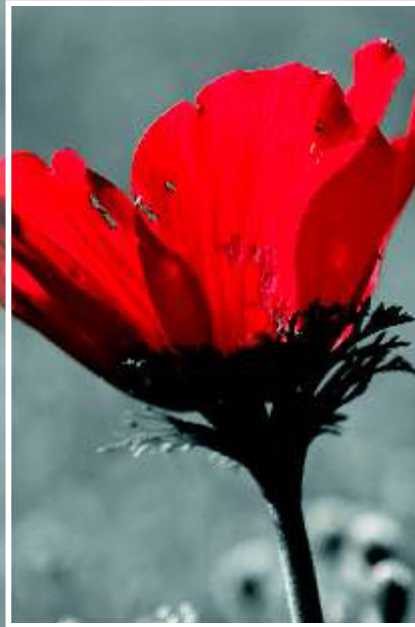


Report & Un-Audited Accounts for the
3rd Quarter Ended September 30, 2013

Growth & Trust



Servis

SERVICE INDUSTRIES LIMITED

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DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present their report on the performance of your Company along with un-audited financial statements for the nine months period ended September 30, 2013.

During this period there has been no major change in the economic situation of Pakistan which is still struggling to recover particularly due to high inflation, devaluation of Pak rupee, energy crises and prevailing law and order situation. However, your company has successfully maintained healthy sales growth and profitability.

Financial performance for the period under review is given below:

	Nine Months ended Sep 30,			Quarter ended Sep 30,		
	2013	2012	Variance	2013	2012	Variance
Sales (Rs. in M)	11,056	8,930	24%	3,790	3,125	21%
Profit Before Tax (Rs. in M)	596	127	369%	202	(96)	310%
Profit After Tax (Rs. in M)	517	53	875%	165	(96)	272%
EPS (Rs.)	42.98	4.40	877%	13.69	(7.98)	272%

Your company achieved sales of Rs. 11,056 million compared to Rs. 8,930 million during corresponding period last year representing sales growth of 24%. Company witnessed growth in all segments; however, footwear exports have been spearheading sales growth during the period.

Company Profitability has improved as a result of better efficiencies in manufacturing and supply chain processes. Profit before tax increased to Rs. 596 million for nine months period ended September 30, 2013 as against Rs. 127 million for the same period in 2012.

The management of your company is continuing to focus on further increasing our share in domestic and export markets and actively pursuing cost control measures to improve shareholders value.



The directors wish to place on record their appreciation for the confidence placed by our valued customers, continued support extended by all stakeholders and committed efforts of employees.

Dated: October 30, 2013
Place: Lahore

For and on behalf of the Board


Omar Saeed
(Chief Executive)

**CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2013**

	Note	(Unaudited) Sep. 30, 2013	(Audited) Dec. 31, 2012
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment	5	1,915,078	1,648,805
Intangible assets		20,399	11,994
Long term investments	6	162,408	-
Long term loans		5,649	326
Long term deposits		34,050	23,465
		2,137,584	1,684,590
CURRENT ASSETS			
Stores, spares & loose tools		83,533	104,370
Stock in trade		2,284,405	2,132,742
Trade debts		1,054,381	1,244,889
Loans and advances		304,796	230,423
Trade deposits and prepayments		31,922	15,128
Other receivables		32,551	14,805
Tax refunds due from government		927,977	981,132
Cash & bank balances		55,033	13,429
		4,774,598	4,736,918
CURRENT LIABILITIES			
Trade & other payables		1,845,085	1,497,358
Interest and mark-up accrued		39,094	51,581
Short term borrowings		1,712,835	2,087,818
Current portion of:			
Long term financing		85,959	57,508
Liabilities against assets subject to finance lease		-	14,898
Provision for taxation		112,147	53,785
		3,795,120	3,762,948
NET CURRENT ASSETS		979,478	973,970
CAPITAL EMPLOYED		3,117,062	2,658,560
NON CURRENT LIABILITIES			
Long term financing		457,457	400,215
Long term deposits		1,330	2,600
Deferred liabilities		211,566	235,794
		670,353	638,609
Contingencies & Commitments	7	-	-
NET ASSETS REPRESENTED BY		2,446,709	2,019,951
SHARE CAPITAL			
Authorized: 20,000,000 (December 31, 2012: 20,000,000) ordinary shares of Rs. 10/- each		200,000	200,000
Issued, subscribed and paid up: 12,028,789 (December 31, 2012: 12,028,789) ordinary shares of Rs. 10/- each		120,288	120,288
Reserves and surplus		2,326,421	1,899,663
		2,446,709	2,019,951
Annexed notes form an integral part of these financial statements.			
 Chaudhry Ahmed Javed (Chairman)		 Omar Saeed (Chief Executive)	

