

pursuing excellence..



Servis

Service Industries Limited

Contents

Directors' Report to the Shareholders	02-03
Condensed Interim Balance Sheet	04-05
Condensed Interim Profit and Loss Account	06
Condensed Interim Statement of Comprehensive Income	07
Condensed Interim Cash Flow Statement	08
Condensed Interim Statement of Changes in Equity	09
Notes to the Condensed Interim Accounts	10-18

Condensed Consolidated Financial Statements

Group Directors' Report to the Shareholders	20-21
Condensed Consolidated Interim Balance Sheet	22-23
Condensed Consolidated Interim Profit and Loss Account	24
Condensed Consolidated Interim Statement of Comprehensive Income	25
Condensed Consolidated Interim Cash Flow Statement	26
Condensed Consolidated Interim Statement of Changes in Equity	27
Notes to the Condensed Consolidated Interim Accounts	28-36

Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the condensed interim financial information of the Company for the period ended September 30, 2016.

There has been significant improvement in the macroeconomic indicators in the recent past but the socio political situation of the country remained unchanged which has resulted in volatile business environment.

Your Company was able to deliver revenue growth and higher profitability through operational efficiency as reflected in the Financial Performance below:

Financial performance:

	Nine Months Ended Sep 30			Quarter Ended Sep 30		
	2016	2015	growth	2016	2015	growth
	PKR in million			PKR in million		
Net Sales	14,187	13,169	8%	4,613	4,021	15%
Profit Before Tax	1,163	1,001	16%	283	242	17%
Profit After Tax	961	757	27%	252	189	34%
Earnings Per Share (PKR)	79.92	62.94	27%	20.98	15.68	34%

Your Company achieved sales of PKR 14 billion during nine months of the year compared to PKR 13 billion during corresponding period last year, with steady growth of 8% mainly driven by volume growth. Our Export Sales continued to be impacted due to a weak Euro.

Due to favorable input costs, better product mix, production efficiencies, improved working capital performance and continuous investment in technology your Company showed the growth in Profit before Tax of 16% from PKR 1,001 million to PKR 1,163 million.

The earnings per share stood at PKR 79.92 during the period under review registering a growth of 27% over same period Last Year.

Future Outlook

As part of its diversification strategy, your Company will continue to explore investment opportunities. Despite rising competition in footwear and tyre business in Pakistan, your Company will continue to focus on improving shareholders' wealth through cost optimization, investment in new technology to achieve production efficiencies.

The Directors wish to place on record the commitment of our employees to the Company, continued patronage of our customers and the continued support extended by all stakeholders.

For and on behalf of the Board


Omar Saeed
(Chief Executive)

Dated: October 28, 2016
Place: Lahore

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 30 ستمبر 2016 تک کی نو ماہ کی مختصر عبوری مالیاتی معلومات پیش کی جارہی ہیں۔

ماضی قریب میں مجموعی طور پر معیشت میں نمایاں بہتری آئی ہے۔ لیکن سماجی و سیاسی ماحول میں تبدیلی نہ آنے کی وجہ سے کاروباری حالات غیر مستحکم رہے ہیں۔

آپ کی کمپنی نے آپریشنل کارکردگی کے ذریعے آمدن میں اضافہ اور زیادہ منافع حاصل کیا ہے، جیسا کہ مندرجہ ذیل مالیاتی کارکردگی میں درج ہے۔

مالیاتی کارکردگی

	نومابہ اختتام 30 ستمبر			سہ ماہی اختتام 30 ستمبر		
	2016	2015	شرح نمو	2016	2015	شرح نمو
	روپے ملین میں			روپے ملین میں		
خالص فروخت	14,187	13,169	8%	4,613	4,021	15%
منافع قبل از ٹیکس	1,163	1,001	16%	283	242	17%
منافع بعد از ٹیکس	961	757	27%	252	189	34%
فی شیئر آمدنی (روپے)	79.92	62.94	27%	20.98	15.68	34%

آپ کی کمپنی نے ان نو ماہ میں 14 بلین روپے کی فروخت کی، جبکہ پچھلے سال اسی مدت میں 13 بلین روپے کی فروخت ہوئی جو کہ 8 فیصد شرح نمو میں اضافہ ظاہر کرتا ہے۔ ہماری برآمدات کمزور یورو کی وجہ سے لگاتار متاثر ہوتی رہی ہیں۔


سازگار لاگت، بہتر ملی جلی مصنوعات، پیداواری کارکردگی، کام کرنے کی صلاحیت میں بہتری اور لگاتار جدید ٹیکنالوجی میں سرمایہ کاری کی بدولت قبل از ٹیکس منافع 16 فیصد یعنی 1,001 ملین سے بڑھ کر 1,163 ملین ہو گیا۔

اس مدت کے دوران فی شیئر آمدنی 79.92 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 27 فیصد زیادہ ہے۔

