

Report & Un-Audited Accounts
for the 3rd Quarter Ended
September 30, 2021

*Transforming
vision into reality..*



Servis

Service Global Footwear Limited

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Company Information

Board of Directors

Mr. Arif Saeed

(Chairman)

Non-Executive Director

Mr. Hassan Javed

(Chief Executive Officer)

Executive Director

Chaudhry Ahmed Javed

Non-Executive Director

Mr. Omar Saeed

Non-Executive Director

Mr. Azmat Ali Ranjha

Independent Director

Mr. Abdul Rashid Lone

Independent Director

Ms. Maleeha Humayun Bangash

Independent Director

Mr. Hassan Ehsan Cheema

Executive Director

Mr. Qadeer Ahmed Vaseer

Executive Director

Chief Financial Officer

Mr. Usman Liaquat

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Abdul Rashid Lone

Chairman

Mr. Omar Saeed

Member

Ms. Maleeha Humayun Bangash

Member

Human Resource and

Remuneration Committee

Mr. Azmat Ali Ranjha

Chairman

Mr. Hassan Javed

Member

Mr. Omar Saeed

Member

Bankers

MCB Bank Limited

Habib Bank Limited

Faysal Bank Limited

Soneri Bank Limited

Allied Bank Limited

Askari Bank Limited

Meezan Bank Limited

MCB Islamic Bank Limited

Habib Metropolitan Bank

Standard Chartered Bank

(Pakistan) Limited

Samba Bank Limited

Bank Al Habib Limited

Dubai Islamic Bank Limited

Auditors

M/s. Riaz Ahmad & Company,

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

SGF

Factory

10-KM Muridke,

Sheikhupura Road,

Muridke

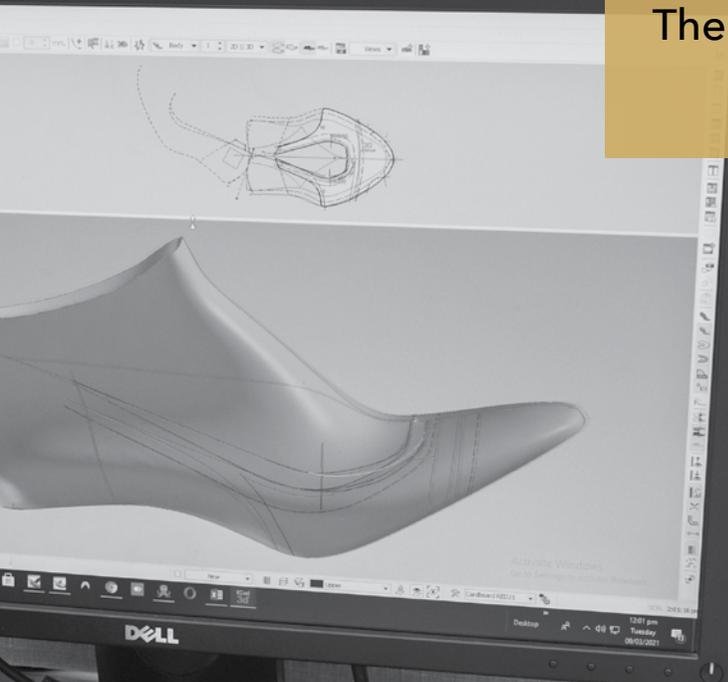
Web Presence

www.

serviceglobalfootwear.

com

“ All good things start with a dream. The dream becomes a vision. The vision becomes a plan. The plan becomes a reality ”.



Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the condensed interim financial information of Service Global Footwear Limited ("SGFL") for the period ended September 30, 2021.

The unprecedented and unforeseen global pandemic of COVID-19 halted the strong momentum of growth of the company. 2021 was expected to be the year that SGFL, would reap the rewards of the foundations laid over the last few years. Our core customers were performing well, new customers were ready to take the next leap after a few seasons of successful orders and we were in negotiations with some leading European brands to bring their business to SGFL. Consequently, SGFL had to suddenly change its strategic and operational trajectory to deal with the aftermath of COVID-19 and looked towards consolidation.

Key Performance Indicators

Please find below key performance indicators of condensed interim financial statements of SGFL for the nine months ended September 30, 2021.

Description	Quarter ended March 31, 2021	Quarter ended June 30, 2021	Quarter ended Sep 30, 2021	Nine Months ended Sep 30, 2021	Nine Months ended Sep 30, 2020
Sales	1,669,244	1,379,404	2,143,655	5,192,303	5,303,724
Profit before tax (pbt)	177,864	45,701	228,293	451,858	627,859
Profit before tax %	10.66%	3.31%	10.65%	8.70%	11.84%
Net profit after tax	139,359	5,736	184,726	329,821	574,161
Net profit after tax %	8.35%	0.42%	8.62%	6.35%	10.83%

SGFL has recorded sales of PKR 5.19 billion in first 9 months of 2021, which is 2.1% less than last year's sale in the same period. However, if we look at the numbers closely quarter wise, there is definite recovery from last year.

The year 2021 started with sales of PKR 1.67 billion in 1st quarter, which is 16% less than the sales of PKR 1.92 billion in 1st quarter of 2020. The quarter in comparison (Q1 of 2020) was an exceptional pre-covid in the company's history. SGFL has since recovered and now it has reached pre-covid sale numbers in 3rd quarter of 2021.

