایا جاسکے گا اور اس سے حصص یافتگان کو فائدہ ہوگا۔

30 ستمبر 2020 کو ختم ہونے والی نوماہی کے لئے سروس انڈسٹریز لمیٹڈ کے مالی گوشوارے منظور شدہ اسکیم کے مطابق تیار کیے گئے ہیں۔ لہذا مرید کے فٹ ویئر انڈر ٹیکنگ کے ستمبر 2020 کو ختم ہونے والی نوماہی تک کے مالی گوشوارے، سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشواروں میں شامل نہیں ہیں تاہم، گزشتہ اعداد و شمار میں 01 جنوری، 2019 سے 30 ستمبر، 2019 تک کے مرید کے فٹ ویئر انڈر ٹیکنگ کے مالی نتائج شامل ہیں۔ چونکہ سروس گلوبل فٹ ویئر لمیٹڈ، سروس انڈسٹریز لمیٹڈ کا مکمل ملکیتی ماتحت ادارہ ہے، لہذا سروس انڈسٹریز لمیٹڈ اور اس کے ذیلی اداروں کی مجموعی مالی نتائج میں یہ اعداد و شمار شامل ہیں۔

کمپنی کی کارکردگی

30 ستمبر 2020 کو ختم ہونے والی نوماہی کے لئے سروس انڈسٹریز لمیٹڈ کی انفرادی عبوری مالیاتی کارکردگی درج ذیل ہے۔

نوماہی اختتام 30 ستمبر 2020		
فیصد تبدیلی	ستمبر 2019 SIL (SGFL کے سمیت) ریٹینڈ	ستمبر 2020 SIL (SGFL کے علاوہ)
روپے ہزار میں		
(22.65%)	21,969,178	16,992,448
(27.00%)	1,854,975	1,354,069
(55.68%)	1,099,740	487,432
(73.63%)	949,175	250,329

خالص فروخت

آپریٹنگ منافع

منافع قبل از ٹیکس

نقصان / منافع بعد از ٹیکس

Unconsolidated Condensed Interim Statement of Financial Position (Unaudited)

As at September 30, 2020

	(Unaudited) September 30, 2020	(Audited) December 31, 2019
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
100,000,000 (2019: 100,000,000)		
ordinary shares of Rupees 10 each	1,000,000	1,000,000
Issued, subscribed and paid-up share capital	234,937	187,950
Reserves	6,570,410	5,553,258
Total equity	6,805,347	5,741,208
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	3,511,481	2,770,768
Long term deposits	1,940	2,406
Lease liabilities	1,414,495	1,302,055
Employees' retirement benefit	163,151	148,408
Deferred income tax liability - net	156,281	186,637
	5,247,348	4,410,274
CURRENT LIABILITIES		
Trade and other payables	3,978,498	2,707,757
Accrued mark-up	108,884	256,471
Short term borrowings	5,712,760	5,078,215
Current portion of non-current liabilities	779,172	918,111
Unclaimed dividend	37,303	37,784
Provision for taxation	636,263	368,803
	11,252,880	9,367,141
Total liabilities	16,500,228	13,777,415
CONTINGENCIES AND COMMITMENTS	4	
TOTAL EQUITY AND LIABILITIES	23,305,575	19,518,623

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



Chaudhry Ahmed Javed
(Chairman)

		(Unaudited) September 30, 2020	(Audited) December 31, 2019
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	5	6,039,657	6,117,464
Right-of-use assets		1,331,978	1,403,090
Intangible assets		1,625	2,688
Long term investments	6	4,463,483	2,668,005
Long term loans to employees		11,715	14,770
Long term security deposits		104,144	105,894
		11,952,602	10,311,911
CURRENT ASSETS			
Stores, spares and loose tools		143,903	252,240
Stock-in-trade		4,211,745	4,247,068
Trade debts		4,105,139	3,021,121
Loans and advances		535,883	390,886
Trade deposits and prepayments		266,551	131,628
Other receivables		1,125,982	1,125,266
Cash and bank balances		963,770	38,503
		11,352,973	9,206,712
TOTAL ASSETS		23,305,575	19,518,623



Arif Saeed
(Chief Executive)




Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Profit or Loss (Unaudited)

For the period ended September 30, 2020

Note	Nine months ended		Three months ended		
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	
	(Rupees in thousand)				
		Restated		Restated	
Sales - net	7	16,992,448	21,969,178	7,603,393	7,806,877
Cost of sales	8	(13,775,703)	(17,921,442)	(6,218,753)	(6,327,723)
Gross profit		3,216,745	4,047,736	1,384,640	1,479,154
Distribution cost		(1,080,002)	(1,472,244)	(410,267)	(450,340)
Administrative expenses		(723,866)	(940,296)	(278,199)	(336,278)
Other expenses		(131,782)	(167,296)	(65,634)	(74,613)
		(1,935,650)	(2,579,836)	(754,100)	(861,231)
		1,281,095	1,467,900	630,540	617,923
Other income		72,974	387,075	25,589	102,282
Profit from operations		1,354,069	1,854,975	656,129	720,205
Finance cost		(857,342)	(777,735)	(200,620)	(268,266)
		496,727	1,077,240	455,509	451,939
Share of profit / (loss) in equity accounted investee - net of taxation		(9,295)	22,500	5,484	1,484
Profit before taxation		487,432	1,099,740	460,993	453,423
Taxation		(237,103)	(150,565)	(143,174)	(69,346)
Profit after taxation		250,329	949,175	317,819	384,077
Earnings per share - basic and diluted (Rupees)		10.66	40.40	13.53	16.35

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2020

	Nine months ended		Three months ended	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
	(Rupees in thousand)			
		Restated		Restated
Profit after taxation	250,329	949,175	317,819	384,077
Other comprehensive Income / (loss) :				
Items that will not be reclassified to profit or loss:				
Surplus / (Deficit) arising on remeasurement of investment at fair value through other comprehensive income - net of tax	27,610	(8,900)	23,920	(3,210)
Remeasurements of employees' retirement benefit obligation - net of tax	-	(18,576)	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income / (loss) for the period - net of tax	27,610	(27,476)	23,920	(3,210)
Total comprehensive income for the period	277,939	921,699	341,739	380,867

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the period ended September 30, 2020