مستقبل پر ایک نظر

اپنی کاروباری تنوع کی حکمت عملی پر عمل کرتے ہوئے آپ کی کمپنی بہتر سرمایہ کاری کے مواقع کی تلاش جاری رکھے گی۔ پاکستان میں جوئے اور نائز کے کاروبار میں بڑھتے ہوئے مقابلے کے باوجود آپ کی کمپنی لاگت کی کمی اور نئی ٹیکنالوجی میں سرمایہ کاری کے نتیجے میں پیداواری استعداد میں اضافے سے حصص یافتگان کے سرمائے کو مزید منافع بخش بنانے پر اپنی توجہ مرکوز رکھے گی۔

ڈائریکٹرز اپنی کمپنی کے ملازمین کی کارکردگی، صارفین کے بھروسے اور تمام سٹیک ہولڈرز کی حمایت کو سراہتے ہیں۔


عمر سعید
(چیف ایگزیکٹو)

مورخہ 28 اکتوبر 2016
مقام: لاہور

Condensed Interim Balance Sheet (Unaudited)

As at September 30, 2016

	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 100,000,000 (2015: 20,000,000) ordinary shares of Rs. 10/- each:	1,000,000	200,000
Paid up share capital	120,288	120,288
Reserves	3,978,272	3,482,781
	4,098,560	3,603,069
Non-current liabilities		
Long term financing - secured	791,862	881,850
Long term deposits	5,268	3,665
Deferred income tax	315,870	322,278
Retirement benefits	36,615	21,053
	1,149,615	1,228,846
Current liabilities		
Trade and other payables	3,845,816	3,223,831
Interest and markup accrued	30,334	52,986
Short term borrowings - secured	3,186,426	1,662,360
Current portion of:		
Long term financing - secured	218,019	221,170
	7,280,595	5,160,347
Contingencies and commitments	8	-
	-	-
	12,528,770	9,992,262

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chaudhry Ahmed Javed
(Chairman)

	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
Note	(Rupees in thousand)	
ASSETS		
Non-current assets		
Property, plant and equipment	5	4,568,955
Intangible assets	3,168	5,640
Long term investments	6	302,132
Long term loans	7,077	7,083
Long term deposits	75,059	52,152
	4,956,391	3,771,095
Current assets		
Stores, spares and loose tools	101,625	114,570
Stock in trade	2,944,918	2,719,856
Trade debts	2,441,874	1,527,479
Loans and advances	355,105	233,671
Trade deposits and prepayments	95,681	76,719
Other receivables	102,745	58,126
Tax refunds due from government	587,185	506,176
Taxation - net	601,942	524,724
Short term Investment	7	247,942
Cash and bank balances	93,362	459,846
	7,572,379	6,221,167
	12,528,770	9,992,262



Omar Saeed
(Chief Executive)

Condensed Interim Profit and Loss Account (Unaudited)

For the period ended September 30, 2016

	Note	Nine months ended		Three months ended	
		Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
(Rupees in thousand)					
Sales - net	9	14,187,144	13,169,113	4,612,745	4,021,403
Cost of sales	10	11,307,339	10,826,223	3,768,089	3,377,480
Gross profit		2,879,805	2,342,890	844,656	643,923
Operating expenses					
Distribution cost		730,780	558,352	247,733	169,200
Administrative expenses		704,040	589,216	251,648	218,192
Other operating expenses		182,518	116,549	23,465	27,474
		1,617,338	1,264,117	522,846	414,866
Operating profit before other income		1,262,467	1,078,773	321,810	229,057
Other income		83,794	174,825	15,018	92,956
Operating profit		1,346,261	1,253,598	336,828	322,013
Finance cost		183,438	252,559	53,408	79,977
Profit before taxation		1,162,823	1,001,039	283,420	242,036
Taxation		201,527	243,966	31,055	53,451
Profit after taxation		961,296	757,073	252,365	188,585
Earnings per share basic and diluted (Rupees)		79.92	62.94	20.98	15.68

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2016

	Nine months ended		Three months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
(Rupees in thousand)				
Profit after taxation for the period	961,296	757,073	252,365	188,585
Items that may reclassify to profit and loss account				
(Loss)/Gain on investments	6,379	(17,136)	(343)	(9,737)
Add: Adjustment for amount transferred to profit and loss account	8,968	-	-	-
Items that may not reclassify to profit and loss account	-	-	-	-
Total comprehensive income for the period	976,643	739,937	252,022	178,848

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Condensed Interim Cash Flow Statement (Unaudited)

For the period ended September 30, 2016

Nine months ended
Sep 30, 2016 Sep 30, 2015
(Rupees in thousand)