In the 3rd quarter (Jul to Sep 2021), the company has exceeded the PKR 2 billion sales mark with PBT of 228 million. We are projecting to repeat sale of over 2 billion in next quarter as well. This will end the year 2021 with 10% higher sales as compared to last year.

The bottom-line, however, does not reflect the same momentum as the top-line. The lower PBT of 8.7% in first 9 months of 2021, as compared to PBT of 11.8% in first nine months of 2020, can be attributed to multiple factors ranging from increased costs of local and imported raw materials, increased minimum wage, and most prominently, exponential increase (3~4 times) in the freight of

inbound and export shipments. Nonetheless, management is expecting recovery in the bottom-line as we have negotiated prices with higher margins for the next winter season.

The management of SGFL is committed to deliver high shareholder value. It has steered the company through a very tough period with perseverance and ambition. Even though, the company's major markets namely, Germany, Italy, Spain, France, and UK, that covered 80% of our total sales, were the most severely corona-affected countries; SGFL has managed to withstand and rise in the eyes of its customers. The relationship with customers has further strengthened due to management's forward-looking approach, and now the foundation is set to take leap to the next level.

LISTING OF SHARES ON PAKISTAN STOCK EXCHANGE LIMITED AND EQUITY INVESTMENT IN SERVICE LONG MARCH TYRES (PRIVATE) LIMITED

The Board of Directors of SGFL in their meeting held on September 29, 2020 approved the proposal of the management to apply for the listing of the Company on Pakistan Stock Exchange Limited, as per applicable laws, rules and regulations through issuance of 40,887,500 shares via IPO. The entire Issue was to be offered through the book building method at a Floor Price of PKR 38.00/- per share (including premium of PKR 28.00/- per share) with a maximum price band of up to 40% i.e. PKR 53.20 per share. The Board of Directors also approved to invest the amount to be raised at the Floor Price i.e. PKR 1.554 billion as an equity investment in "Service Long March Tyres (Private) Limited" ("SLM") an associated company and to become a stakeholder of approximately 18.91% of the total shareholding of SLM.

The Book building process which was held on 7th & 8th April 2021 was heavily over-subscribed and resulted in a strike price of PKR 53.2 per share: the maximum possible under the regulations. The retail subscription which was held on 12th & 13th April 2021 was also heavily over-subscribed, Consequently, funds of Rs 2.175 billion (including Rs 621.49 million being the difference of floor price and strike price) were raised by the Company under IPO. This was all possible due to the excellent brand value and strong corporate image of the Servis group, and a testament to years of hard work.

Shares under IPO to successful bidders were allotted by the Company on April 26, 2021 and the company was listed on PSX on April 28, 2021. The Board of Directors of the Company in their meeting held on June 08, 2021 approved further investment of Rs 621.49 million (raised by the company over and above the floor price) as equity investment in SLM. To date, the Company has made an equity investment of Rs 1.55 billion in SLM.

EARNING PER SHARE (EPS)

The Basic earnings per share of the Company stood at PKR 1.762 for nine months as compared to PKR 9.585 of the same period last year.

The Diluted earnings per share of the Company stood at PKR 1.760 for nine months as compared to PKR 9.585 of the same period last year.

Future Outlook Amid Covid-19

The company is carrying a great momentum of sales from last two quarters of 2021 into the next year 2022. The management is expecting Q1 of 2022 to be the third straight quarter with more than PKR 2 billion sales. 85% of projected Q1 orders are in hand while the rest are being finalized with customers.

Based on our recent discussions and negotiations with the key customers and bringing in a new pool of customers, SGFL management is foreseeing quarterly sales of over PKR 2 billion to carry through the whole year 2022. The company is currently negotiating prices for Q2 & Q3 (Apr to Sep 2022) with customers, which are higher than the prices in same period in 2021. The management is aware of the need to complement the increase in sales with further improving the bottom-line to ensure high share-holder value, and it is fully dedicated to this cause.

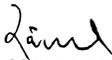
Acknowledgment

We would like to convey our sincere appreciation to our colleagues on the Board for their valuable guidance and support and to all our employees for their tireless efforts, dedication, and commitment and to our customers for their trust in our products. On behalf of the Board, we also wish to extend our gratitude to our shareholders for their support and trust placed in us.

For and on behalf of the Board



Arif Saeed
Chairman



HASSAN JAVED
Chief Executive

Dated: October 26, 2021
LAHORE.

Condensed Interim Statement of Financial Position (Unaudited)

As at September 30, 2021

	(Unaudited) September 30, 2021	(Audited) December 31, 2020
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital		
250,000,000 (31 December 2020: 250,000,000)		
ordinary shares of Rupees 10 each	<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid-up share capital		
204,437,500 (31 December 2020: 163,550,000)		
ordinary shares of Rupees 10 each fully paid in cash	2,044,375	1,635,500
Reserves	<u>4,608,668</u>	<u>2,595,287</u>
Total equity	6,653,043	4,230,787
LIABILITIES		
Non-current liabilities		
Long term financing	307,268	393,429
Deferred income on Government grant	190	3,476
Employees' retirement benefit	111,273	98,642
	<u>418,731</u>	<u>495,547</u>
Current liabilities		
Trade and other payables	1,380,344	1,375,589
Accrued mark-up	24,247	25,311
Short term borrowings	3,677,775	4,257,957
Current portion of non-current liabilities	134,723	136,327
	<u>5,217,089</u>	<u>5,795,184</u>
Total liabilities	5,635,820	6,290,731
Contingencies and commitments	4	
TOTAL EQUITY AND LIABILITIES	12,288,863	10,521,518