	RESERVES								Total Equity	
	Capital Reserves			Reserve pursuant to the Scheme	Sub total	Revenue Reserves		Total		
	Fair value reserve FVOCI investment	Share premium	Share of reserve held by equity accounted investee			Un-appropriated profit	General reserve			
	Share Capital	Capital gains	Reserve pursuant to the Scheme	Sub total	Un-appropriated profit	General reserve	Revenue Reserves	Total		
Rupees in thousand										
Profit / (loss) for the period	-	-	-	-	-	-	(62,811)	(62,811)	(62,811)	(62,811)
Other comprehensive income for the period	-	-	-	-	-	-	25,537	25,537	36,937	36,937
Total comprehensive income for the period	-	-	-	-	-	-	(37,274)	(37,274)	(25,874)	(25,874)
Balance as at 31 December 2019 - audited	187,950	102,730	2,500	21,217	23,935	150,382	1,558,208	3,844,668	5,402,876	5,553,258
Transactions with owners:										
Final dividend for the year ended										
31 December 2019 @ Rupees 7.5 per share	46,987	-	-	-	-	-	-	(140,963)	(140,963)	(140,963)
Issue of bonus shares @ 25%	46,987	-	-	-	-	-	-	(46,987)	(46,987)	(46,987)
								(187,950)	(187,950)	(187,950)
Adjustment arising on transfer of net assets to Service Global Footwear Limited - subsidiary company pursuant to the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017) between Service Industries Limited and its members and Service Global Footwear Limited and its member ("the Scheme")	-	-	-	-	-	927,163	-	-	927,163	927,163
Profit for the nine months ended 30 September 2020	-	-	-	-	-	-	-	-	250,329	250,329
Other comprehensive income for the nine months ended 30 September 2020	-	-	-	-	-	-	-	-	27,610	27,610
Total comprehensive income for the period	-	-	-	-	-	-	-	-	250,329	277,939
Balance as at 30 September 2020	234,937	102,730	30,110	21,217	23,935	1,105,155	1,558,208	3,907,047	5,465,255	6,570,410
The annexed notes from 1 to 15 form an integral part of these unconsolidated condensed interim financial statements.										



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Cash Flows (Unaudited)

For the period ended September 30, 2020

Un-audited
Nine months ended
September 30, 2020 September 30, 2019
(Rupees in thousand)

	September 30, 2020	September 30, 2019
		Restated
Cash flows from operating activities		
Profit before taxation	487,432	1,099,740
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	481,607	513,718
Depreciation on right of use assets	177,418	139,112
Provision for gratuity	26,146	39,498
Finance cost	857,342	777,735
Provision for workers' profit participation fund	23,575	68,915
Provision for workers' welfare fund	10,429	8,066
Provision for slow moving and obsolete inventory	2,623	42,323
Allowance for expected credit losses	53,632	63,164
Share of loss in equity accounted investee	(9,295)	(22,500)
Operating profit before working capital changes	2,110,909	2,729,771
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and tools	108,337	(78,812)
Stock-in-trade	32,700	(772,120)
Trade debts	(1,137,650)	(1,737,257)
Loans, advances, trade deposits, prepayments and other receivables	(66,674)	(250,297)
	(1,063,287)	(2,838,486)
Increase in trade and other payables	1,236,737	1,357,976
	173,450	(1,480,510)
Cash generated from operations	2,284,359	1,249,261
Finance cost paid	(1,004,929)	(636,905)
Income tax paid	(211,502)	(145,417)
Employees' retirement benefits paid	(11,403)	(10,436)
Long term loans - net	596	(1,879)
Long term deposits - net	1,750	(12,523)
Net cash generated from operating activities	1,058,871	442,101
Cash flows from investing activities		
Capital expenditure on operating fixed assets	(402,737)	(715,066)
Intangible asset acquired	-	(1,441)
Long term investments - net	(831,410)	(500)
Net cash used in investing activities	(1,234,147)	(717,007)
Cash flows from financing activities		
Long term financing - net	680,713	(242,828)
Short term borrowings - net	634,545	997,865
Repayment of lease liabilities	(72,805)	(171,700)
Dividend paid	(141,444)	(324,492)
Long term deposits - net	(466)	-
Net cash from financing activities	1,100,543	258,845
Net increase / (decrease) in cash and cash equivalents	925,267	(16,061)
Cash and cash equivalents at the beginning of the period	38,503	53,761
Cash and cash equivalents at the end of the period	963,770	37,700

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

1. The Company and its Operations

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

2. Basis of preparation

2.1 These unconsolidated 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 the 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.

2.2 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2019. These unconsolidated condensed interim financial statements are unaudited and are being submitted to shareholders as per requirements of Companies Act, 2017.

3. Accounting Policies

The accounting policies and methods of computations adopted for the preparation of these unconsolidated condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

3.1 Critical Accounting Estimates and Judgments

The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

During preparation of these unconsolidated condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

4. Contingencies and Commitments

4.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

4.2 Commitments

4.2.1 Guarantees issued in ordinary course of business through banks are of Rupees 1,214.027 million (31 December 2019: Rupees 879.505 million).

4.2.2 Contracts for capital expenditure are approximately of Rupees 45.681 million (31 December 2019: Rupees 82.054 million).

4.2.3 Letters of credit other than capital expenditure are of Rupees 1,496.874 million (31 December 2019: Rupees 483.486 million).

4.2.4 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of five years. Future Ujrah payments under Ijarah are as follows:

	Note	September 30, 2020 (Rupees in thousand)	December 31, 2019
Not later than one year		55,587	63,299
Later than one year and not later than five years		93,942	103,214
		149,529	166,513
5 Fixed Assets			
Operating fixed assets	5.1	5,785,298	5,969,030
Capital work-in-progress	5.4	254,359	148,434
		6,039,657	6,117,464

	Note	September 30, 2020 (Rupees in thousand)	December 31, 2019
5.1 Operating fixed assets			
Opening net book value (NBV)		5,969,030	5,726,524
Add: Additions during the period	5.2	316,545	1,678,740
		6,285,575	7,405,264
Less: Disposals during the period (at book value)	5.2	(19,733)	(19,406)
		6,265,842	7,385,858
Less: Transferred to Service Global Footwear Limited - subsidiary company pursuant to the Scheme	5.3	-	(756,753)
		6,265,842	6,629,105
Less: Depreciation charged during the period		(480,544)	(660,075)
		5,785,298	5,969,030

5.2 Following is the detail of additions and disposals during the period:

	Additions - Cost		Disposals - NBV	
	Un-audited Sep 30, 2020	Audited Dec 31, 2019	Un-audited Sep 30, 2020	Audited Dec 31, 2019
	(Rupees in thousand)			
Land	-	-	-	655
Building on freehold land	19,261	317,963	-	-
Plant and machinery	159,656	1,161,615	1,557	1,184
Furniture, fixture and fittings	1,648	9,195	473	-
Vehicles	39,187	7,399	1,827	843
Service equipments	53,306	158,132	622	5,125
Leasehold improvements	43,487	24,436	15,254	11,599
	316,545	1,678,740	19,733	19,406

	September 30, 2020 (Rupees in thousand)	December 31, 2019
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5.3 Book value of transfers pursuant to the Scheme during the period

Cost of transfers		
Freehold land	-	1,395
Buildings on freehold land	-	223,405
Plant and machinery	-	835,362
Furniture, fixture and fittings	-	6,358
Vehicles	-	1,048
Service equipment	-	268,597
	-	1,336,165
Less: Accumulated depreciation	-	579,412
Book value of transfers during the year	-	756,753