Cash flow from operating activities		
Profit before taxation	1,162,823	1,001,039
Adjustments for		
Depreciation and amortization	262,429	231,035
Gratuity provision	29,018	29,062
Ijarah rentals	49,324	54,119
Finance cost	183,438	252,559
Provision for workers' profit participation fund	61,741	53,762
Provision for workers' welfare fund	10,264	20,429
Provision for slow moving stocks	(28,558)	3,323
Provision for doubtful debts	17,183	6,699
Share of profit from Speed (Private) Limited-Associated Company	(39,000)	(20,000)
Loss/(Profit) on sale of property, plant and equipment	20,864	777
Loss on sales of shares	11,760	-
Write off of intangibles	-	641
Operating profit before working capital changes	1,741,287	1,633,445
Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	14,433	(6,768)
Stock in trade	(197,992)	(180,855)
Trade debts	(931,578)	(74,141)
Advances, deposits, prepayments and other receivables	(185,015)	(223,256)
Tax refunds due from government	(81,009)	135,142
	(1,381,161)	(349,878)
Increase in current liabilities		
Trade and other payables	432,826	1,187,990
Cash generated from operations	792,952	2,471,557
Finance cost paid	(206,090)	(304,260)
Income tax paid	(285,151)	(363,607)
Staff retirement benefit paid	(13,456)	(14,265)
W.P.P.F and W.W.F paid	(66,770)	(52,000)
Net cash generated from operating activities	221,485	1,737,425
Cash flow from investing activities		
Capital expenditure	(1,487,280)	(602,076)
Proceeds from sale of property, plant and equipment	20,201	3,446
Investment in subsidiary	(10)	-
Investment in associates	(480)	-
Payments for investment	-	(139,710)
Proceed from sales of long term investments	54,019	-
Dividend received from Speed (Private) Limited-Associated Company	10,446	65,706
Short term investment	(247,942)	(1,309,598)
Long term loans	6	(1,261)
Long term deposits	(22,907)	2,331
Net cash (used in) investing activities	(1,673,947)	(1,981,163)
Cash flow from financing activities		
Long term deposits	1,603	-
Ijarah rentals paid	(49,324)	(54,119)
Short term borrowings - net	1,524,066	505,050
Long term financing	(93,139)	5,712
Dividend paid	(297,228)	(178,071)
Net cash generated from/(used in) financing activities	1,085,978	278,572
Net (decrease)/increase in cash and cash equivalents	(366,484)	34,834
Cash and cash equivalents at beginning of the period	459,846	18,442
Cash and cash equivalents at the end of the period	93,362	53,276

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Condensed Interim Statement of Changes in Equity (Unaudited)

For the period ended September 30, 2016

	(Rupees in thousand)			
	Paid up Share capital	Capital reserves	Revenue reserves	Total
	Share Premium	General reserves	Un-appropriated profit	
Balance as at December 31, 2014	120,288	102,730	21,217	1,161,506
Final dividend for the year ended December 31, 2014 @ Rs. 15 per share	-	-	-	(180,432)
Interim dividend for the year ending December 31, 2015 @ Rs. 12.5 per share	-	-	-	(150,360)
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	739,937
Balance as at September 30, 2015	120,288	102,730	21,217	1,570,651
Balance as at December 31, 2015	120,288	102,730	21,217	1,800,626
Final dividend for the year ended December 31, 2015 @ Rs. 25 per share	-	-	-	(300,720)
Interim dividend for the year ending December 31, 2016 @ Rs. 15 per share	-	-	-	(180,432)
Total comprehensive income for the nine months ended Sep 30 2016	-	-	-	976,643
Balance as at September 30, 2016	120,288	102,730	21,217	2,296,117

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

1. Legal status and operations

Service Industries Limited (the Company) was incorporated as a private limited company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984), was converted into a public limited company on September 23, 1959 and got listed on June 27, 1970. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is located at 2-Main Gulberg, Lahore. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. These financial statements pertain to Service Industries Limited as an individual entity.

2. Basis of preparation

These financial statements for the nine months ended September 30, 2016 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements are un-audited and are being submitted to the 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 affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended December 31, 2015.

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.

	Note	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
(Rupees in thousand)			
5. Property, plant and equipment			
Operating fixed assets	5.1	3,302,452	3,240,772
Capital work in progress		1,266,503	141,928
		4,568,955	3,382,700
5.1 Operating fixed assets			
Opening written down value		3,240,772	2,618,793
Add: Additions during the period/year	5.2	362,151	952,623
		3,602,923	3,571,416
Less: Disposals during the period/ year (at book value)		41,065	14,734
		3,561,858	3,556,682
Less: Depreciation charged during the period/year		259,406	315,910
		3,302,452	3,240,772

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

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

	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
Additions				
Disposals - NBV				
(Rupees in thousand)				
Land	–	–	35	–
Building on freehold land	2,775	238,343	7,971	–
Plant and machinery	322,186	689,638	32,273	12,506
Furniture, fixture and fittings	3,969	2,954	–	–
Vehicles	7,244	8,820	786	1,542
Leasehold improvements	25,977	12,868	–	2,680
	362,151	952,623	41,065	16,728

	Note	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
(Rupees in thousand)			

6. Long term investments

Investment in subsidiary

Service Industries Capital (Private) Limited-SICPL
(1,000 fully paid shares of Rs.10/- each)

10 –

Investment in associate

Speed (Private) Limited

6.1

255,762 227,208

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)

240 –

S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)

240 –

256,242 227,208

6.1 Cost of investment

160,709 fully paid ordinary shares of Rs. 100/- each

190,949 190,949

Share of post acquisition reserve

As at the beginning of the year/period

36,259 41,871

Share of post acquisition profit

39,000 60,094

Less: Dividends received during the period

(10,446) (65,706)

64,813 36,259

255,762 227,208

Other - Available for sale

Quoted

39,284 106,707

Add: Fair value adjustment

6,596 (10,395)

45,880 96,312

302,132 323,520

- 6.2 Share of profit of associate has been taken on the basis of unaudited accounts of the associate for the year ended June 30, 2016 (December 31, 2015: Unaudited accounts for the period ended December 31, 2015).