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



Hassan Javed
Chief Executive

		(Unaudited) September 30, 2021	(Audited) December 31, 2020
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	5	2,108,777	2,087,874
Long term investments	6	1,574,962	-
Long term loan to Holding Company		2,500,000	-
Long term security deposits		13,265	5,702
Long term loans to employees		12,101	7,580
		<u>6,209,105</u>	<u>2,101,156</u>

Current assets

Stores, spares and loose tools	48,917	43,535
Stock in trade	1,661,743	1,381,029
Trade debts	1,044,649	936,041
Loans and advances	1,341,412	3,149,790
Accrued mark-up	79,272	65,229
Security deposits and prepayments	27,335	6,546
Other receivables	1,147,579	1,581,779
Cash and bank balances	728,851	1,256,413
	<u>6,079,758</u>	<u>8,420,362</u>
Total Assets	12,288,863	10,521,518

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



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Condensed Interim Statement of Profit or Loss (Unaudited)

For the nine months ended 30 September 2021

	Note	Nine Months Ended		Quarter Ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
(Rupees in thousand)					
Revenue from contracts with					
Customer - Net		5,192,303	5,303,724	2,143,655	2,080,184
Cost of Sales	7	(4,268,916)	(4,301,369)	(1,794,577)	(1,671,298)
Gross Profit		923,387	1,002,355	349,078	408,886
Distribution Cost		(404,302)	(353,939)	(158,974)	(58,569)
Administrative Expenses		(314,454)	(261,861)	(108,846)	(100,562)
Other Expenses		(22,670)	(39,068)	(8,067)	(22,921)
		(741,426)	(654,868)	(275,887)	(182,052)
		181,961	347,487	73,191	226,834
Other Income		388,287	379,711	192,322	115,045
Profit from Operations		570,248	727,198	265,513	341,879
Finance Cost		(142,732)	(99,339)	(46,584)	(32,752)
		427,516	627,859	218,929	309,127
Share of Profit of Equity Accounted					
Investee - Net of Taxation		24,342	-	9,364	-
Profit Before Taxation		451,858	627,859	228,293	309,127
Taxation		(122,037)	(53,698)	(43,567)	(20,667)
Profit After Taxation		329,821	574,161	184,726	288,460
Earnings Per Share - Basic (Rupees)		1.762	9.585	0.904	4.815
Earnings Per Share - Diluted (Rupees)		1.760	9.585	0.903	4.815

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaquat
(Chief Financial Officer)

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months ended 30 September 2021

	Nine Months Ended		Quarter Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Rupees in thousand)			
PROFIT AFTER TAXATION	329,821	574,161	184,726	288,460
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Remeasurement of employees' retirement benefit obligation	-	(7,062)	-	(7,062)
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	-	(7,062)	-	(7,062)
Total comprehensive income for the period	329,821	567,099	184,726	281,398

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2021

	Share Capital	Share Capital to be issued	RESERVES				TOTAL EQUITY	
			Reserve for issuance of bonus Shares	CAPITAL RESERVE		REVENUE RESERVE		Total
				Share premium	Employee's share options reserve	Un-appropriated profit		
Rupees in thousand								
Balance as at 31 December 2019 - audited	50,500	1,500,000	463,521	-	498,120	961,641	2,512,141	
Transactions with owners:								
Issue of ordinary shares fully paid-up in cash to Service Industries Limited - Holding Company	85,000	-	-	-	-	-	85,000	
Ordinary shares issued to Service Industries Limited - Holding Company pursuant to the Scheme	1,500,000	(1,500,000)	-	-	-	-	-	
Reserve for issuance of bonus shares arising pursuant to the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017) between the Company and its members and Service Industries Limited - Holding Company and its members ("the Scheme")	-	-	927,163	-	-	-	927,163	
Profit for the nine months ended 30 September 2020	-	-	-	-	574,161	574,161	574,161	
Other comprehensive income for the nine months ended 30 September 2020	-	-	-	-	(7,062)	(7,062)	(7,062)	
Total comprehensive income for the nine months ended 30 September 2020	-	-	-	-	567,099	567,099	567,099	
Balance as at 30 September 2020 - unaudited	1,635,500	-	1,390,684	-	1,065,219	2,455,903	4,091,403	
Profit for the quarter ended 31 December 2020	-	-	-	-	134,634	134,634	134,634	
Other comprehensive income for the quarter ended 31 December 2020	-	-	-	-	4,750	4,750	4,750	
Total comprehensive income for the quarter ended 31 December 2020	-	-	-	-	139,384	139,384	139,384	
Balance as at 31 December 2020 - audited	1,635,500	-	1,390,684	-	1,204,603	2,595,287	4,230,787	