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

	Note	Un-audited September 30, 2020	Audited December 31, 2019	
		(Rupees in thousand)		
5.4	Capital work-in-progress			
	Buildings on freehold land	28,885	26,940	
	Plant and machinery	202,156	109,745	
	Furniture, fixture and fittings	423	380	
	Leasehold improvements	22,679	-	
	Service equipment	216	11,369	
		254,359	148,434	
6.	Long term investments			
	Investment in subsidiary companies - at cost	6.1	4,091,184	2,314,021
	Investment in associate (with significant influence)			
	- under equity method	6.2	319,659	328,954
	Investment in joint ventures - at cost	6.3	480	480
	Other investment - at FVTOCI	6.4	52,160	24,550
		4,463,483	2,668,005	
6.1	Investment in subsidiary companies - at cost			
	Service Industries Capital (Private) Limited			
	29,999,997 (2019: 29,999,997) fully paid ordinary shares of Rupees 10 each	300,000	300,000	
	Equity held 100% (31 December 2019:100%)			
	Service Global Footwear Limited			
	163,550,000 (2019: 5,050,000) fully paid ordinary shares of Rupees 19 each	3,026,184	50,500	
	Bonus shares to be issued pursuant to the Scheme	-	1,963,521	
	Equity held 100% (31 December 2019:100%)	3,026,184	2,014,021	
	Service Long March Tyres (Private) Limited			
	76,500,000 (31 December 2019: Nil) fully paid ordinary shares of Rupees 10 each	765,000	-	
	Equity held 51% (31 December 2019: Nil)			
		4,091,184	2,314,021	
6.2	Investment in associate (with significant influence) - under equity method			
	Speed (Private) Limited			
	160,709 (2019: 160,709) fully paid ordinary shares of Rupees 100 each	190,949	190,949	
	Share of post acquisition reserve			
	As at the beginning of the year	138,005	117,757	
	Share of post acquisition (loss) / profit for the period	(9,295)	20,248	
		128,710	138,005	
		319,659	328,954	

	Un-audited September 30, 2020	Audited December 31, 2019
	(Rupees in thousand)	
6.3 Investment in joint ventures - at cost		
S2 Power Limited 24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited 24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
6.4 Other investment - at FVTOCI		
TRG Pakistan Limited 1,000,000 (2019: 1,000,000) fully paid ordinary shares of Rupees 10 each	24,550	22,050
Fair value adjustment	27,610	2,500
	52,160	24,550

	Un-audited Nine months ended		Un-audited Three months ended	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
	(Rupees in thousand)			
7. Sales of footwear - net				
Export sales	1,103,398	6,402,033	560,697	2,632,983
Local sales	2,773,878	3,500,313	1,279,062	1,023,393
Duty draw back	18,483	193,007	8,519	39,348
	3,895,759	10,095,353	1,848,278	3,695,724
Sales of tyres - net				
Export sales	871,430	892,249	454,949	357,935
Local sales	11,958,354	10,973,417	5,158,396	3,753,218
	12,829,784	11,865,666	5,613,345	4,111,153
Sales of technical rubber products - net				
Local sales	266,905	8,159	141,770	-
	16,992,448	21,969,178	7,603,393	7,806,877

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

Note	Un-audited Nine months ended		Un-audited Three months ended	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
	(Rupees in thousand)			
8. Cost of sales				
Raw materials consumed	8,994,674	11,471,871	3,977,891	4,462,909
Salaries, wages and other benefits	1,618,096	2,512,845	581,501	934,534
Stores and spares consumed	174,120	235,792	65,399	63,747
Packing materials consumed	325,851	596,739	134,860	215,152
Fuel and power	642,993	744,817	278,634	301,226
Insurance	17,805	18,925	6,667	6,983
Travelling	5,965	18,771	3,808	6,705
Repair and maintenance	126,895	121,658	48,226	45,173
Entertainment	1,107	4,331	568	1,562
Depreciation	421,395	466,299	137,619	167,290
Provision for slow moving and obsolete inventory	2,623	42,323	5,712	2,500
Other manufacturing charges	54,347	137,467	7,521	42,966
	12,385,871	16,371,838	5,248,406	6,250,747
Work-in-process				
Opening stock	225,852	398,415	463,237	602,481
Less: Closing stock	(475,787)	(621,243)	(475,787)	(621,243)
	(249,935)	(222,828)	(12,550)	(18,762)
Cost of goods manufactured	12,135,936	16,149,010	5,235,856	6,231,985
Finished goods				
Opening stock	2,413,252	2,187,111	2,593,324	1,887,599
Add: Purchases during the period	1,307,474	1,688,453	470,532	311,271
Less: Closing stock	(2,080,959)	(2,103,132)	(2,080,959)	(2,103,132)
	1,639,767	1,772,432	982,897	95,738
	13,775,703	17,921,442	6,218,753	6,327,723
8.1 Raw materials consumed				
Opening stock	1,182,782	1,500,550	1,540,931	1,663,218
Add: Purchases during the period	9,069,363	11,905,765	3,694,431	4,734,135
Less: Closing stock	(1,257,471)	(1,934,444)	(1,257,471)	(1,934,444)
	8,994,674	11,471,871	3,977,891	4,462,909

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

9.1 Reconciliation of reportable segment assets and liabilities

	Footwear		Tyre		Technical Rubber Products		Total - Company	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Total assets for reportable segment	7,770,991	5,947,499	9,381,516	9,121,739	163,712	152,290	17,316,219	15,221,528
Unallocated assets:							5,989,356	4,297,095
Total assets as per statement of financial position							23,305,575	19,518,623
Unallocated liabilities							16,500,228	13,777,415
Total liabilities as per statement of financial position							16,500,228	13,777,415

(Rupees in thousand)

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

10. Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

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

Recurring fair value measurements at 30 September 2020 - Un-audited	Level 1	Level 2	Level 3	Total
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(Rupees in thousand)

Financial assets

Financial assets at fair value through

other comprehensive income	52,160	-	-	52,160
Total financial assets	52,160	-	-	52,160

Recurring fair value measurements at 31 December 2019 - Audited	Level 1	Level 2	Level 3	Total
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(Rupees in thousand)

Financial assets

Financial assets at fair value through

other comprehensive income	24,550	-	-	24,550
Total financial assets	24,550	-	-	24,550

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. Further, there was no transfer in and out of level 3 measurements.