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

Note	(Unaudited) Sep 30, 2016 (Rupees in thousand)	(Audited) Dec 31, 2015
7. Short term investments		
Financial assets at fair value through profit and loss account		
Investment in Mutual Funds	247,942	–

8. Contingencies and commitments Contingencies

- 8.1** 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 this financial information against the case.
- 8.2** The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.
- 8.3** The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

- 8.4** The Deputy Commissioner Inland Revenue, LTU 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. In management's opinion, chances of success in the aforesaid case are strong and there is no likelihood of any unfavourable outcome.

Commitments

- 8.5** Guarantees issued through banks Rs. 1,855.89 million (December 2015 : Rs. 1,302.83 million).
- 8.6** Irrevocable letters of credit Rs. 920.58 million (December 2015 : Rs. 1,169.53 million).
- 8.7** The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

Note	(Unaudited) Sep 30, 2016 (Rupees in thousand)	(Audited) Dec 31, 2015
Not later than one year	64,090	64,351
Later than one year but not later than five years	79,424	161,951
Later than five years	–	–
	143,514	226,302

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

Note	Nine months ended		Three months ended		
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015	
	(Rupees in thousand)				
9. Sales- Net					
Sale of footwear-Net					
Export	3,122,618	3,303,419	1,087,243	1,016,132	
Local	3,945,534	3,689,563	1,113,515	864,318	
	7,068,152	6,992,982	2,200,758	1,880,450	
Sale of tyre-Net					
Export	552,826	403,110	224,173	147,036	
Local	6,559,521	5,772,935	2,187,814	1,993,693	
	7,112,347	6,176,045	2,411,987	2,140,729	
Sale of technical rubber products-Net					
Local	6,645	86	–	224	
	14,187,144	13,169,113	4,612,745	4,021,403	
10. Cost of sales					
Raw material consumed	10.1	6,999,193	7,268,354	2,231,090	2,214,107
Salaries, wages and benefits		1,814,891	1,708,955	617,204	572,732
Stores and spares consumed		187,939	140,186	41,855	43,721
Packing material consumed		452,658	417,297	148,204	127,118
Fuel and power		483,182	534,572	163,082	166,611
Insurance		15,902	9,895	5,120	4,176
Depreciation		243,123	212,508	84,705	77,483
Travelling and conveyance		9,300	10,249	2,017	3,356
Repair and maintenance		82,319	81,648	29,258	28,063
Entertainment		3,122	2,085	1,399	783
(Reversal)/Provision for slow moving and obsolete items		(28,558)	19,303	(6,122)	(11,111)
Other manufacturing charges		101,486	131,308	29,097	36,171
		10,364,557	10,536,360	3,346,909	3,263,210
Work in process					
Opening stock		392,647	441,215	350,728	422,638
Closing stock		(303,867)	(416,325)	(303,867)	(416,325)
		88,780	24,890	46,861	6,313
Cost of goods manufactured		10,453,337	10,561,250	3,393,770	3,269,523
Finished goods					
Opening stock		1,057,958	757,398	1,207,806	878,010
Finished goods purchased		1,107,888	476,912	478,357	199,284
Closing stock		(1,311,844)	(969,337)	(1,311,844)	(969,337)
		854,002	264,973	374,319	107,957
		11,307,339	10,826,223	3,768,089	3,377,480

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

Note	Nine months ended		Three months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
	(Rupees in thousand)			
10.1 Raw material consumed				
Opening stock	1,213,355	1,251,540	1,010,155	1,140,037
Purchases	6,875,679	7,281,583	2,310,776	2,338,839
Closing stock	(1,089,841)	(1,264,769)	(1,089,841)	(1,264,769)
	6,999,193	7,268,354	2,231,090	2,214,107

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

11. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015
External sales	7,068,152	6,992,982	7,112,347	6,176,045	6,645	86	14,187,144	13,169,113
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	7,068,152	6,992,982	7,112,347	6,176,045	6,645	86	14,187,144	13,169,113
Profit/(Loss) before tax and unallocated expense	701,180	615,800	1,114,828	1,032,643	(1,267)	(6,744)	1,814,741	1,641,699
Unallocated corporate expenses:								
Finance cost	-	-	-	-	-	-	(155,351)	(217,377)
Other operating expenses	-	-	-	-	-	-	(542,087)	(519,400)
Other operating income	-	-	-	-	-	-	45,520	96,117
Taxation	-	-	-	-	-	-	(201,527)	(243,966)
Profit after taxation	701,180	615,800	1,114,828	1,032,643	(1,267)	(6,744)	961,296	757,073
11.1 Reconciliation of segment profit								
Total profit for reportable segments							1,814,741	1,641,699
Unallocated expenses							(651,918)	(640,660)
Profit before tax							1,162,823	1,001,039