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2021

	Share Capital	Share Capital to be issued	RESERVES				TOTAL EQUITY
			CAPITAL RESERVE		REVENUE RESERVE		
			Reserve for bonus Shares	Share premium	Employees' share options reserve	Un-appropriated profit	
Rupees in thousand							
Transactions with owners:							
Issue of ordinary shares fully paid-up in cash	408,875	-	-	1,766,340	-	-	2,175,215
Share issuance costs	-	-	-	(97,066)	-	-	(97,066)
Employee share option reserve	408,875	-	-	1,669,274	-	-	2,078,149
	-	-	-	-	14,286	-	14,286
Profit for the nine months ended 30 September 2021	-	-	-	-	-	-	-
Other comprehensive income for the nine months ended 30 September 2021	-	-	-	-	-	329,821	329,821
Total comprehensive income for the nine months ended 30 September 2021	-	-	-	-	-	-	-
Balance as at 30 September 2021 - unaudited	2,044,375	-	1,390,684	1,669,274	14,286	1,534,424	4,608,668
						329,821	329,821
						1,534,424	6,653,043

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



Arif Saeed
(Director)



Hassan Javed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Condensed Interim Statement of Cash Flows (Unaudited)

For the nine months ended September 30, 2021

Nine Months ended
September September
30, 2021 30, 2020
(Rupees in thousand)

	September 30, 2021	September 30, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	451,858	627,859
Adjustments for non-cash charges and other items:		
Depreciation	125,462	89,893
Provision for gratuity	15,183	6,861
Finance cost	142,732	99,339
Accrued interest on loan to Service Industries Limited - Holding Company	(220,763)	(170,756)
Provision for workers' profit participation fund	10,723	23,773
Provision for workers' welfare fund	7,647	12,813
Provision for expected credit loss	4,300	(2,075)
Interest on term deposit receipts	-	(125)
Deferred income on government grant	(8,467)	-
Unrealized foreign exchange gains on trade debts	-	(25,576)
Employee share option expense	14,286	-
Share of profit of equity accounted investee	(24,342)	-
(Reversal) / Provision for slow moving and obsolete inventory	(540)	1,954
Operating profit before working capital changes	518,079	663,960
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(5,382)	(1,686)
Stock-in-trade	(280,174)	321,325
Trade debts	(112,908)	(330,867)
Loans, advances, trade deposits, prepayments and other receivables	(342,641)	(846,711)
	(741,105)	(857,939)
(Decrease) / Increase in trade and other payables	(13,615)	79,793
	(754,720)	(778,146)
Cash Used in operations	(236,641)	(114,184)
Finance cost paid	(143,796)	(99,250)
Income tax paid	(54,105)	(29,829)
Employees' retirement benefits paid	(2,552)	(1,886)
Long term loans - net	(8,023)	1,563
Long term deposits - net	(7,563)	97
Net cash used in operating activities	(452,680)	(243,491)

Nine Months ended
September **September**
30, 2021 **30, 2020**
(Rupees in thousand)

CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets - net	(146,365)	(241,349)
Investment made in associated company	(1,550,620)	-
Profit on term deposits receipts	-	125
Proceeds from sale of operating fixed assets	-	563
Mark-up received on loan to Service Industries Limited - Holding Company	206,720	297,445
Net cash used in investing activities	(1,490,265)	56,784
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	2,078,149	85,000
Long term financing - net	(82,584)	206,776
Short term borrowings - net	(580,182)	209,845
Net cash generated from financing activities	1,415,383	501,621
(Decrease) / net increase in cash and cash equivalents	(527,562)	314,914
Cash and cash equivalents at the beginning of the period	1,256,413	8,581
Cash and cash equivalents at the end of the period	728,851	323,495

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

Selected Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended September 30, 2021

1. The Company and its Operations

1.1 Service Global Footwear Limited (the Company) was incorporated as a public limited Company on 19 July 2019 in Pakistan under the Companies Act, 2017 and got listed on 28 April 2021. The shares of the company are quoted on Pakistan Stock Exchange. The registered office of the Company is located at 2- Main Gulberg, Lahore. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. The Company is the subsidiary of Service Industries Limited.

2 Basis of Preparation

2.1 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 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 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 2020. These condensed interim financial statements are un-audited.

3. Accounting Policies

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual financial statements of the Company for the year ended 31 December 2020 except for the adoption of accounting policies as stated in note 3.2 and 3.3 to these condensed interim financial statements.

3.1 Critical Accounting Estimates and Judgments

The preparation of these 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.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies

Selected Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended September 30, 2021

and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual financial statements of the Company for the year ended 31 December 2020.

3.2 Investment in associate - (with significant influence)

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

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

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

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

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

3.3 Employees' share option scheme

The Company operates an equity settled share based Employees Stock Option Scheme. The compensation committee of the Board of Directors of the Company evaluates the performance and other criteria of employees and approves the grant of options. These options vests with employees over a specific period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options.

At the grant date of share options to the employees, the Company initially recognises employee compensation expense with corresponding credit to equity as employee share options reserve at the fair value of option at the grant date. The fair value of option determined at the grant date is recognised as an employee compensation expense on a straight line basis over the vesting period. Fair value of options is arrived at using Black Scholes pricing model.

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

4. Contingencies and Commitments

4.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual financial statements of the Company for the year ended 31 December 2020 except for the following:

4.1.1 Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 1,651.294 million (2020: Rupees 1,686.555 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.