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	Note	Nine Months Ended		Three Months Ended	
		Sep. 30, 2013	Sep. 30, 2012	Sep. 30, 2013	Sep. 30, 2012
(Rupees in thousand)					
Sales	8	11,056,055	8,930,356	3,789,635	3,125,233
Cost of sales	9	<u>9,299,147</u>	<u>7,812,847</u>	<u>3,193,175</u>	<u>2,846,792</u>
Gross profit		1,756,908	1,117,509	596,460	278,441
Distribution cost		426,543	394,836	126,563	170,421
Administrative expenses		450,595	374,540	166,096	129,880
Other operating expenses		90,792	20,400	43,436	(3,325)
		<u>967,930</u>	<u>789,776</u>	<u>336,095</u>	<u>296,976</u>
Operating profit before other income		788,978	327,733	260,365	(18,535)
Other operating income		<u>43,817</u>	<u>41,996</u>	<u>21,094</u>	<u>13,161</u>
Operating profit		832,795	369,729	281,459	(5,374)
Finance cost		<u>236,436</u>	<u>243,201</u>	<u>79,531</u>	<u>90,247</u>
Profit before taxation		596,359	126,528	201,928	(95,621)
Taxation		<u>79,381</u>	<u>73,597</u>	<u>37,235</u>	<u>374</u>
Profit after taxation		<u>516,978</u>	<u>52,931</u>	<u>164,693</u>	<u>(95,995)</u>
Earnings Per Share					
- Basic & Diluted - (Rupees)		<u>42.98</u>	<u>4.40</u>	<u>13.69</u>	<u>-7.98</u>

Annexed notes form an integral part of these financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	Nine Months Ended		Three Months Ended	
	Sep. 30, 2013	Sep. 30, 2012	Sep. 30, 2013	Sep. 30, 2012
	(Rupees in thousand)			
Profit for the period	516,978	52,931	164,693	(95,995)
Other comprehensive income	-	-	-	-
	<u>516,978</u>	<u>52,931</u>	<u>164,693</u>	<u>(95,955)</u>

Annexed notes form an integral part of these financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	Nine Months Ended	
	Sep. 30, 2013	Sep. 30, 2012
	(Rupees in thousands)	
Cash flow from operating activities		
Profit before taxation	596,359	126,528
Adjustments for:		
Depreciation	150,650	139,858
Gratuity provision	16,948	12,886
Ijarah rentals	25,676	-
Finance cost	236,436	243,201
Provision for W.P.P.F.	32,029	6,795
Provision for W.W.F.	12,171	2,582
Provision for slow moving stocks	40,209	12,994
(Profit) on sale of fixed assets	(747)	(4,885)
Operating profit before working capital changes	1,109,731	539,959
Changes in working capital		
(Increase)/decrease in stores, spares and loose tools	19,304	(15,762)
(Increase)/decrease in stock in trade	(190,339)	(252,366)
(Increase)/decrease in trade debts	190,508	(89,381)
(Increase) in advances, deposits, prepayments and other receivables	(108,913)	(161,833)
(Increase)/decrease in tax refunds due from government	32,927	28,731
Increase/(decrease) in trade and other payables	321,819	152,026
Increase in long term loans	(5,323)	(89)
Cash generated from operations	1,369,714	201,285
Finance cost paid	(248,923)	(251,415)
Income tax paid	(33,557)	(186,336)
Gratuity paid	(8,412)	(1,082)
W.P.P.F. and W.W.F. paid	(21,325)	(28,713)
Net cash from /(used in) operating activities	1,057,497	(266,261)
Cash flow from investing activities		
Capital expenditure	(429,283)	(135,969)
Proceeds from sale of property, plant and equipment	5,147	63,074
Long term investment	(162,408)	-
Long term deposits	(10,585)	(12,601)
Net cash (used in) investing activities	(597,129)	(85,496)
Cash flow from financing activities		
Lease rentals paid	(40,575)	(21,975)
Short term borrowings - net	(374,983)	552,698
Long term financing	85,693	(41,440)
Dividend paid	(88,899)	(119,092)
Net cash (used in)/generated from financing activities	(418,764)	370,191
Net increase in cash and cash equivalents	41,604	18,434
Cash and cash equivalents at beginning of the period	13,429	12,065
Cash and cash equivalents at the end of the period	55,033	30,499