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	As at Sep 30, 2016	As at Dec 31, 2015	As at Sep 30, 2016	As at Dec 31, 2015	As at Sep 30, 2016	As at Dec 31, 2015	As at Sep 30, 2016	As at Dec 31, 2015
11.2 Reconciliation of segment assets & liabilities								
Total assets for reportable segments	5,098,464	4,423,137	5,825,001	4,026,899	15,082	21,133	10,938,547	8,471,169
Unallocated assets							1,590,223	1,521,093
Total assets as per balance sheet							12,528,770	9,992,262
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							8,430,210	6,389,193
Total liabilities as per balance sheet							8,430,210	6,389,193

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2016

12. Related party transactions

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

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions 9 month ended Sep 30, 2016 (Unaudited)	Transactions 9 month ended Sep 30, 2015 (Unaudited)	Sep 30, 2016 (Unaudited) Closing balance		December 31, 2015 (Audited) Closing balance	
				Debit	Credit	Debit	Credit
Associates	Investment	480	28,541	256,242	-	227,208	-
	Advances	7,500	-	7,500	-	-	-
	Expenses	1,655	-	1,655	-	-	-
	Others	3,782	28	-	3,782	-	-
Subsidiary	Advances	5	-	5	-	-	-
	Investment	10	-	10	-	-	-
	Expenses	941	-	941	-	-	-
Retirement Benefits	Contribution	108,141	85,670	-	64,344	-	41,856

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

13. Authorization date

These financial statements were approved and authorized for issue by the Board of Directors as on October 28, 2016

14. General

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Condensed Consolidated Financial Statements

Group Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the Group Condensed Interim Financial Information of the Service Industries Limited (SIL) for the period ended September 30, 2016.

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

Service Industries Limited

The Directors' Report providing a commentary on the performance of Service Industries Limited for the period ended September 30, 2016 has been presented separately.

Service Industries Capital (Private) Limited

SICPL is a wholly owned subsidiary of the SIL and the main object of the subsidiary is to invest in new ventures, shares and securities, listed or otherwise, in Pakistan or elsewhere in the world. Since the subsidiary has not yet invested any amount till the period end, hence it has incurred a loss of PKR 1 million being preliminary expenses incurred till the end of September 30, 2016.

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 30 ستمبر 2016 تک گروپ کی نو ماہ کی مختصر عبوری مالیاتی معلومات پیش کی جا رہی ہے۔

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

سروس انڈسٹریز لمیٹڈ

30 ستمبر 2016 کو ختم ہونے والے دورانیے کے لیے سروس انڈسٹریز لمیٹڈ کی کارکردگی پر ڈائریکٹرز رپورٹ، علیحدہ سے پیش کی گئی ہے۔

سروس انڈسٹریز کیپٹل پرائیویٹ لمیٹڈ

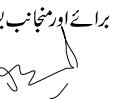
SIL، SICPL کا ایک مکمل ملکیتی ماتحت ادارہ ہے اور اس ماتحت ادارے کا بنیادی مقصد پاکستان میں یا دنیا میں کہیں بھی، نئے کاروبار، حصص میں سرمایہ کاری کرنا ہے۔ چونکہ اس ماتحت ادارے نے اس دورانیے میں کوئی بھی سرمایہ کاری نہیں کی، چنانچہ اس میں ایک ملین روپے کا نقصان ہوا ہے جو کہ بنیادی طور پر ستمبر 30، 2016 تک کے ابتدائی اخراجات ہیں۔

For and on behalf of the Board


Omar Saeed
(Chief Executive)

Dated: October 28, 2016
Place: Lahore

مورخہ 28 اکتوبر 2016
مقام: لاہور

برائے اور منجانب بورڈ

عمر سعید
(چیف ایگزیکٹو)

Condensed Consolidated Interim Balance Sheet (Unaudited)

As at September 30, 2016

	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital 100,000,000 (2015: 20,000,000) ordinary shares of Rs. 10/- each:	1,000,000	200,000
Paid up share capital	120,288	120,288
Reserves	3,977,280	3,482,781
Equity attributable to equity holders of the Holding Company	4,097,568	3,603,069
Non-controlling Interest	-	-
Total Equity	4,097,568	3,603,069
Non-current liabilities		
Long term financing - secured	791,862	881,850
Long term deposits	5,268	3,665
Deferred income tax	315,870	322,278
Retirement benefits	36,615	21,053
	1,149,615	1,228,846
Current liabilities		
Trade and other payables	3,845,866	3,223,831
Interest and markup accrued	30,334	52,986
Short term borrowings - secured	3,186,426	1,662,360
Current portion of:		
Long term financing - secured	218,019	221,170
	7,280,645	5,160,347
Contingencies and commitments	-	-
	12,527,828	9,992,262

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



Chaudhry Ahmed Javed
(Chairman)

	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
Note	(Rupees in thousand)	
ASSETS		
Non-current assets		
Property, plant and equipment	4,568,955	3,382,700
Intangible assets	3,168	5,640
Long term investments	302,122	323,520
Long term loans	7,077	7,083
Long term deposits	75,059	52,152
	4,956,381	3,771,095
Current assets		
Stores, spares and loose tools	101,625	114,570
Stock in trade	2,944,918	2,719,856
Trade debts	2,441,874	1,527,479
Loans and advances	354,159	233,671
Trade deposits and prepayments	95,681	76,719
Other receivables	102,745	58,126
Tax refunds due from government	587,185	506,176
Taxation - net	601,942	524,724
Short term investment	247,942	-
Cash and bank balances	93,376	459,846
	7,571,447	6,221,167
	12,527,828	9,992,262