4.2 Commitments

4.2.1 Contracts for capital expenditure are approximately of Rupees 12.64 million (2020: Rupees 32.741 million).

4.2.2 Letters of credit other than capital expenditure are of Rupees 131.686 million (2020: Rupees 196.393 million).

4.2.3 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited and Bank Al Habib Limited for the period of four years and ijarah rentals are payable on half yearly and monthly basis respectively . Future Ujrah payments under ijarah are as follows:

	Note	(Unaudited) September 30, 2021	(Audited) December 31, 2020
		(Rupees in thousand)	
Not later than one year		5,944	7,940
Later than one year and not later than five years		4,123	5,846
		10,067	13,786

5 Fixed Assets

Operating fixed assets	(Note 5.1)	2,088,041	1,961,394
Capital work-in-progress		20,736	126,480
		2,108,777	2,087,874

5.1 Operating fixed assets

Opening written down value			
Opening written down value		1,961,394	925,239
Add: Additions during the nine months ended 30 September 2021	(Note 5.2)	252,181	242,100
Completion date adjustment under the scheme		-	927,163
Less: Disposals during the period (at book value)	(Note 5.2)	(72)	(1,021)
Less: Depreciation charged during the nine months ended 30 September 2021		(125,462)	(132,087)
Closing net book value		2,088,041	1,961,394

Selected Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended September 30, 2021

		Additions	
	Note	(Unaudited) September 30, 2021	(Audited) December 31, 2020
(Rupees in thousand)			
5.2	Cost of additions during the period		
	Freehold land	-	135,661
	Buildings on freehold land	155,573	34,778
	Plant and machinery	15,331	45,635
	Furniture, fixture and fittings	2,227	4,127
	Vehicles	6,135	-
	Service equipment	72,915	21,899
		252,181	242,100
	Book value of deletions during the period		
	Plant and machinery	-	369
	Service equipments	72	652
		72	1,021
6	Long Term Investment		
	Investment in associate (with significant influence)		
	- under equity method (Note 6.1)	1,574,962	-
6.1	Investment in associate (with significant influence) - under equity method		
	Service Long March Tyres (Private) Limited		
	155,062,000 (31 December 2020 : Nil)		
	fully paid ordinary shares of Rupees 10 each	1,550,620	-
	As at the beginning of the period / year	-	-
	Add: Excess of Company's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment	13,102	-
	Add: Share of post acquisition profit for the period	11,240	-
		24,342	-
		1,574,962	-

Selected Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended September 30, 2021

Note	(Un-audited) Nine Months Ended		(Un-audited) Quarter Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(Rupees in thousand)			
7 Cost of sales				
Raw materials consumed (Note 7.1)	2,521,500	2,309,148	984,539	777,886
Salaries, wages and other benefits	1,147,572	1,079,429	451,372	329,118
Stores and spares consumed	127,393	122,664	54,079	33,429
Packing materials consumed	253,795	233,671	103,371	76,302
Fuel and power	61,387	56,426	25,827	19,405
Insurance	4,684	4,781	802	1,660
Travelling	5,955	6,161	5,168	3,062
Repair and maintenance	24,241	21,070	8,547	6,939
Entertainment	5,595	2,811	3,676	1,004
Depreciation	122,936	87,631	43,440	35,146
Rent, rates and taxes	-	1,583	-	83
Provision of / (Reversal of provision) for slow moving and obsolete inventory	(540)	1,954	2,971	(14,168)
Other manufacturing charges	28,851	40,225	11,227	5,824
	4,303,369	3,967,554	1,695,019	1,275,690
Work-in-process				
Opening stock	250,274	230,448	261,598	228,589
Closing stock	(228,465)	(179,846)	(228,465)	(179,846)
	21,809	50,602	33,133	48,743
Cost of goods manufactured	4,325,178	4,018,156	1,728,152	1,324,433
Finished goods				
Opening stock	454,887	544,609	619,104	630,346
Purchases during the period	39,164	96,359	(2,366)	74,274
Closing stock	(550,313)	(357,755)	(550,313)	(357,755)
	(56,262)	283,213	66,425	346,865
	4,268,916	4,301,369	1,794,577	1,671,298
7.1 Raw materials consumed				
Opening stock	684,426	803,415	959,535	670,347
Purchases during the period	2,706,501	2,227,204	894,431	829,010
Less: Closing stock	(869,427)	(721,471)	(869,427)	(721,471)
	2,521,500	2,309,148	984,539	777,886

8 TRANSACTIONS WITH RELATED PARTIES

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

(i) Transactions:

	(Un-audited)		(Un-audited)	
	Nine Months Ended September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
(Rupees in thousand)				
Nature of transactions				
Nature of relationship Holding Company				
Service Industries Limited	70,078	75,379	15,022	19,557
Sale of goods				
Expenses charged to the Company	137,994	185,363	60,811	52,441
Purchase of goods	94,575	110,661	38,672	110,661
Loan given	1,788,000	742,293	100,000	551,876
Loan repaid	1,217,300	-	27,000	-
Interest charged	220,763	170,756	65,750	45,354
Share capital issued	-	850,000	-	-
Sub-subsidiary of the Holding Company				
Service Shoes Lanka (Private) Limited	27,380	41,641	5,235	12,479
Purchase of goods	2,930	772	-	772
Associated company				
Jomo Technologies (Private) Limited	38,280	19,421	4,484	19,421
Service Long March Tyres (Private) Limited	1,550,620	-	20,620	-
Share of profit	24,342	-	9,364	-
Key Management Personnel				
Remuneration	90,866	58,595	30,890	40,295
Meeting fee to directors - non executive	1,120	-	148	-
Post employment benefit plans	67,896	57,739	23,382	11,513

