

Realizing growth
through diversification...



Contents

1

Financial Statements

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

2

Consolidated Financial Statements

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

Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the condensed interim financial information of the company for the nine months ended September 30, 2017.

Company's performance:

Key Financial Indicators of your companies are summarized below:

	Nine Months Ended September 30			Quarter ended September 30		
	2017	2016	Growth	2017	2016	Growth
	PKR in Millions			PKR in Million		
Net Sales	15,577	14,187	10%	5,363	4,613	16%
Profit Before Tax	669	1,163	(42)%	128	283	(55)%
Profit After Tax	622	961	(35)%	197	252	(22)%
Earnings Per Share (PKR)	51.69	79.92	(35)%	16.41	20.98	(22)%

Your company achieved sales of PKR 15.58 billion during the nine months of the year compared to PKR 14.18 billion during corresponding period last year, with steady growth of 10 %. There was growth in tyres, footwear and spare parts segments of the company.

Footwear business reflected better profitability due to better product mix, increased exports and continuous investment in technology. However, this was partially offset by aggressive investment in the retail market and in brand building.

Due to a rapid increase in tyre related raw materials during the year, our tyre business reflected a decline in the profitability during the period under review, which has effected the overall profitability of your company. Raw material prices are trending downward now and we expect profitability to improve in the remaining period of the year.

The earnings per share stood at PKR 51.69 during the period under review registering a decline of 35% over same period Last Year due to reason stated above.

Future Outlook

Our footwear export sales are expected to continue growing. Further, as part of its diversification strategy, your Company will continue to invest further in the domestic footwear market.

In the Tyre business segment, despite increased competition your company will continue to focus on maintaining its leading market share, introducing new products, cost optimization and investment in new technology.

Acknowledgment

The directors wish to place on record the commitment of our employees to the company, continued patronage of our customer and the continued support extended by all stakeholders.

For and on behalf of the Board



Omar Saeed
(Chief Executive)

Dated: October 27, 2017

Place: Lahore

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹری کمیٹی کی نو ماہی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 30 ستمبر 2017 تک کی نو ماہ کی مختصر عبوری مالیاتی معلومات پیش کی جا رہی ہے۔

مالیاتی کارکردگی

کمپنی کے اہم مالیاتی اعداد و شمار درج ذیل ہیں:

سہ ماہی اختتام 30 ستمبر			نو ماہی اختتام 30 ستمبر		
تبدیلی	2016	2017	تبدیلی	2016	2017
روپے، ہزاروں میں			روپے، ہزاروں میں		
16%	4,613	5,363	10%	14,187	15,577
(55)%	283	128	(42)%	1,163	669
(22)%	252	197	(35)%	961	622
(22)%	20.98	16.41	(35)%	79.92	51.69

خالص فروخت
منافع قبل از ٹیکس
منافع بعد از ٹیکس
فی شیئر آمدنی

آج کی کمپنی نے اس نو ماہ میں 15.58 بلین روپے کی مصنوعات فروخت کیں، جبکہ پچھلے سال اسی مدت میں 14.18 بلین روپے کی فروخت ہوئی جو کہ 10 فیصد شرح نمو میں اضافہ ظاہر کرتا ہے۔ ٹائز، جوتوں اور بیپیز پارٹس کی فروخت میں اضافہ ہوا ہے۔

جوتوں کے کاروبار کا منافع بہتر رہا ہے جس کی وجہ ملی جلی مصنوعات، برآمدات میں اضافہ اور ٹیکنالوجی میں لگاتار سرمایہ کاری ہے۔ تاہم ریٹیل مارکیٹ اور برینڈ بلڈنگ میں کثیر سرمایہ کاری سے منافع جزوی طور پر اثر انداز ہوا ہے۔

ٹائزوں سے متعلقہ خام مالوں کی قیمتوں میں تیزی سے اضافے کی وجہ سے ٹائزوں کے کاروبار میں اس دورانیے میں منافع میں کمی ہوئی ہے جو کہ کمپنی کے مجموعی منافع پر بھی اثر انداز ہوا ہے۔ خام مال کی قیمتوں میں اب کمی کا رجحان ہے اور بقیہ مالی سال میں منافع میں بہتری متوقع ہے۔

اس مدت کے دوران فی شیئر آمدنی 51.69 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 35 فیصد کم رہی ہے جس کی وجوہات اوپر بیان کی گئی ہیں۔