Omar Saeed
(Chief Executive)

Condensed Consolidated Interim Profit and Loss Account (Unaudited)

For the period ended September 30, 2016

	Note	Nine months ended		Three months ended	
		Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
(Rupees in thousand)					
Sales - net	10	14,187,144	13,169,113	4,612,745	4,021,403
Cost of sales	11	11,307,339	10,826,223	3,768,089	3,377,480
Gross profit		2,879,805	2,342,890	844,656	643,923
Operating expenses					
Distribution cost		730,780	558,352	247,733	169,200
Administrative expenses		705,031	589,216	252,639	218,192
Other operating expenses		182,518	116,549	23,465	27,474
		1,618,329	1,264,117	523,837	414,866
Operating profit before other income		1,261,476	1,078,773	320,819	229,057
Other income		83,794	174,825	15,018	92,956
Operating profit		1,345,270	1,253,598	335,837	322,013
Finance cost		183,439	252,559	53,409	79,977
Profit before taxation		1,161,831	1,001,039	282,428	242,036
Taxation		201,527	243,966	31,055	53,451
Profit after taxation		960,304	757,073	251,373	188,585
Profit attributable to:					
Equity holders of the Holding Company		960,304	-	251,373	-
Non-controlling interest		-	-	-	-
		960,304	-	251,373	-
Earnings per share - basic and diluted (Rupees)		79.83	62.94	20.90	15.68

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



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2016

	Nine months ended		Three months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
(Rupees in thousand)				
Profit after taxation for the period	960,304	757,073	251,373	188,585
Items that may reclassify to profit and loss account				
(Loss)/Gain on investments	6,379	(17,136)	(343)	(9,737)
Add: Adjustment for amount transferred to profit and loss account	8,968	-	-	-
Items that may not reclassify to profit and loss account				
	-	-	-	-
Total comprehensive income for the period	975,651	739,937	251,030	178,848
Total comprehensive income attributable to:				
Equity holders of the Holding Company	975,651	-	251,030	-
Non-controlling interest	-	-	-	-
	975,651	-	251,030	-

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



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

Condensed Consolidated Interim Cash Flow Statement (Unaudited)

For the period ended September 30, 2016

	Nine months ended	
	Sep 30, 2016	Sep 30, 2015
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	1,161,831	1,001,039
Adjustments for		
Depreciation and amortization	262,429	231,035
Gratuity provision	29,018	29,062
Ijarah rentals	49,324	54,119
Finance cost	183,439	252,559
Provision for workers' profit participation fund	61,741	53,762
Provision for workers' welfare fund	10,264	20,429
Provision for slow moving stocks	(28,558)	3,323
Provision for doubtful debts	17,183	6,699
Share of profit from Speed (Private) Limited-Associated Company	(39,000)	(20,000)
Loss/(Profit) on sale of property, plant and equipment	20,864	777
Loss on sales of shares	11,760	-
Write off of intangibles	-	641
Operating profit before working capital changes	1,740,296	1,633,445
Changes in working capital		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	14,433	(6,768)
Stock in trade	(197,992)	(180,855)
Trade debts	(931,578)	(74,141)
Advances, deposits, prepayments and other receivables	(184,069)	(223,256)
Tax refunds due from government	(81,009)	135,142
	(1,380,215)	(349,878)
Increase in current liabilities		
Trade and other payables	432,876	1,187,990
Cash generated from operations	792,957	2,471,557
Finance cost paid	(206,091)	(304,260)
Income tax paid	(285,151)	(363,607)
Staff retirement benefit paid	(13,456)	(14,265)
W.P.P.F and W.W.F paid	(66,770)	(52,000)
Net cash generated from operating activities	221,489	1,737,425
Cash flow from investing activities		
Capital expenditure	(1,487,280)	(602,076)
Proceeds from sale of property, plant and equipment	20,201	3,446
Investment in associates	(480)	-
Payment for investment	-	(139,710)
Proceed from sales of long term investments	54,019	-
Dividend received from Speed (Private) Limited-Associated Company	10,446	65,706
Short term investment	(247,942)	(1,309,598)
Long term loans	6	(1,261)
Long term deposits	(22,907)	2,331
Net cash (used in) investing activities	(1,673,937)	(1,981,163)
Cash flow from financing activities		
Long term deposits	1,603	-
Ijarah rentals paid	(49,324)	(54,119)
Short term borrowings - net	1,524,066	505,050
Long term financing	(93,139)	5,712
Dividend paid	(297,228)	(178,071)
Net cash generated from/(used in) financing activities	1,085,978	278,572
Net (decrease)/increase in cash and cash equivalents	(366,470)	34,834
Cash and cash equivalents at beginning of the period	459,846	18,442
Cash and cash equivalents at the end of the period	93,376	53,276

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the period ended September 30, 2016