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

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

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

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

11 Transactions with related parties

(i) Transactions:

Transaction with related parties and associated undertakings, other than those disclosed elsewhere in the financial statements are as follows:

(Unaudited)		(Unaudited)	
Nine months ended		Three months ended	
Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
(Rupees in thousand)			

Subsidiary companies

Investments made	850,000	-	-	-
Increase in short term loan obtained	742,293	-	551,876	-
Interest on short term loan	170,756	-	45,354	-
Sale of goods	110,661	58,910	110,661	19,078
Purchase of goods	75,379	-	19,557	-

Associated companies

Advances received	-	60,000	-	-
Donations made	26,701	1,887	11,437	148
Reimbursement of expenses	-	172	-	(94)
Bonus shares issued	40	-	40	-
Cash dividend paid	119	-	119	-

Key management personnel

Cash dividend paid	63,119	160,509	63,119	-
Bonus shares issued	21,040	13,380	21,040	-
Meeting fee	1,620	1,620	780	480
Remuneration	109,976	148,229	45,967	56,654

Other related parties

Employees' retirement benefits	90,867	145,740	22,878	50,130
Bonus shares issued to Service Provident Fund Trust and Service Charitable Trust	2,227	-	2,227	-
Cash dividend paid to Service Provident Fund Trust and Service Charitable Trust	6,680	-	6,680	-

(ii) Period end balances

As at 30 September 2020 (Un-audited)		
Associated companies	Other related parties	Total

(Rupees in thousand)

Employees benefit plans	-	185,068	185,068
Loans and advances	-	13,549	13,549
Accrued mark up	45,354	-	45,354
Trade and other payables	75,521	-	75,521
Short term loan payable	2,887,171	-	2,887,171

As at 31 December 2019 (Audited)		
Associated companies	Other related parties	Total

(Rupees in thousand)

Employees benefit plans	-	169,169	169,169
Accrued mark up	134,821	-	134,821
Loans and advances	-	13,549	13,549
Short term loan payable	2,144,878	-	2,144,878

12 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, 2019.

13 Date of authorization for issue

These financial statements were authorized for issue on 29 October 2020 by the Board of Directors of the Company.

14 Corresponding figures

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the unconsolidated condensed interim statement of financial position and unconsolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Entire Muridke Footwear undertaking has been carved out from Service Industries Limited with effect from 01 July 2019. Hence, comparative figures of unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows are not comparable.

Selected Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

The Company adopted IFRS 16 'Leases' from 01 January 2019. However, at the time of preparation of unconsolidated condensed interim financial statements for the nine months ended 30 September 2019, IFRS 16 was not applied. Hence, now, the corresponding figures appearing in the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been restated as follows:

	(Un-audited)
	Nine months ended
	30 September 2019
	(Rupees in thousand)
Distribution cost decreased by	32,588
Finance cost increased by	(119,318)
Profit after taxation decreased by	(86,730)
Total comprehensive income decreased by	(86,730)

15. General

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Consolidated Condensed Interim Financial Statements

Group Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with Group Condensed Interim Financial information of the Service Industries Limited for the nine months ended September 30, 2020.

The Group comprises of Service Industries Limited, Service Industries Capital (Private) Limited, a wholly owned subsidiary of Service Industries Limited, Service Global Footwear Limited, a wholly owned subsidiary of Service Industries Limited, Service Long March Tyres (Private) Limited, partially owned subsidiary of Service Industries Limited and Service Shoes Lanka (Private) Limited, a partially owned subsidiary company of Service Industries Capital (Private) Limited.

Service Industries Limited

The Directors' Report providing a commentary on the performance of Service Industries Limited for nine months ended September 30, 2020 has been presented separately. Service Industries Limited has annexed its Condensed Consolidated Interim Financial Information along with its Separate Condensed Interim Financial information, in accordance with the requirements of International Financial Reporting Standards and Companies Act 2017.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is wholly owned subsidiary of the Service Industries Limited. Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 (now the Companies Act 2017) in Pakistan as a company limited by shares on November 10, 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 Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is wholly owned subsidiary of Service Industries Limited.

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited is a Private Limited Company incorporated in Pakistan on January 07, 2020 under Companies Act, 2017 (XIX of 2017). The registered office of the Company is situated at Servis House, 2-Main Gulberg, Lahore. The principle line of business of the Company is to carry on the business of manufacturing, sale, marketing, import and export of all steel radial truck and bus tyres. The shareholding of Service Industries Limited in Service Long March Tyres (Private) Limited is 51%.

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a subsidiary company of Service Industries Capital (Private) Limited, which is wholly owned subsidiary of Service Industries Limited. Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on July 16, 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.

For and on Behalf of the Board



CHAUDHRY AHMED JAVED
Chairman

October 29, 2020
Lahore.

For and on Behalf of the Board



ARIF SAEED
Chief Executive

سروس شوز لنکا (پرائیویٹ) لمیٹڈ

سروس شوز لنکا (پرائیویٹ) لمیٹڈ SICPL کا ایک ماتحت ادارہ ہے جو کہ SIL کا ایک ملکیتی ماتحت ادارہ ہے۔ سروس شوز لنکا (پرائیویٹ) لمیٹڈ ایک (پرائیویٹ) لمیٹڈ لائسنسڈ کمپنی ہے جو کہ 16 جولائی 2015 کو سری لنکا میں کمپنیوں کے ایکٹ 2007 کے نمبر 7 کے تحت رجسٹر ہوئی۔ کمپنی کا رجسٹرڈ دفتر نمبر 143/17 سری وکرما ماداتھا، کولمبو 15 پر واقع ہے اور کاروبار کی مرکزی جگہ کاتونائیکے میں واقع ہے۔

منجانب بورڈ



عارف سعید
چیف ایگزیکٹو



چوہدری احمد جاوید
چیرمین

مورخہ 29 اکتوبر 2020
لاہور

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 30 ستمبر 2020 تک گروپ کی مجموعی نو ماہی مختصر عبوری مالیاتی معلومات پیش کی جا رہی ہیں۔ گروپ میں (SIL)، سروس انڈسٹریز کمپینٹل (پرائیویٹ) لمیٹڈ (SICPL) جو کہ (SIL) کا مکمل ملکیتی ماتحت ادارہ ہے، سروس گلوبل فنٹ ویئر لمیٹڈ (SGFL)، جو کہ (SIL) کا مکمل ملکیتی ماتحت ادارہ ہے، سروس لاگ مارچ ٹائز (پرائیویٹ) لمیٹڈ (SLMTL) جو کہ (SIL) کی جزوی ملکیتی ادارہ ہے، اور سروس شوژ لنکا (پرائیویٹ) لمیٹڈ جو کہ (SICPL) کا ماتحت ادارہ ہے، پر مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

30 ستمبر 2020 کو ختم ہونے والے دورانیے کے لیے سروس انڈسٹریز لمیٹڈ کی کارکردگی پر ڈائریکٹرز رپورٹ، علیحدہ سے پیش کی گئی ہے۔ سروس انڈسٹریز لمیٹڈ نے انٹرنیشنل فائیننس رپورٹنگ سٹینڈرڈز اور کمپنیز ایکٹ 2017 کے مطابق 30 ستمبر 2020 تک کی گروپ اور انفرادی نو ماہی معلومات اس رپورٹ میں منسلک کر دی ہیں۔