Selected Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended September 30, 2021

(ii) Period end balances

As at 30 September 2021 (Un-audited)		
Holding company	Other related parties	Total

(Rupees in thousand)

Employee benefit plans	-	129,932	129,932
Trade debts	87,841	115,949	203,790
Trade and other payables	77,935	3,647	81,583
Accrued mark-up	79,272	-	79,272
Loan and advances	3,484,991	-	3,484,991

As at 31 December 2020 (Audited)		
Holding company	Other related parties	Total

(Rupees in thousand)

Employee benefit plans	-	98,642	98,642
Trade debts	71,542	123,146	194,688
Trade and other payables	129,977	238	130,215
Accrued mark-up	65,229	-	65,229
Loan and advances	2,914,291	-	2,914,291

9 Recognized Fair Value Measurements - Financial Instruments

Fair value hierarchy

Certain financial assets and financial liabilities are 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. 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 classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

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

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

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

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

10 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. These 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, 2020.

11. Detailed Break-Up Utilization of the Proceeds Raised from the issue

The Company issued Prospectus dated 31 March 2021 in relation to the Issue of 40,887,500 ordinary shares (20% of the total post-IPO paid-up capital of the Company) of face value of Rupees 10 each. The Company has received subscription amount of Rupees 2,175,215,000 against Initial Public Offer of 40,887,500 ordinary shares of face value of Rupees 10 each at a price of Rupees 53.2 per ordinary share (including premium of Rupees 43.2 per ordinary share). On 26 April 2021, shares have been duly allotted to all shareholders. As per paragraph 4.1.5 of the Prospectus, the proceeds from IPO shall be utilized for equity investment in SLM. SLM shall utilize the proceeds to make payments to the contractors on account of Civil and Mechanical, Electrical and Plumbing (MEP) works of the Radial Bus and Truck Tyre Project. Detailed break-up utilization of the proceeds raised from the Issue for the period from 29 April 2021 to 30 September 2021 is as follows:

	Rupees in thousand
IPO Proceeds	2,175,215
Profit on term deposit receipt received by the Company	<u>14,405</u>
	2,189,620
Amount invested in 155,062,000 ordinary shares of Rupees 10 each of Service Long March Tyres (Private) Limited (SLM)	1,550,620
Amount retained with the Company in the shape of term deposit receipt	<u>639,000</u>
	2,189,620
Utilization of proceeds from issue of 155,062,000 ordinary shares of Rupees 10 each by SLM:	
Payments to the contractors on account of Civil and Mechanical, Electrical and Plumbing (MEP) works of the Project	<u>1,550,620</u>

12 Date of Authorization for Issue

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on 26 October 2021.

13 Corresponding Figures

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and 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. However, no significant rearrangements have been made.

14 GENERAL

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



Hassan Javed
(Chief Executive)



Arif Saeed
(Director)



Usman Liaqat
(Chief Financial Officer)

اعتراف

ہم تہہ دل سے بورڈ کے ممبران کی قابل قدر رہنمائی اور تعاون کے مشکور ہیں۔ علاوہ ازیں ہم تمام ملازمین کی انتھک اور پر عزم کوششوں اور ہمارے گاہکوں کی ہماری مصنوعات پر اعتماد کے بھی شکر گزار ہیں۔ ہم بورڈ کی جانب سے اپنے حصص یافتگان کا مخلص ترین شکریہ ادا کرتے ہیں۔ کہ انہوں نے ہم پر بھروسہ کیا اور ہماری غیر متزلزل حمایت جاری رکھی۔

منجانب بورڈ



عارف سعید
چئیرمین

حسن چاؤید
چئف ایگزیکٹو

مورخہ 26 اکتوبر 2021

لاہور

یک بلڈنگ کا عمل جو 7 اور 8 اپریل 2021 کو منعقد کیا گیا تھا، اس کو شاندار پزیرائی ملی اور اس کے نتیجے میں 53.2 روپے فی حصص کی قیمت حاصل ہوئی جو کہ قوانین و ضوابط کے تحت زیادہ سے زیادہ ممکنہ قیمت ہے۔ خوردہ سبسکریپشن جو 12 اور 13 اپریل 2021 کو منعقد کی گئی اس کو بھی شاندار پزیرائی ملی۔ چنانچہ کمپنی نے آئی پی او کے تحت 2.175 ارب روپے (بشمول 621.49 ملین روپے کے فلور پرائس اور اسٹرائیک پرائس کا فرق) کے فنڈز اکٹھے کیے۔ یہ سب کچھ بہترین برانڈ ویلیو اور سروس گروپ کی شاندار کارپوریٹ ایچ کی وجہ سے ممکن ہوا اور برسوں کی محنت کا نتیجہ ہے۔