	(Rupees in thousand)					
	Paid up Share capital	Capital reserves		Revenue reserves		Total
		Capital gain	Share Premium	General reserves	Un-appropriated profit	
Balance as at December 31, 2014	120,288	102,730	21,217	1,558,208	1,161,506	2,963,949
Final dividend for the year ended December 31, 2014 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)
Interim dividend for the year ending December 31, 2015 @ Rs. 12.5 per share	-	-	-	-	(150,360)	(150,360)
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	739,937	739,937
Balance as at September 30, 2015	120,288	102,730	21,217	1,558,208	1,570,651	3,373,094
Balance as at December 31, 2015	120,288	102,730	21,217	1,558,208	1,800,626	3,603,069
Final dividend for the year ended December 31, 2015 @ Rs. 25 per share	-	-	-	-	(300,720)	(300,720)
Interim dividend for the year ending December 31, 2016 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	975,651	975,651
Balance as at September 30, 2016	120,288	102,730	21,217	1,558,208	2,295,125	4,097,568

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

Chaudhry Ahmed Javed
(Chairman)

Omar Saeed
(Chief Executive)

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

1. Legal status and operations

The Group consists of Service Industries Limited (the Holding Company) and its subsidiary Service Industries Capital (Private) Limited.

Service Industries Limited (SIL)

Service Industries Limited (the Holding Company) was incorporated as a private limited company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984), was converted into a public limited company on September 23, 1959 and got listed on June 27, 1970. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is located at 2-Main Gulberg, Lahore. The principal activities of the Holding Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products.

Service Industries Capital (Private) Limited (SICPL)

Service Industries Capital (Private) Limited is registered under the Companies Ordinance, 1984 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.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary company, here-in-after referred to as "the Group".

A company is subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtain control and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the profit and loss account from the date Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Holding Company, using consistent accounting policies. However, the accounting policies of the subsidiary has been changed to conform with accounting policies of the Group, wherever needed.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends, if any are eliminated in full.

The presentation and functional currency of the Holding Company as well as SICPL is Pakistani Rupee.

3. Basis of preparation

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and directives of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP).

These condensed consolidated interim financial statements are un-audited and do not include all the information and disclosure required in the annual consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

4. Accounting policies

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

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated 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, 2015 of the Holding Company.

5. 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.

	Note	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
(Rupees in thousand)			
6. Property, plant and equipment			
Operating fixed assets	6.1	3,302,452	3,240,772
Capital work in progress		1,266,503	141,928
		4,568,955	3,382,700
6.1 Operating fixed assets			
Opening written down value		3,240,772	2,618,793
Add: Additions during the period/year	6.2	362,151	952,623
		3,602,923	3,571,416
Less: Disposals during the period/ year (at book value)		41,065	14,734
		3,561,858	3,556,682
Less: Depreciation charged during the period/year		259,406	315,910
		3,302,452	3,240,772

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

	Additions (Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015	Disposals - NBV (Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
(Rupees in thousand)				
Land	–	–	35	–
Building on freehold land	2,775	238,343	7,971	–
Plant and machinery	322,186	689,638	32,273	12,506
Furniture, fixture and fittings	3,969	2,954	–	–
Vehicles	7,244	8,820	786	1,542
Leasehold improvements	25,977	12,868	–	2,680
	362,151	952,623	41,065	16,728

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

	Note	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
(Rupees in thousand)			
7. Long term investments			
Investment in associate			
Speed (Private) Limited	7.1	255,762	227,208
S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	–
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	–
		256,242	227,208
7.1 Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the year/ period		36,259	41,871
Share of post acquisition profit	7.2	39,000	60,094
Less: Dividends received during the period		(10,446)	(65,706)
		64,813	36,259
		255,762	227,208
Other - Available for sale			
Quoted		39,284	106,707
Add: Fair value adjustment		6,596	(10,395)
		45,880	96,312
		302,122	323,520

7.2 Share of profit of associate has been taken on the basis of unaudited accounts of the associate for the year ended June 30, 2016 (December 31, 2015: Unaudited accounts for the period ended December 31, 2015).

	Note	(Unaudited) Sep 30, 2016	(Audited) Dec 31, 2015
(Rupees in thousand)			
8. Short term investments			
Financial assets at fair value through profit and loss account			
Investment in Mutual Funds		247,942	–

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

9. Contingencies and commitments

Contingencies

9.1 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 this financial information against the case.

9.2 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.

9.3 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.

9.4 The Deputy Commissioner Inland Revenue, LTU 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.

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

Commitments

9.5 Guarantees issued through banks Rs. 1,855.89 million (December 2015 : Rs. 1,302.83 million).

9.6 Irrevocable letters of credit Rs. 920.58 million (December 2015 : Rs. 1,169.53 million).

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

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

Note	(Unaudited) Sep 30, 2016 (Rupees in thousand)	(Audited) Dec 31, 2015 (Rupees in thousand)
Not later than one year	64,090	64,351
Later than one year but not later than five years	79,424	161,951
Later than five years	–	–
	143,514	226,302