سروس انڈسٹریز کمپینٹل پرائیویٹ لمیٹڈ

SIL، SICPL، SIL کا ایک مکمل ملکیتی ماتحت ادارہ ہے۔ SICPL کمپنی آرڈیننس 1984 (جو کہ اب کمپنی ایکٹ 2017 ہے) کے تحت 10 نومبر 2015 کو پاکستان میں ایک لمیٹڈ کمپنی کے طور پر رجسٹر ہوئی۔ SICPL کا رجسٹرڈ دفتر سروس ہاؤس، 2- مین گلبرگ، لاہور پر واقع ہے۔ اس ماتحت ادارے کا بنیادی مقصد پاکستان میں یا دنیا میں کہیں بھی، نئے کاروبار اور حصص میں متعلقہ قوانین کے مطابق سرمایہ کاری کرنا ہے۔

سروس گلوبل فنٹ ویئر لمیٹڈ

سروس گلوبل فنٹ ویئر لمیٹڈ کو 19 جولائی 2019 کو پاکستان میں کمپنیز ایکٹ، 2017 کے تحت پبلک لمیٹڈ کمپنی کے طور پر تشکیل کیا گیا ہے۔ کمپنی کی بنیادی سرگرمیوں میں جوتے، چمڑے اور اس سے منسلک مصنوعات کی تیاری، فروخت، مارکیٹنگ، درآمد اور برآمد شامل ہیں۔ یہ سروس انڈسٹریز لمیٹڈ کی مکمل ملکیتی ماتحت ادارہ ہے۔

سروس لاگ مارچ ٹائز (پرائیویٹ) لمیٹڈ

سروس لاگ مارچ ٹائز (پرائیویٹ) لمیٹڈ کو 7 جنوری 2020 کو پاکستان میں کمپنیز ایکٹ، 2017 کے تحت (پرائیویٹ) لمیٹڈ کمپنی کے طور پر تشکیل کیا گیا ہے۔ کمپنی کا رجسٹرڈ آفس سروس ہاؤس، 2- مین گلبرگ، لاہور میں واقع ہے۔ کمپنی کا بنیادی کاروبار تمام اسٹیل ریڈیل ٹرک اور بس ٹائزوں کی تیاری، فروخت، مارکیٹنگ، درآمد اور برآمد کرنا ہے۔ سروس لاگ مارچ ٹائز (پرائیویٹ) لمیٹڈ میں سروس انڈسٹریز لمیٹڈ کے 51 فیصد شیئر ہیں۔

Condensed Consolidated Interim Statement of Financial Position (Unaudited)

As at September 30, 2020

	(Unaudited) September 30, 2020	(Audited) December 31, 2019
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
100,000,000 (2019: 100,000,000)		
ordinary shares of Rupees 10 each	1,000,000	1,000,000
Issued, subscribed and paid-up share capital	234,937	187,950
Reserves	6,679,354	6,027,682
Non-controlling interest	701,006	(31,693)
Total equity	7,615,297	6,183,939
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	3,959,296	3,090,252
Long term deposits	1,940	2,406
Lease liabilities	1,414,495	1,302,055
Employees' retirement benefit	239,005	215,979
Deferred income tax liability - net	159,144	189,131
	5,773,880	4,799,823
CURRENT LIABILITIES		
Trade and other payables	5,402,604	4,006,199
Accrued mark-up	121,511	142,320
Short term borrowings	6,410,712	6,284,209
Current portion of non-current liabilities	887,191	947,685
Unclaimed dividend	37,303	37,784
Provision for taxation	645,723	407,864
	13,505,044	11,826,061
Total liabilities	19,278,924	16,625,884
CONTINGENCIES AND COMMITMENTS	5	
TOTAL EQUITY AND LIABILITIES	26,894,221	22,809,823

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



Chaudhry Ahmed Javed
(Chairman)

		(Unaudited) September 30, 2020	(Audited) December 31, 2019
	Note	(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	6	8,173,011	7,260,918
Right-of-use assets		1,331,978	1,403,090
Intangible assets		49,990	48,173
Long term investments	7	594,989	542,646
Long term loans to employees		20,413	25,031
Long term security deposits		110,104	112,171
		10,280,485	9,392,029
CURRENT ASSETS			
Stores, spares and loose tools		181,690	289,399
Stock-in-trade		5,567,252	5,903,758
Trade debts		5,035,761	3,617,736
Loans and advances		938,804	684,295
Trade deposits and prepayments		293,430	136,379
Other receivables		2,687,245	2,681,253
Accrued interest		3,040	1,426
Cash and bank balances		1,906,514	103,548
		16,613,736	13,417,794
TOTAL ASSETS		26,894,221	22,809,823



Arif Saeed
(Chief Executive)




Badar Ul Hassan
(Chief Financial Officer)


Condensed Consolidated Interim Statement of Profit or Loss (Unaudited)

For the period ended September 30, 2020

	Note	Un-audited			
		Nine months ended		Three months ended	
		Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
(Rupees in thousand)					
			Restated		Restated
Sales - net	8	22,215,184	22,210,168	9,513,807	7,900,662
Cost of sales	9	(17,985,764)	(18,109,265)	(7,709,657)	(6,398,794)
Gross profit		4,229,420	4,100,903	1,804,150	1,501,868
Distribution cost		(1,435,689)	(1,476,109)	(469,993)	(451,663)
Administrative expenses		(1,027,182)	(974,959)	(392,851)	(348,671)
Other expenses		(170,850)	(167,452)	(88,555)	(74,769)
		(2,633,721)	(2,618,520)	(951,399)	(875,103)
		1,595,699	1,482,383	852,751	626,765
Other income		331,575	388,372	106,638	103,398
Profit from operations		1,927,274	1,870,755	959,389	730,163
Finance cost		(792,977)	(785,846)	(189,767)	(271,536)
		1,134,297	1,084,909	769,622	458,627
Share of profit / (loss) in equity					
accounted investee - net of taxation		(15,267)	35,118	9,007	600
Profit before taxation		1,119,030	1,120,027	778,629	459,227
Taxation		(299,386)	(150,565)	(164,907)	(69,347)
Profit after taxation		819,644	969,462	613,722	389,881
Share of profit / (loss) attributable to:					
Equity holders of the holding company		820,349	966,506	612,544	387,374
Non-controlling interest		(705)	2,956	1,178	2,507
		819,644	969,462	613,722	389,881
Earnings per share - basic and diluted (Rupees)		34.89	41.26	26.12	16.59

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


 Chaudhry Ahmed Javed
 (Chairman)


 Arif Saeed
 (Chief Executive)


 Badar Ul Hassan
 (Chief Financial Officer)

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2020

	Un-audited			
	Nine months ended		Three months ended	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
	(Rupees in thousand)			
Profit after taxation	819,644	969,462	613,722	389,881
Other comprehensive income / (loss):				
Items that will not be reclassified to profit or loss:				
Surplus / (Deficit) arising on remeasurement of investment at fair value through other comprehensive income - net of tax	27,610	(8,900)	23,920	(3,210)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign subsidiary	(6,282)	(40,015)	9,791	(1,561)
Remeasurements of employees retirement benefit obligation -net of tax	(7,062)	(18,576)	(7,062)	-
Exchange difference on translation of goodwill	2,494	5,899	(446)	(3,023)
	(10,850)	(52,693)	2,283	(4,584)
Other comprehensive income / (loss) for the period - net of tax	16,760	(61,593)	26,203	(7,794)
Total comprehensive income for the period	836,404	907,869	639,925	382,086
Share of total comprehensive income / (loss) attributable to:				
Equity holders of the holding company	839,622	902,554	586,317	374,879
Non-controlling interest	(3,218)	5,315	(4,925)	7,208
	836,404	907,869	581,392	382,086