Annexed notes form an integral part of these financial statements.


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

	(Rupees in thousand)					
	Share capital	Capital reserves		Revenue reserves	Un-appropriated profit	Total
		Capital gain	Share premium			
Balance as at Dec 31, 2011(audited)	120,288	102,730	21,217	1,358,208	410,463	2,012,906
Final dividend @ Rs. 10.00 per share	-	-	-	-	(120,295)	(120,295)
Transferred to general reserve	-	-	-	200,000	(200,000)	-
Net profit for the period	-	-	-	-	52,931	52,931
Balance as at Sep 30, 2012(un-audited)	120,288	102,730	21,217	1,558,208	143,099	1,945,542
Net profit for the period	-	-	-	-	74,409	74,409
Balance as at Dec 31, 2012(audited)	120,288	102,730	21,217	1,558,208	217,508	2,019,951
Final dividend @ Rs. 7.50 per share	-	-	-	-	(90,220)	(90,220)
Net profit for the period	-	-	-	-	516,978	516,978
Balance as at Sep 30, 2013 (un-audited)	120,288	102,730	21,217	1,558,208	644,266	2,446,709

Annexed notes form an integral part of these financial statements.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

NOTES TO THE CONDENSED INTERIM ACCOUNTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

1. The Company and its operations

Service Industries Limited is a Public Limited Company incorporated in Pakistan. Its shares are quoted on Lahore and Karachi Stock Exchanges. Its registered office is located at Servis House, 2-Main Gulberg, Lahore. The principal activities of the Company are manufacture and sale of footwear, tyre & tube and technical rubber products.

2. Basis of preparation

These financial statements for the nine-months ended September 30, 2013 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements are unaudited and are being submitted to shareholders as required under section 245 of the Companies Ordinance, 1984.

3. Accounting policies

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

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended December 31, 2012.

4. Provisions for income tax, Workers' Profit Participation Fund and Workers' Welfare Fund have been made on the basis of nine months' profit. These are subject to change on final results.

		(Unaudited) Sep. 30, 2013	(Audited) Dec. 31, 2012
	Note	(Rupees in thousand)	
5. PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	5.1	1,739,540	1,502,733
Capital work in progress		175,538	146,072
		1,915,078	1,648,805
5.1 Operating fixed assets			
Opening written down value		1,502,733	1,543,297
Add: Additions during the period/year	5.2	389,443	193,977
		1,892,176	1,737,274
Less: Disposals during the period/year (at book value)		8,463	57,427
		1,883,713	1,679,847
Less: Depreciation charged during the period/year		144,173	177,114
		1,739,540	1,502,733

NOTES TO THE CONDENSED INTERIM ACCOUNTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

	(Unaudited) Sep. 30, 2013	(Audited) Dec. 31, 2012
(Rupees in thousand)		
5.2 Following is the detail of additions during the period/year		
Building on freehold land	52,207	53,233
Plant & machinery	259,061	83,772
Furniture, fixture & fittings	93	802
Vehicles	3,508	3,686
Service equipments	64,838	21,059
Last and moulds	5,364	31,425
Leasehold improvements	4,372	-
	389,443	193,977