Note	Nine months ended		Three months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
	(Rupees in thousand)			
10. Sales- Net				
Sale of footwear-Net				
Export	3,122,618	3,303,419	1,087,243	1,016,132
Local	3,945,534	3,689,563	1,113,515	864,318
	7,068,152	6,992,982	2,200,758	1,880,450
Sale of tyre division-Net				
Export	552,826	403,110	224,173	147,036
Local	6,559,521	5,772,935	2,187,814	1,993,693
	7,112,347	6,176,045	2,411,987	2,140,729
Sale of technical rubber products-Net				
Local	6,645	86	–	224
	14,187,144	13,169,113	4,612,745	4,021,403

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

Note	Nine months ended		Three months ended	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
	(Rupees in thousand)			
11. Cost of sales				
Raw material consumed	6,999,193	7,268,354	2,231,090	2,214,107
Salaries, wages and benefits	1,814,891	1,708,955	617,204	572,732
Stores and spares consumed	187,939	140,186	41,855	43,721
Packing material consumed	452,658	417,297	148,204	127,118
Fuel and power	483,182	534,572	163,082	166,611
Insurance	15,902	9,895	5,120	4,176
Depreciation	243,123	212,508	84,705	77,483
Travelling and conveyance	9,300	10,249	2,017	3,356
Repair and maintenance	82,319	81,648	29,258	28,063
Entertainment	3,122	2,085	1,399	783
(Reversal)/Provision for slow moving and obsolete items	(28,558)	19,303	(6,122)	(11,111)
Other manufacturing charges	101,486	131,308	29,097	36,171
	10,364,557	10,536,360	3,346,909	3,263,210
Work in process				
Opening stock	392,647	441,215	350,728	422,638
Closing stock	(303,867)	(416,325)	(303,867)	(416,325)
	88,780	24,890	46,861	6,313
Cost of goods manufactured	10,453,337	10,561,250	3,393,770	3,269,523
Finished goods				
Opening stock	1,057,958	757,398	1,207,806	878,010
Finished goods purchased	1,107,888	476,912	478,357	199,284
Closing stock	(1,311,844)	(969,337)	(1,311,844)	(969,337)
	854,002	264,973	374,319	107,957
	11,307,339	10,826,223	3,768,089	3,377,480
11.1 Raw material consumed				
Opening stock	1,213,355	1,251,540	1,010,155	1,140,037
Purchases	6,875,679	7,281,583	2,310,776	2,338,839
Closing stock	(1,089,841)	(1,264,769)	(1,089,841)	(1,264,769)
	6,999,193	7,268,354	2,231,090	2,214,107

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

12. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015	9 months ended Sep 30, 2016	9 months ended Sep 30, 2015
External sales	7,068,152	6,992,982	7,112,347	6,176,045	6,645	86	14,187,144	13,169,113
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	7,068,152	6,992,982	7,112,347	6,176,045	6,645	86	14,187,144	13,169,113
Profit/(Loss) before tax and unallocated expense	701,180	615,800	1,114,828	1,032,643	(1,267)	(6,744)	1,814,741	1,641,699
Unallocated corporate expenses:								
Finance cost	-	-	-	-	-	-	(155,351)	(217,377)
Other operating expenses	-	-	-	-	-	-	(543,079)	(519,400)
Other operating income	-	-	-	-	-	-	45,520	96,117
Taxation	-	-	-	-	-	-	(201,527)	(243,966)
Profit after taxation	701,180	615,800	1,114,828	1,032,643	(1,267)	(6,744)	960,304	757,073
12.1 Reconciliation of segment profit								
Total profit for reportable segments							1,814,741	1,641,699
Unallocated expenses							(652,910)	(640,660)
Profit before tax							1,161,831	1,001,039

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	As at Sep 30, 2016	As at Dec 31, 2015	As at Sep 30, 2016	As at Dec 31, 2015	As at Sep 30, 2016	As at Dec 31, 2015	As at Sep 30, 2016	As at Dec 31, 2015
12.2 Reconciliation of segment assets & liabilities								
Total assets for reportable segments	5,098,464	4,423,137	5,825,001	4,026,899	15,082	21,133	10,938,547	8,471,169
Unallocated assets							1,589,281	1,521,093
Total assets as per balance sheet							12,527,828	9,992,262
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							8,430,260	6,389,193
Total liabilities as per balance sheet							8,430,260	6,389,193

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2016

13. Related party transactions

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

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions 9 month ended Sep 30, 2016 (Unaudited)	Transactions 9 month ended Sep 30, 2015 (Unaudited)	Sep 30, 2016 (Unaudited) Closing balance		December 31, 2015 (Audited) Closing balance	
				Debit	Credit	Debit	Credit
Associates	Investment	480	28,541	256,242	-	227,208	-
	Advances	7,500	-	7,500	-	-	-
	Expenses	1,655	-	1,655	-	-	-
	Others	3,782	28	-	3,782	-	-
Retirement Benefits	Contribution	108,141	85,670	-	64,344	-	41,856

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

14. Authorization date

These financial statements were approved and authorized for issue by the Board of Directors as on October 28, 2016

15. General

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



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

www.servisgroup.com

Servis House

2-Main Gulberg, Lahore-54662, Pakistan.

Tel: +92-42-35751990-96

Fax: +92-42-35711827, 35710593