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the period ended September 30, 2020

	Reserves										Non-controlling interest	Total Equity	
	Share Capital	Capital Reserves					Revenue Reserves						Total Reserves
		Capital gains	Fair value reserve FVTOCI investment	Share premium	Share held by equity accounted investee	Exchange translation reserve	Sub Total	General reserve	Un-appropriated profit	Sub total			
Rupees in thousand													
Balance as at 31 December 2018 - restated	120,288	102,730	-	21,217	44,395	3,785	172,127	1,558,208	3,648,863	5,207,071	5,379,198	(16,322)	5,483,164
Adjustment on adoption of IFRS 9	-	-	-	-	-	-	-	-	(51,358)	(51,358)	(51,358)	-	(51,358)
Adjustment on adoption of IFRS 15	-	-	-	-	-	-	-	-	(70,612)	(70,612)	(70,612)	-	(70,612)
Adjusted total equity as at 01 January 2019	120,288	102,730	-	21,217	44,395	3,785	172,127	1,558,208	3,526,893	5,085,101	5,257,228	(16,322)	5,361,194
Transactions with owners:													
Final dividend for the year ended	-	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2018 @ Rupees 30 per share	-	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	-	(360,862)
Issue of bonus shares for the year ended	30,072	-	-	-	-	-	-	-	(30,072)	(30,072)	(30,072)	-	-
31 December 2018 @ 25%	30,072	-	-	-	-	-	-	-	(390,934)	(390,934)	(390,934)	-	(360,862)
Profit for the nine months ended 30 September 2019	-	-	-	-	-	-	-	-	966,506	966,506	966,506	2,956	969,462
Other comprehensive income for the period	-	(8,900)	-	-	-	(36,476)	(45,376)	-	(18,576)	(18,576)	(63,952)	2,359	(61,593)
Total comprehensive income for the period	-	(8,900)	-	-	-	(36,476)	(45,376)	-	947,930	947,930	902,554	5,315	907,869
Balance as at 30 September 2019 - unaudited - restated	150,360	102,730	(8,900)	21,217	44,395	(32,691)	126,751	1,558,208	4,083,889	5,642,097	5,768,848	(11,007)	5,908,201
Transactions with owners:													
Interim dividend for the year ended	-	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	-	(187,950)
31 December 2019 @ Rupees 12.50 per share	-	-	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	-	(37,590)
Issue of bonus shares during the year ended	37,590	-	-	-	-	-	-	-	(225,540)	(225,540)	(225,540)	-	(187,950)
31 December 2019 @ 25%	37,590	-	-	-	-	-	-	-	(225,540)	(225,540)	(225,540)	-	(187,950)

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the period ended September 30, 2020

	Reserves										Non-controlling interest	Total Reserves	Total Equity			
	Share Capital	Capital Reserves					Revenue Reserves									
		Capital gains	Fair value reserve FVOCI investment	Share premium	Share held by equity accounted investee	Exchange translation reserve	Sub Total	General reserve	Unappropriated profit	Sub total						
														Share Capital	Capital gains	Fair value reserve FVOCI investment
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	405,552	405,552	405,552	405,552	(16,005)	389,547
Other comprehensive income for the period	-	11,400	-	-	37,192	48,592	-	-	-	30,230	30,230	78,822	78,822	(4,681)	74,141	
Total comprehensive income for the period	-	11,400	-	-	37,192	48,592	-	-	-	435,782	435,782	484,374	484,374	(20,686)	463,688	
Balance as at 31 December 2019 - audited	187,950	102,730	2,500	21,217	44,395	4,501	175,343	1,558,208	4,294,131	5,852,339	6,027,682	(31,693)	6,183,939			
Transactions with owners:																
Equity share of NC in Service Long March Tyres (Private) Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	735,917	735,917
Final dividend for the year ended 31 December 2019 @ Rupees 7.5 per share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of bonus shares @ 25%	46,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	46,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the nine months ended 30 September 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	27,610	-	-	(1,275)	26,335	-	-	-	(7,062)	(7,062)	19,273	19,273	(2,513)	16,760	
Total comprehensive income for the period	-	27,610	-	-	(1,275)	26,335	-	-	-	812,582	812,582	839,622	839,622	(3,218)	836,404	
Balance as at 30 September 2020 - unaudited	234,937	102,730	30,110	21,217	44,395	3,226	201,678	1,558,208	4,918,763	6,476,971	6,679,354	701,006	7,615,297			

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)


Condensed Consolidated Interim Statement of Cash Flows (Un-audited)

For the period ended September 30, 2020

Un-audited
Nine months ended
September 30, 2020 September 30, 2019
(Rupees in thousand)

		Restated
Cash flows from operating activities		
Profit before taxation	1,119,030	1,120,027
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	581,129	524,658
Depreciation on right of use assets	177,418	139,112
Provision for gratuity	33,007	38,308
Finance cost	792,977	785,845
Provision for workers' profit participation fund	47,348	68,915
Provision for workers' welfare fund	23,242	8,066
Provision / (reversal of provision) for slow moving and obsolete inventory	4,577	42,323
Allowance for expected credit losses	51,557	63,164
Share of profit in equity accounted investee	15,267	(35,118)
Exchange gain / (loss)	(5,605)	(22,680)
Operating profit before working capital changes	2,839,947	2,732,620
Working capital changes		
Decrease / (increase) in current assets:		
Stores, spares and loose tools	107,709	(78,812)
Stock-in-trade	331,929	(755,914)
Trade debts	(1,469,582)	(1,769,166)
Accrued interest	(1,614)	-
Loans, advances, trade deposits, prepayments and other receivables	(268,021)	(236,882)
	(1,299,579)	(2,840,774)
Increase in trade and other payables	1,325,815	1,488,772
	26,236	(1,352,002)
Cash generated from operations	2,866,183	1,380,618
Finance cost paid	(813,786)	(645,015)
Income tax paid	(241,045)	(145,417)
Employees' retirement benefits paid	(17,043)	(10,436)
Long term loans - net	4,618	(1,879)
Long term deposits - net	2,067	(12,523)
Net cash generated from operating activities	1,800,994	565,348
Cash flows from investing activities		
Capital expenditure on operating fixed assets	(1,493,222)	(747,710)
Intangible asset acquired	-	(1,441)
Short term investment	-	(18,500)
Interest income	-	1
Investment in associated company	(40,000)	-
Proceeds for investment in subsidiary - Service Long March (Private) Limited	735,917	-
Net cash used in investing activities	(797,305)	(767,650)
Cash flows from financing activities		
Long term financing - net	887,489	(242,828)
Short term borrowings - net	126,503	908,596
Repayment of lease liabilities	(72,805)	(171,700)
Dividend paid	(141,444)	(324,492)
Long term deposits - net	(466)	-
Net cash from financing activities	799,277	169,576
Net (decrease) / increase in cash and cash equivalents	1,802,966	(32,727)
Cash and cash equivalents at the beginning of the period	103,548	72,841
Cash and cash equivalents at the end of the period	1,906,514	40,115