مستقبل پر ایک نظر


جوتوں کی برآمدات میں لگاتار اضافہ متوقع ہے۔ علاوہ ازیں کمپنی اپنی تنوع کی پالیسی پر عمل کرتے ہوئے مقامی جوتوں کی منڈی میں مزید سرمایہ کاری جاری رکھے گی۔

ٹائزوں کے کاروبار میں بڑھتے ہوئے مقابلے کے رجحان کے باوجود کمپنی اپنے مارکیٹ شیئر کو نئی مصنوعات، لاگت کی کمی اور نئی ٹیکنالوجی میں سرمایہ کاری سے برقرار رکھنے پر توجہ مرکوز رکھے گی۔

اعتراف

ڈائریکٹر تمام قابل قدر صارفین، جنھوں نے ہم پر اعتماد کیا، تمام سٹیک ہولڈرز جنھوں نے ہماری حمایت جاری رکھی اور تمام ملازمین کے زبردست عزم کو انتہائی قدر کی نگاہ سے دیکھتے ہیں۔

برائے اور مخائب بورڈ


عمر سعید
(چیف ایگزیکٹو)

مورخہ 27 اکتوبر 2017
مقام: لاہور

Condensed Interim Balance Sheet (Unaudited)

As at September 30, 2017

	(Unaudited) September 30, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital		
100,000,000 (2016: 100,000,000)		
ordinary shares of Rs. 10/- each:	1,000,000	1,000,000
Paid up share capital	120,288	120,288
Reserves	4,399,130	4,263,652
	4,519,418	4,383,940
Non-current liabilities		
Long term financing	2,058,362	998,021
Long term deposits	5,268	5,268
Deferred liabilities	475,214	390,792
	2,538,844	1,394,081
Current liabilities		
Trade and other payables	3,044,939	3,259,466
Interest and mark up accrued	71,099	44,362
Short term borrowings	5,100,466	3,242,870
Current portion of:		
long term financing	325,280	223,058
Provision of taxation	286,228	148,947
	8,828,012	6,918,703
	15,886,274	12,696,724

Contingencies and commitments

5

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



Chaudhry Ahmed Javed

(Chairman)

		(Unaudited) September 30, 2017	(Audited) December 31, 2016
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,778,896	4,745,935
Intangible assets		1,377	2,720
Long term investments	7	416,669	373,855
Long term loans		17,772	15,431
Long term deposits		104,312	77,956
		6,319,026	5,215,897
Current assets			
Stores, spares and loose tools		94,772	100,205
Stock in trade		4,027,976	2,729,738
Trade debts		2,920,055	2,483,211
Loans and advances		194,661	293,228
Trade deposits and prepayments		173,311	85,769
Other receivables		59,874	75,699
Short term investments		-	103,745
Tax refunds due from government		1,967,285	1,384,345
Cash and bank balances		129,314	224,887
		9,567,248	7,480,827
		15,886,274	12,696,724



Omar Saeed
(Chief Executive)

Condensed Interim Profit and Loss Account (Unaudited)

For the period ended September 30, 2017

	Note	Nine months ended		Three months ended	
		Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
(Rupees in thousand)					
Sales - net	8	15,577,289	14,187,144	5,363,103	4,612,745
Cost of sales	9	13,076,311	11,307,339	4,606,025	3,768,089
Gross profit		2,500,978	2,879,805	757,078	844,656
Operating expenses					
Distribution cost		994,493	730,780	329,256	247,733
Administrative expenses		785,190	704,040	267,104	251,648
Other operating expenses		96,012	182,518	19,434	23,465
		1,875,695	1,617,338	615,794	522,846
Operating profit before other income		625,283	1,262,467	141,284	321,810
Other income		277,669	83,794	82,493	15,018
Operating profit		902,952	1,346,261	223,777	336,828
Finance cost		233,463	183,438	96,189	53,408
Profit before taxation		669,489	1,162,823	127,588	283,420
Taxation	10	47,663	201,527	(69,789)	31,055
Profit after taxation		621,826	961,296	197,377	252,365
Earnings per share basic and diluted (Rupees)		51.69	79.92	16.41	20.98

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



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended September 30, 2017

	Nine months ended		Three months ended	
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
	(Rupees in thousand)			
Profit after taxation for the period	621,826	961,296	197,377	252,365
Items that may reclassify to profit and loss account				
(Loss)/ gain on investments	(24,904)	6,379	(3,170)	(343)
Add: Adjustment for amount transferred to profit and loss account	(40,436)	8,968	(40,436)	-
Items that may not reclassify to profit and loss account	-	-	-	-
Total comprehensive income for the period	556,486	976,643	153,771	252,022