حصص 26 اپریل 2021 کو الاٹ کیے گئے تھے، اور پاکستان اسٹاک ایکسچینج پر سروس گلوبل فٹ ویئر لمیٹڈ کا اندراج 28 اپریل 2021 کو ہوا تھا۔ سروس گلوبل فٹ ویئر لمیٹڈ کے بورڈ آف ڈائریکٹرز نے 08 جون 2021 کے اجلاس میں مزید 621.49 ملین (جو کہ کمپنی نے بنیادی قیمت سے زیادہ حاصل کئے) سروس لاناگ مارچ ٹائز (پرائیوٹ) لمیٹڈ میں لیکویٹی سرمایہ کاری کے طور پر استعمال کرنے کی منظوری دی۔ ابھی تک کمپنی نے ایس ایل ایم میں 1.55 ارب کی سرمایہ کاری کی ہے۔

فی شیئر آمدنی

زیر نظر نو ماہ میں بنیادی فی شیئر آمدنی 1.762 روپے رہی۔ جو کہ گزشتہ سال کی اسی مدت کے میں 9.585 روپے تھی۔ زیر نظر نو ماہ میں ڈائلیوٹڈ فی شیئر آمدنی 1.760 روپے رہی۔ جو کہ گزشتہ سال کی اسی مدت کے میں 9.585 روپے تھی۔

کورونا وبا کے تناظر میں مستقبل پر ایک نظر

کمپنی 2021 کی آخری دو ماہیوں سے اگلے سال 2022 میں داخل ہوتے ہوئے فروخت میں لگاتار زبردست رفتار برقرار رکھے ہوئے ہے۔ انتظامیہ کو توقع ہے کہ 2022 کی پہلی ماہی 2 ارب روپے سے زیادہ کی فروخت کے ساتھ مسلسل تیسری ماہی ہوگی۔ متوقع پہلی ماہی کے 85% آرڈرز ہم وصول کر چکے ہیں جبکہ باقی آرڈرز کو صارفین کے ساتھ حتمی شکل دی جا رہی ہے۔

اہم صارفین کے ساتھ ہماری حالیہ بات چیت اور گفت و شنید کی بنیاد پر اور نئے صارفین کو شامل کرنے کے مد نظر، انتظامیہ پورے سال 2022 کے دوران 2 ارب روپے سے زیادہ کی ہر ماہی میں فروخت متوقع ہے۔ کمپنی فی الحال دوسری اور تیسری ماہی (اپریل تا ستمبر 2022) کے لیے قیمتوں پر صارفین سے بات چیت کر رہی ہے، جو کہ 2021 میں اسی مدت کی قیمتوں سے زیادہ ہیں۔ انتظامیہ اپنے حصص یافتگان کو اپنے حصص کی اچھی قدر فراہم کرنے کے لیے فروخت کے ساتھ ساتھ منافع کو مزید بہتر بنانے پر عزم ہے۔

سال 2021 کا آغاز پہلی سہ ماہی میں 1.67 بلین روپے کی فروخت کے ساتھ ہوا، جو کہ 2020 کی پہلی سہ ماہی میں 1.92 بلین روپے کی فروخت سے 16% کم ہے۔ کمپنی کی پہلی سہ ماہی 2020 میں کارکردگی کرونا سے پہلے کے دور کی تھی اور وہ کمپنی کی تاریخ میں شاندار ترین تھی۔ کمپنی کی کارکردگی میں بتدریج بہتری آئی ہے اور 2021 کی تیسری سہ ماہی میں کرونا سے پہلے جیسی کارکردگی بحال ہو گئی ہے۔

تیسری سہ ماہی (جولائی تا ستمبر 2021) میں، کمپنی نے 2 بلین روپے فروخت اور 228 ملین روپے قبل از ٹیکس منافع کے ہدف سے تجاوز کر لیا ہے۔ اگلی سہ ماہی میں بھی 2 بلین سے زیادہ کی فروخت متوقع ہے۔ اس طرح سال 2021 کا اختتام پچھلے سال کے مقابلے میں 10% زیادہ فروخت کے ساتھ ہوگا۔

تاہم منافع فروخت کے تناسب سے نہیں بڑھا۔ 2021 کے پہلے 9 مہینوں میں قبل از ٹیکس منافع 8.7 فیصد رہا، جو کہ 2020 کے پہلے نو مہینوں میں 11.8 فیصد تھا۔ یہ کمی مقامی اور درآمد شدہ خام مال کی بڑھتی ہوئی قیمتوں سے لے کر متعدد عوامل سے منسوب ہے، جس میں شامل ہے، کم از کم اجرت میں اضافہ، اور سب سے نمایاں طور پر اندرون ملک اور برآمدی ترسیل کے مال برداری میں تیزی سے اضافہ (3~4 گنا)۔ بہر حال، انتظامیہ خالص منافع کی بحالی کی توقع کر رہی ہے کیونکہ ہم نے اگلے موسم سرما کے لیے بہتر مارجن کے ساتھ قیمتیں طے کی ہیں۔