6. LONG TERM INVESTMENTS

This represents amount invested in Speed (Private) Limited. As a result Service Industries Limited holds 22.22% ownership of the aforementioned company which makes the Speed (Private) Limited an associate of Service Industries Limited. The acquisition was completed by June 30, 2013. As latest audited financial statements of the Speed (Private) Limited are available for the period ended June 30, 2013, therefore, impact of post acquisition profit / loss has not been accounted for.

Cost of Investment	167,979	-
Dividend received	5,570	-
Net carrying value	162,409	-

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- 7.1** The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Company were released without the payment of duties and taxes amounting to Rs. 17.99 million. The Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favour of Collector of Customs, Sumbrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favour of the Company by Collector (Appeal) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still pending. However, the Company has a strong case therefore no provision has been made in these financial statements against the case.
- 7.2** The Additional Collector (Adjudication) PACCS, Karachi had initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming Sales Tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner (Appeals) LTU, Lahore, which is still pending. According to the Company's legal counsel, the Company has a strong case with high probability of its success.
- 7.3** The Deputy Director PESSI, Gujrat has initiated two cases against Service Industries Limited. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs.1.98 million is to be recoverable by the company from PESSI on account of wrongly paid contributions covering the period July 1992 to September 1993. Both cases have been decided against the company by the Director General Recovery PESSI, Lahore. Now the company has filed an appeal before Social Security Court, Lahore, which is pending. As per legal counsel of the Company, the Company has strong legal grounds for its success.

NOTES TO THE CONDENSED INTERIM ACCOUNTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

7.4 The DCIR, LTU had initiated a case against the Company after post Sales Tax refund audit in which demand of Rs. 27.92 million was raised. The Company filed an appeal before CIR appeals in which the demand was cancelled except two points having impact of Rs. 2.65 million. The Company had further filed an appeal before Tribunal against said points. As per legal counsel of the Company, the Company has strong legal grounds for its success.

Commitments

7.5 Guarantees issued through banks Rs. 64.42 million (Dec-2012 : Rs. 65.01 million).

7.6 Irrevocable letters of credit Rs. 663.68 million (Dec-2012 : Rs. 466.79 million).

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

	(Unaudited) September 30, 2013	(Audited) December 31, 2012
	(Rupees in thousands)	
Not later than one year	34,892	32,049
Later than one year but not later than five years	74,324	75,990

	Note	Nine Months Ended		Three Months Ended	
		Sep. 30, 2013	Sep. 30, 2012	Sep. 30, 2013	Sep. 30, 2012
(Rupees in thousand)					
8. SALES					
Sale of Footwear (Net)					
Export		2,677,277	1,878,957	986,098	678,760
Local		3,477,250	2,946,907	1,028,057	1,009,256
		6,154,527	4,825,864	2,014,155	1,688,016
Sale of Tyre Division (Net)					
Export		263,453	218,189	102,331	52,151
Local		4,632,761	3,835,237	1,672,753	1,361,273
		4,896,214	4,053,426	1,775,084	1,413,424
Others (Net)					
Export		-	11	-	-
Local		5,314	51,055	396	23,793
		5,314	51,066	396	23,793
		11,056,055	8,930,356	3,789,635	3,125,233

9. COST OF SALES

Raw material consumed	9.1	6,699,516	5,802,950	2,327,208	2,060,555
Salaries, wages and benefits		1,237,673	926,373	426,555	350,324
Stores & spares consumed		144,394	148,803	39,667	42,595
Packing material consumed		330,172	268,885	108,776	90,417
Fuel & power		502,233	351,970	204,381	136,525
Insurance		7,419	6,943	2,497	2,322
Depreciation		119,286	111,391	42,172	37,997
Travelling and conveyance		4,409	3,800	1,439	1,180
Repair and maintenance		65,048	66,423	23,161	25,600
Entertainment		2,216	1,139	672	411
Provision for slow moving and obsolete item		40,208	12,994	20,530	10,359
Other manufacturing charges		178,812	169,560	48,066	59,203
		9,331,386	7,871,231	3,245,124	2,817,488