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


Chaudhry Ahmed Javed
(Chairman)


Arif Saeed
(Chief Executive)


Badar Ul Hassan
(Chief Financial Officer)

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

1. The group and its operations

The Group consists of:

Holding Company

- Service Industries Limited

Subsidiary Companies

- Service Global Footwear Limited
- Service Industries Capital (Private) Limited
- Service Shoes Lanka (Private) Limited
- Service Long March Tyres (Private) Limited

Service Industries Limited

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

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is wholly owned subsidiary of Service Industries Limited.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is a private limited company incorporated in Pakistan on 10 November 2015 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). Its registered office and head office is situated at Servis House, 2-Main Gulberg, Lahore. The principal objects of the Company are to hold investments in subsidiaries / joint ventures and other companies, entities and organizations, listed or otherwise in Pakistan or elsewhere in the world subject to all the applicable laws and procedures but not to act as an investment company. It is wholly owned subsidiary of Service Industries Limited.

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on 16 July 2015 under the provisions of the Companies Act No. 07 of 2007 in Sri Lanka. The registered office of the Company is located at No. 143 / 17, Sri Wickrema Mawatha, Colombo and the principal place of business is located at Katunayake, Sri Lanka. It is subsidiary of Service Industries Capital (Private) Limited which is wholly owned subsidiary of Service Industries Limited. Ownership interest held by non-controlling interest in Service Shoes Lanka (Private) Limited - Subsidiary Company is 40% (2018: 40%).

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited is a Private Limited Company incorporated in Pakistan on January 07, 2020 under Companies Act, 2017 (XIX of 2017). The registered office of the Company is situated at Servis House, 2-Main Gulberg, Lahore. The principle line of business of the Company is to carry on the business of manufacturing, sale, marketing, import and export of all steel radial truck and bus tyres. The shareholding of Service Industries Limited in Service Long March Tyres (Private) Limited is 51%.

2. Basis of consolidation

a) Subsidiaries

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

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

Intra group balances and transactions have been eliminated.

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

b) Associate

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

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

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

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

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

c) Translations of the financial statements of foreign subsidiary

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

3. Basis of preparation

3.1 These Condensed consolidated 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.

These do not include all of the information required for the full set of annual financial statements and the consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the company for the year ended 31 December 2019.

3.2 The condensed consolidated interim financial statements are presented in Pak Rupee which is the company's functional and presentation currency.

4. Accounting Policies

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

The preparation of condensed consolidated 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, income, and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated 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, 2019.

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

5. Contingencies and Commitments

5.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019 except:

Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 1,103.292 million (31 December 2019 Rupees 950.008 million) on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.

5.2 Commitments

5.2.1 Guarantees issued in ordinary course of business through banks are of Rupees 1,349.868 million (2019: Rupees 879.505 million).

5.2.2 Contracts for capital expenditure are approximately of Rupees 85.696 million (2019: Rupees 88.215 million).

5.2.3 Letters of credit other than capital expenditure are of Rupees 1,621.229 million (2019: Rupees 515.023 million).

5.2.4 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of five years. Future Ujarah payments under Ijarah are as follows:

	Note	Un-audited September 30, 2020 (Rupees in thousand)	Audited December 31, 2019
Not later than one year		65,029	70,917
Later than one year and not later than five years		102,282	109,932
		167,311	180,849
6 Fixed Assets			
Operating fixed assets	6.1	6,932,440	7,008,694
Capital work-in-progress		1,240,571	252,224
		8,173,011	7,260,918
6.1 Operating fixed assets			
Opening net book value (NBV)		7,008,694	5,835,196
Add: Additions during the period	6.2	520,513	1,895,257
		7,529,207	7,730,453
Less: Disposals during the period (at book value)	6.2	(20,298)	(16,860)
		7,508,909	7,713,593
Add: Currency retranslation		3,597	13,336
		7,512,506	7,726,929
Less: Depreciation charged during the period		(580,066)	(718,235)
		6,932,440	7,008,694

6.2 Following is the detail of additions and disposals during the period:

	Additions - Cost		Disposals - NBV	
	Un-audited Sep 30, 2020	Audited Dec 31, 2019	Un-audited Sep 30, 2020	Audited Dec 31, 2019
	(Rupees in thousand)			
Land	135,661	-	-	655
Building on freehold land	38,160	428,636	-	-
Plant and machinery	189,106	1,241,827	1,557	1,406
Furniture, fixture and fittings	2,318	9,787	473	-
Vehicles	41,243	7,399	1,827	843
Service equipments	70,538	183,172	1,187	2,357
Leasehold improvements	43,487	24,436	15,254	11,599
	520,513	1,895,257	20,298	16,860

		Un-audited September 30, 2020	Audited December 31, 2019
	Note	(Rupees in thousand)	
7. Long term investments			
Investment in associate (with significant influence)			
- under equity method	7.1	542,349	517,616
Investment in joint ventures - at cost	7.2	480	480
Other investment - at FVTOCI	7.3	52,160	24,550
		594,989	542,646

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

Speed (Private) Limited

263,909 (2019: 263,909) fully paid ordinary shares of Rupees 100 each

342,526

342,526

Share of post acquisition reserve

As at the beginning of the year

175,090

141,858

Share of post acquisition profit / (loss) for the period

(15,267)

33,232

159,823

175,090

502,349

517,616

JOMO Technologies (Private) Limited

40,000

-

40,000,000 (2019: nil) fully paid ordinary shares of Rupees 1 each

542,349

517,616

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

	Un-audited September 30, 2020	Audited December 31, 2019
	(Rupees in thousand)	
7.2 Investment in joint ventures - at cost		
S2 Power Limited 24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
S2 Hydro Limited 24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each	240	240
	480	480
7.3 Other investment - at FVTOCI		
TRG Pakistan Limited 1,000,000 (2019: 1,000,000) fully paid ordinary shares of Rupees 10 each	24,550	22,050
Fair value adjustment	27,610	2,500
	52,160	24,550

	Un-audited Nine months ended		Un-audited Three months ended	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
	(Rupees in thousand)			
8. Sales of footwear - net				
Export sales	6,255,986	6,638,737	2,577,420	2,725,995
Local sales	2,736,397	3,504,599	1,203,258	1,024,166
Duty draw back	126,112	193,007	(21,986)	39,348
	9,118,495	10,336,343	3,758,692	3,789,509
Sales of tyres - net				
Export sales	871,430	892,249	454,949	357,935
Local sales	11,958,354	10,973,417	5,158,396	3,753,218
	12,829,784	11,865,666	5,613,345	4,111,153
Sales of technical rubber products - net				
Local sales	266,905	8,159	141,770	-
	22,215,184	22,210,168	9,513,807	7,900,662