کمپنی کی انتظامیہ اپنے حصص یافتگان کو اپنے حصص کی اچھی قدر فراہم کرنے کے لیے پرعزم ہے۔ کمپنی کی انتظامیہ نے استقامت اور عزم کے ساتھ کمپنی کو انتہائی مشکل دور سے نکالا ہے۔ اگرچہ، کمپنی کی اہم مارکیٹیں، یعنی جرمنی، اٹلی، اسپین، فرانس، اور برطانیہ، جو ہماری کل فروخت کا 80% ہیں، سب سے زیادہ کرونا سے متاثر ہونے والے ممالک تھے۔ اس کے باوجود اپنے مؤثر اقدامات کی وجہ سے اپنے صارفین کی نظر میں کمپنی کی ساکھ مزید بہتر ہوئی ہے۔ انتظامیہ کے مستقبل کے بارے میں اچھی حکمت عملی کی وجہ سے صارفین کے ساتھ تعلقات مزید مضبوط ہوئے ہیں، اور اب کمپنی تیزی سے آگے بڑھنے کے لیے تیار ہے۔

پاکستان اسٹاک ایکسچینج لمیٹڈ پر حصص کا اندراج اور سروس لاگ مارچ ٹائرز (پرائیوٹ) لمیٹڈ میں لیکوٹی سرمایہ کاری

پلس جی ایف لبل کے بورڈ آف ڈائریکٹرز نے 29 ستمبر 2020 کو ہونے والے اجلاس میں کمپنی کے حصص کی پاکستان اسٹاک ایکسچینج لمیٹڈ پر اندراج کی کمپنی کی انتظامیہ کی تجویز کی منظوری دی اور آئی پی او کے ذریعے، قابل اطلاق قوانین، قواعد و ضوابط کے مطابق 40,887,500 حصص جاری کرنے کی منظوری دی۔ ان تمام حصص کا اجرا 38,000 روپے فی شیئر کی کم سے کم قیمت پر بک بلڈنگ طریقہ کے تحت کیا جاتا تھا (بشمول روپے پر یکم 28.00 فی شیئر) جس کا زیادہ سے زیادہ پرائس بینڈ 40 فیصد یعنی 53.20 روپے فی شیئر ہے۔ بورڈ آف ڈائریکٹرز نے کم سے کم قیمت پر جاری ہونے والی حصص سے حاصل کردہ رقم یعنی 1.554 ارب روپے تک ایک ذیلی کمپنی سروس لاگ مارچ ٹائرز (پرائیوٹ) لمیٹڈ میں لیکوٹی سرمایہ کاری کرنے کی بھی منظوری دی ہے اور اس طرح سروس گلوبل فنڈ وئیر لمیٹڈ، سروس لاگ مارچ ٹائرز (پرائیوٹ) لمیٹڈ کی کل شیئر ہولڈنگ کا تقریباً 18.91% حصہ دار بن جائے گا۔

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز اپنی رپورٹ بمعہ سروس گلوبل فٹ وئر لیٹیڈ کی 30 ستمبر 2021 تک کی نو ماہ کی مختصر عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کورونا کی غیر معمولی اور غیر متوقع عالمی وبائی کمپنی کی نمو کی رفتار کو روک دیا ہے۔ 2021 سال میں یہ توقع تھی کہ ایس جی ایف ایل، پچھلے کچھ سالوں میں کیے گئے بنیادی اقدامات کے ثمرات حاصل کرے گا۔ ہمارے پرانے گاہک اچھی کارکردگی کا مظاہرہ کر رہے تھے، نئے گاہک ابتدائی آرڈرز کی کامیابی کے بعد مزید بڑے آرڈرز دینے کے لیے تیار تھے اور ہم کچھ معروف یورپی برانڈز کے کاروبار کو ایس جی ایف ایل میں لانے کے لیے ان سے بات چیت کر رہے تھے۔ چنانچہ ایس جی ایف ایل کو کرونا وبا کے بعد پیدا ہونے والی صورت حال سے نمٹنے کے لیے اچانک اپنی حکمت عملی تبدیل کرنا پڑی۔ چنانچہ نمو کے بجائے استحکام کی طرف توجہ مرکوز کر دی گئی۔

کمپنی کی کارکردگی

30 ستمبر 2021 کو ختم ہونے والی نو ماہ کے لئے سروس گلوبل فٹ وئر لیٹیڈ کی مختصر عبوری مالیاتی کارکردگی درج ذیل ہے۔

تفصیلات	سہ ماہی اختتام 30 مارچ 2021	سہ ماہی اختتام 30 جون 2021	سہ ماہی اختتام 30 ستمبر 2021	نو ماہ اختتام 30 ستمبر 2020	نو ماہ اختتام 30 ستمبر 2021
فروخت	1,669,244	1,379,404	2,143,655	5,303,724	5,192,303
منافع قبل از محصول	177,864	45,701	228,293	627,859	451,858
منافع قبل از محصول، فیصد	10.66%	3.31%	10.65%	11.84%	8.70%
ٹیکس کے بعد خالص منافع	139,359	5,736	184,726	574,161	329,821
ٹیکس کے بعد خالص منافع، فیصد	8.35%	0.42%	8.62%	10.83%	6.35%

ایس جی ایف ایل نے زیر نظر نو ماہ کے دوران اپنے 5.19 ارب روپے کی خالص فروخت حاصل کی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 2.1 فیصد کم ہے۔ تاہم، اگر ہم گزشتہ سہ ماہیوں کے اعداد و شمار پر بالترتیب غور کریں، تو پچھلے سال سے بہتری واضح ہے۔

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