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



Chaudhry Ahmed Javed
(Chairman)




Omar Saeed
(Chief Executive)

Condensed Interim Cash Flow Statement (Unaudited)


For the period ended September 30, 2017

	Nine months ended	
	Sep 30, 2017	Sep 30, 2016
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	669,489	1,162,823
Adjustments for		
Depreciation and amortization	336,621	262,429
Employee benefit plans	32,950	29,018
Ijarah rentals	56,378	49,324
Finance cost	233,463	183,438
Provision for workers' profit participation fund	30,109	61,741
Provision for workers' welfare fund	(11,847)	10,264
Provision for slow moving stocks	32,739	(28,558)
Provision for doubtful debts	-	17,183
Share of profit from Speed (Private) Limited	(30,000)	(39,000)
(Profit)/ loss on sale of property, plant and equipment	18,723	20,864
Loss on sales of shares	-	11,760
Operating profit before working capital changes	1,368,625	1,741,287
Changes in working capital		
(Increase)/ decrease in current assets		
Stores, spares and loose tools	1,062	14,433
Stock in trade	(1,326,604)	(197,992)
Trade debts	(436,844)	(931,578)
Advances, deposits, prepayments and other receivables	26,850	(185,015)
Tax refunds due from government	(265,729)	(81,009)
	(2,001,265)	(1,381,161)
Increase / (decrease) in current liabilities		
Trade and other payables	(265,897)	432,826
Cash generated from operations	(898,537)	792,952
Finance cost paid	(206,726)	(206,090)
Income tax paid	(248,664)	(285,151)
Staff retirement benefits paid	(23,646)	(13,456)
W.P.P.F and W.W.F paid	2,872	(66,770)
Net cash generated from operating activities	(1,374,701)	221,485
Cash flow from investing activities		
Capital expenditure	(1,389,953)	(1,487,280)
Proceeds from sale of property, plant and equipment	2,935	20,201
Investment in Subsidiary	-	(10)
Investment in Associates	-	(480)
Long term investments	(36,920)	54,019
Dividend received from Speed (Private) Limited	24,106	10,446
Short term investments	103,745	(247,942)
Long term loans	(2,341)	6
Long term deposits	(26,356)	(22,907)
Net cash used in investing activities	(1,324,784)	(1,673,947)
Cash flow from financing activities		
Long term deposits	-	1,603
Ijarah rentals paid	(56,378)	(49,324)
Short term borrowings - net	1,857,596	1,524,066
Long term financing	1,162,563	(93,139)
Dividend paid	(359,869)	(297,228)
Net cash generated from financing activities	2,603,912	1,085,978
Net decrease in cash and cash equivalents	(95,573)	(366,484)
Cash and cash equivalents at beginning of the period	224,887	459,846
Cash and cash equivalents at the end of the period	129,314	93,362

The annexed notes from 1 to 15 form an integral part of this 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, 2017

(Rupees in thousand)

	Share capital	Capital reserves		Revenue reserves		Total
		Capital gain	Share Premium	General reserves	Un-appropriated profit	
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 ended December 31, 2016 @ Rs. 15 per share	-	-	-	-	(180,432)	(180,432)
Total comprehensive income for the nine months ended Sep 30, 2016	-	-	-	-	976,643	976,643
Balance as at September 30, 2016	120,288	102,730	21,217	1,558,208	2,296,117	4,098,560
Balance as at December 31, 2016	120,288	102,730	21,217	1,558,208	2,581,497	4,383,940
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	(300,720)	(300,720)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	(120,288)	(120,288)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	556,486	556,486
Balance as at Sep 30, 2017	120,288	102,730	21,217	1,558,208	2,716,975	4,519,418

The annexed notes from 1 to 15 form an integral part of this 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, 2017

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 Act, 2017), was converted into a public limited company on September 23, 1959 and got listed on June 27, 1970. The shares of the Company are quoted on the Pakistan Stock Exchange. The registered office of the Company is located at 2-Main Gulberg, Lahore. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. This condensed financial information pertain to Service Industries Limited as an individual entity.

2. Basis of preparation

This condensed financial information for the nine months ended September 30, 2017 is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". This condensed financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

3. Accounting policies

Accounting policies adopted for the preparation of this condensed financial information 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, 2016.

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.

5. Contingencies and commitments

Contingencies

5.1 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.