**NOTES TO THE CONDENSED INTERIM ACCOUNTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

Note	Nine Months Ended		Three Months Ended	
	Sep. 30, 2013	Sep. 30, 2012	Sep. 30, 2013	Sep. 30, 2012
	(Rupees in thousand)			
Work in process				
Opening stock	419,117	300,306	450,331	415,619
Closing stock	(354,309)	(487,813)	(354,309)	(487,813)
	<u>64,808</u>	<u>(187,507)</u>	<u>96,022</u>	<u>(72,194)</u>
Cost of goods manufactured	9,396,194	7,683,724	3,341,146	2,745,294
Finished goods				
Opening stock	480,371	579,504	449,402	575,800
Finished goods purchased	28,457	43,954	8,502	20,033
Closing stock	(605,875)	(494,335)	(605,875)	(494,335)
	<u>(97,047)</u>	<u>129,123</u>	<u>(147,971)</u>	<u>101,498</u>
	<u>9,299,147</u>	<u>7,812,847</u>	<u>3,193,175</u>	<u>2,846,792</u>
9.1 Raw Material Consumed:				
Opening stock	1,164,968	968,134	1,100,955	997,563
Purchases	6,673,590	5,847,292	2,365,295	2,075,468
Closing stock	(1,139,042)	(1,012,476)	(1,139,042)	(1,012,476)
	<u>6,699,516</u>	<u>5,802,950</u>	<u>2,327,208</u>	<u>2,060,555</u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)**

10. SEGMENT REPORTING

	(Rupees in thousand)							
	Footwear		Tyre Division		Technical Rubber Products		Total	
	9 months ended Sep. 30, 2013	9 months ended Sep. 30, 2012	9 months ended Sep. 30, 2013	9 months ended Sep. 30, 2012	9 months ended Sep. 30, 2013	9 months ended Sep. 30, 2012	9 months ended Sep. 30, 2013	9 months ended Sep. 30, 2012
External sales	6,154,527	4,825,864	4,896,215	4,053,426	5,314	51,066	11,056,056	8,930,356
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	6,154,527	4,825,864	4,896,215	4,053,426	5,314	51,066	11,056,056	8,930,356
Profit / (loss) before tax and unallocated expenses	438,029	82,963	794,988	523,422	(59,207)	15,131	1,173,810	621,516
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(214,750)	(224,342)
Other operating expenses	-	-	-	-	-	-	(364,967)	(278,165)
Other operating income	-	-	-	-	-	-	2,266	7,519
Taxation	-	-	-	-	-	-	(79,381)	(73,597)
Profit after taxation	-	-	-	-	-	-	516,978	52,931

NOTES TO THE CONDENSED INTERIM ACCOUNTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (UN-AUDITED)

11. TRANSACTIONS WITH RELATED PARTIES

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

Party Name	Relationship		(Unaudited)	(Audited)
			Sep. 30, 2013	Dec. 31, 2012
			(Rupees in thousand)	
SBL Trading (Pvt.) Limited	Associated	Trade debts	11,768	40,405
SAB Polymer Industries (Pvt.) Limited	Associated	Trade debts	15,824	20,089
			Nine Months Ended	
			Sep. 30, 2013	Sep. 30, 2012
			(Rupees in thousand)	
SBL Trading (Pvt.) Limited				
Sales			-	44,576
Services			-	150
SAB Polymer Industries (Pvt.) Ltd.				
Sales			1,597	21,446
Post employment benefit plan				
Provident Fund	Contribution		55,637	44,938
Gratuity Fund	Contribution		16,948	12,886
Pension Fund	Contribution		85	78

12. CORRESPONDING FIGURES


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

13. AUTHORIZATION DATE

These financial statements were approved and authorized for issue by the Board of Directors on October 30, 2013.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



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