	Note	Un-audited Nine months ended		Un-audited Three months ended	
		Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
(Rupees in thousand)					
9. Cost of sales					
Raw materials consumed	9.1	11,338,840	11,556,296	4,782,265	4,502,878
Salaries, wages and other benefits		2,747,134	2,572,087	924,740	956,383
Stores and spares consumed		296,814	235,938	98,799	63,813
Packing materials consumed		564,066	605,918	213,424	216,676
Fuel and power		701,500	747,465	298,702	302,162
Insurance		22,586	18,925	8,327	6,983
Travelling		12,126	18,771	3,785	6,705
Repair and maintenance		148,806	122,289	55,331	45,399
Entertainment		3,918	4,331	1,572	1,562
Depreciation		514,389	471,413	174,296	169,142
(Reversal of provision)/ provision for slow moving and obsolete inventory		4,577	42,323	(8,456)	2,500
Other manufacturing charges		102,898	152,200	19,369	47,611
		16,457,654	16,547,956	6,572,154	6,321,814
Work-in-process					
Opening stock		474,140	423,069	733,124	622,018
Less: Closing stock		(655,633)	(644,387)	(655,633)	(644,387)
		(181,493)	(221,318)	77,491	(22,369)
Cost of goods manufactured		16,276,161	16,326,638	6,649,645	6,299,445
Finished goods					
Opening stock		2,972,936	2,195,903	3,234,965	1,901,081
Add: Purchases during the period		1,175,381	1,702,295	263,761	313,839
Less: Closing stock		(2,438,714)	(2,115,571)	(2,438,714)	(2,115,571)
		1,709,603	1,782,627	1,060,012	99,349
		17,985,765	18,109,265	7,709,657	6,398,794
9.1 Raw materials consumed					
Opening stock		1,879,658	1,545,085	2,258,857	1,708,898
Add: Purchases during the period		11,385,598	11,971,517	4,449,824	4,754,286
Less: Closing stock		(1,926,416)	(1,960,306)	(1,926,416)	(1,960,306)
		11,338,840	11,556,296	4,782,265	4,502,878

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

10. SEGMENT INFORMATION

The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

Footwear: Purchase, manufacturing and sale of different qualities of footwear.

Tyre: Manufacturing of different qualities of tyres, tubes and related products.

Technical Rubber Products: Manufacturing of different qualities of rubber products on specifications.

		(Un-audited)					
		Nine months ended					
Footwear		Tyre		Technical Rubber Products		Total - Company	
30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Restated							
9,118,495	10,336,343	12,829,784	11,865,666	266,905	8,159	22,215,184	22,210,168
(Rupees in thousand)							
Restated							
Sales	619,540	1,122,759	1,633,847	1,338,795	64,959	2,318,346	2,459,846
Profit / (loss) before taxation and unallocated income and expenses					(1,708)	(1,199,317)	(1,339,819)
Unallocated income and expenses						(299,386)	(150,565)
Taxation						819,644	969,462
Profit after taxation							

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

10.1 Reconciliation of reportable segment assets and liabilities

	Footwear		Tyre		Technical Rubber Products		Total - Company	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
Total assets for reportable segment	9,882,560	8,782,272	10,912,456	9,121,739	163,711	152,290	20,958,727	18,056,301
Unallocated assets							5,935,494	4,753,522
Total assets as per statement of financial position							26,894,221	22,809,823
Unallocated liabilities							19,278,924	16,625,884
Total liabilities as per statement of financial position							19,278,924	16,625,884

(Rupees in thousand)

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

11. Recognized fair value measurements - financial instruments

(i) Fair value hierarchy

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

Recurring fair value measurements at 30 September 2020 - Un-audited	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

(Rupees in thousand)

Financial assets

Financial assets at fair value through other comprehensive income	52,160	-	-	52,160
Total financial assets	52,160	-	-	52,160

Recurring fair value measurements at 31 December 2019 - Audited	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

(Rupees in thousand)

Financial assets

Financial assets at fair value through other comprehensive income	24,550	-	-	24,550
Total financial assets	24,550	-	-	24,550

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. Further, there was no transfer in and out of level 3 measurements.

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

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

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

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

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

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

12 **Transactions with related parties**

(i) **Transactions:**

Transaction with related parties and associated undertakings, other than those disclosed elsewhere in the financial statements are as follows:

(Unaudited)		(Unaudited)	
Nine months ended		Three months ended	
Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019

(Rupees in thousand)

Associated companies

Sale of goods	17,389	-	17,389	-
Advances received	-	60,000	-	-
Donations made	26,701	1,887	11,437	148
Reimbursement of expenses	-	172	-	(94)
Bonus shares issued	40	-	40	-
Cash dividend paid	119	-	119	-

Key management personnel

Cash dividend paid	63,119	160,509	63,119	-
Bonus shares issued	21,040	13,380	21,040	-
Meeting fee	1,620	1,620	780	480
Remuneration	168,571	148,229	104,562	56,654

Other related parties

Employees' retirement benefits	199,484	145,740	85,269	50,130
Bonus shares issued to Service Provident Fund Trust and Service Charitable Trust	2,227	-	2,227	-
Cash dividend paid to Service Provident Fund Trust and Service Charitable Trust	6,680	-	6,680	-

Selected Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended September 30, 2020

(ii) Period end balances

As at 30 September 2020 (Un-audited)		
Associated companies	Other related parties	Total

(Rupees in thousand)

Employee benefit plans	-	276,646	276,646
Loans and advances	13,549	-	13,549

As at 31 December 2019 (Audited)		
Associated companies	Other related parties	Total

(Rupees in thousand)

Employee benefit plans	-	248,818	248,818
Loans and advances	13,549	-	13,549

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 consolidated 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, 2019.

14 Date of authorization for issue

These financial statements were authorized for issue on 29 October 2020 by the Board of Directors of the Company.

15 Corresponding figures

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the consolidated condensed interim statement of financial position and consolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Entire Muridke Footwear undertaking has been separated from Service Industries Limited with effect from 01 July 2019. Hence, comparative figures of consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income and consolidated condensed interim statement of cash flows are not comparable.

The Company adopted IFRS 16 'Leases' from 01 January 2019. However, at the time of preparation of consolidated condensed interim financial statements for the nine months ended 30 September 2019, IFRS 16 was not applied. Hence, now, the corresponding figures appearing in the consolidated condensed interim statement of profit or loss, consolidated condensed interim statement of comprehensive income and consolidated condensed interim statement of cash flows have been restated as follows:

	(Un-audited)
	Nine months ended
	30 September 2019
	(Rupees in thousand)
Distribution cost decreased by	32,588
Finance cost increased by	(119,318)
Profit after taxation decreased by	(86,730)
Total comprehensive income decreased by	(86,730)

16 General

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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

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