- 5.2 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.
- 5.3 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.
- 5.4 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

- 5.5 Guarantees issued through banks Rs. 1,998.89 million (Dec-2016 : Rs. 1,855.89 million).
- 5.6 Irrevocable letters of credit Rs. 1,119.12 million (Dec-2016 : Rs. 1,657.62 million).
- 5.7 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, 2017 (Rupees in thousand)	(Audited) Dec 31, 2016
Not later than one year	75,192	68,824
Later than one year but not later than five years	97,221	100,558
Later than five years	-	-
	172,413	169,382

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2017

	Note	(Unaudited) Sep 30, 2017 (Rupees in thousand)	(Audited) Dec 31, 2016 (Rupees in thousand)
6. Property, plant and equipment			
Operating fixed assets	6.1	4,386,177	4,116,625
Capital work in progress		1,392,719	629,310
		5,778,896	4,745,935
6.1 Operating fixed assets			
Opening written down value		4,116,625	3,240,772
Add: Additions during the period/ year	6.2	626,544	1,309,402
		4,743,169	4,550,174
Less: Disposals during the period/ year (at net book value)	6.2	21,714	50,553
		4,721,455	4,499,621
Less: Depreciation charged during the period/ year		335,278	382,996
		4,386,177	4,116,625

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

	Additions		Disposals- NBV	
	Unaudited Sep 30, 2017	Audited Dec 31, 2016	Unaudited Sep 30, 2017	Audited Dec 31, 2016
				(Rupees in thousand)
Land	–	–	–	35
Building on freehold land	357,807	69,601	6,537	8,909
Plant and machinery	86,237	1,009,342	4,059	33,924
Furniture, fixture and fittings	7,425	5,849	–	4
Vehicles	11,447	8,571	838	2,102
Service equipments	111,875	79,967	10,280	5,579
Leasehold improvements	51,753	136,072	–	–
	626,544	1,309,402	21,714	50,553

	Note	(Unaudited) Sep 30, 2017 (Rupees in thousand)	(Audited) Dec 31, 2016 (Rupees in thousand)
7. Long term investments			
These represent long term investment in:			
Related parties	7.1	379,749	373,855
Other - Available for sale			
Quoted		61,824	–
Less: Fair value adjustment		(24,904)	–
		36,920	–
		416,669	373,855

	Note	(Unaudited) Sep 30,2017 (Rupees in thousand)	(Audited) Dec 31,2016
7.1 Investment in Related Parties			
7.1.1 Investment in Subsidiary			
Service Industries Capital (Private) Limited -SICPL (12,568,100 fully paid shares of Rs.10/- each)		125,681	125,681
7.1.2 Investment in Associate			
Speed (Private) Limited	7.1.2.1	253,588	247,694
7.1.3 Investment in Joint Venture			
S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	240
		379,749	373,855
7.1.2.1 Investment in associates			
Cost of investment 160,709 fully paid ordinary shares of Rs. 100/- each		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the period/ year		56,745	36,259
Share of profit during the period/ year	7.2	30,000	30,932
Distributions received during the period		(24,106)	(10,446)
		62,639	56,745
		253,588	247,694

7.1.2.2 The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.

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, 2017 (December 31, 2016: unaudited accounts for the period ended December 31, 2016).

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2017

Note	Nine months ended		Three months ended		
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016	
(Rupees in thousand)					
8. Sales - net					
Sales of footwear - net					
Export	3,344,701	3,122,618	1,202,017	1,087,243	
Local	4,321,435	3,945,534	1,368,261	1,113,515	
	7,666,136	7,068,152	2,570,278	2,200,758	
Sales of tyre division - net					
Export	464,288	552,826	185,839	224,173	
Local	7,439,667	6,559,521	2,601,181	2,187,814	
	7,903,955	7,112,347	2,787,020	2,411,987	
Sales of technical rubber products - net					
Export	-	-	-	-	
Local	7,198	6,645	5,805	-	
	7,198	6,645	5,805	-	
	15,577,289	14,187,144	5,363,103	4,612,745	
9. Cost of sales					
Raw material consumed	9.1	7,965,589	6,999,193	2,657,581	2,231,090
Salaries, wages and benefits		2,007,210	1,814,891	664,704	617,204
Stores and spares consumed		156,474	187,939	41,692	41,855
Packing material consumed		482,078	452,658	148,236	148,204
Fuel and power		522,019	483,182	170,292	163,082
Insurance		14,733	15,902	5,940	5,120
Depreciation		304,907	243,123	107,681	84,705
Travelling and conveyance		8,835	9,300	2,344	2,017
Repair and maintenance		99,813	82,319	34,847	29,258
Entertainment		4,774	3,122	3,345	1,399
Provision for slow moving and obsolete items		32,739	(28,558)	10,482	(6,122)
Other manufacturing charges		97,390	101,486	34,068	29,097
		11,696,561	10,364,557	3,881,212	3,346,909
Work in process					
Opening stock		288,944	392,647	357,006	350,728
Closing stock		(322,901)	(303,867)	(322,901)	(303,867)
		(33,957)	88,780	34,105	46,861
Cost of goods manufactured		11,662,604	10,453,337	3,915,317	3,393,770
Finished goods					
Opening stock		1,375,329	1,057,958	1,752,951	1,207,806
Net purchases during the period		1,889,595	1,107,888	788,974	478,357
Closing stock		(1,851,217)	(1,311,844)	(1,851,217)	(1,311,844)
		1,413,707	854,002	690,708	374,319
		13,076,311	11,307,339	4,606,025	3,768,089

	Note	Nine months ended		Three months ended	
		Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
		(Rupees in thousand)			
9.1	Raw material consumed				
	Opening stock	963,419	1,213,355	1,362,527	1,010,155
	Net purchases during the period	8,401,130	6,875,679	2,694,014	2,310,776
	Closing stock	(1,398,960)	(1,089,841)	(1,398,960)	(1,089,841)
		7,965,589	6,999,193	2,657,581	2,231,090
				(Unaudited) Sep 30, 2017	(Unaudited) Sep 30, 2016
			Note	(Rupees in thousand)	
10.	Taxation				
	Current tax-Current Year			81,721	207,933
	Current tax-Prior Year			(44,826)	-
	Deferred tax			10,768	(6,406)
				47,663	201,527

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2017

11. Segment reporting

(Rupees in thousand)

	Footwear		Tyre Division		Technical Rubber Products		Total	
	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016
External sales	7,666,136	7,068,152	7,903,955	7,112,347	7,198	6,645	15,577,289	14,187,144
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	7,666,136	7,068,152	7,903,955	7,112,347	7,198	6,645	15,577,289	14,187,144
Profit/ (loss) before tax and unallocated expenses	824,640	701,180	477,592	1,114,828	(6,889)	(1,267)	1,295,343	1,814,741
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(206,999)	(155,351)
Other operating expenses	-	-	-	-	-	-	(532,512)	(542,087)
Other operating income	-	-	-	-	-	-	113,657	45,520
Taxation	-	-	-	-	-	-	(47,663)	(201,527)
Profit after taxation	-	-	-	-	-	-	621,826	961,296
11.1 Reconciliation of segment profit								
Total profit for reportable segments							1,295,343	1,814,741
Unallocated expenses							(625,854)	(651,918)
Profit before tax							669,489	1,162,823

Notes to the Condensed Interim Financial Information (Unaudited)
For the period ended September 30, 2017

(Rupees in thousand)

	Footwear		Tyre Division		Technical Rubber Products		Total	
	As at Sep. 30, 2017	As at Dec. 31, 2016	As at Sep. 30, 2017	As at Dec. 31, 2016	As at Sep. 30, 2017	As at Dec. 31, 2016	As at Sep. 30, 2017	As at Dec. 31, 2016
11.2 Reconciliation of segment								
Total assets for reportable segments	5,754,043	5,001,031	7,834,927	5,686,775	56,083	23,055	13,645,053	10,710,861
Unallocated assets	-	-	-	-	-	-	2,241,221	1,985,863
Total assets as per balance sheet							15,886,274	12,696,724
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	11,366,856	8,312,784
Total liabilities as per balance sheet							11,366,856	8,312,784

Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended September 30, 2017

12. Related party transactions

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

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions for the period ended Sep 30, 2017	Sep 30, 2017 Closing balance		December 31, 2016 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	254,068	-	248,174	-
	Advances	3,374	10,874	-	7,500	-
	Expenses	570	2,439	-	1,869	-
	Others	-	-	3,782	-	3,782
Subsidiary	Advances	178	1,119	-	941	-
	Investment	-	125,681	-	125,681	-
Retirement Benefits	Contribution	120,104		118,167		49,111

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

13. The Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2016.

There have been no changes in the risk management policies since the year end.

14. Authorization date

This financial information was approved and authorized for issue by the Board of Directors as on October 27, 2017.

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)

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 nine months ended September 30, 2017.

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 review on the performance of Service Industries Limited for the nine months ended September 30, 2017 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. SICPL has given advance to a company against which shares will be issued in due course. SICPL has incurred a loss of PKR 1.3 million being only preliminary expenses incurred till the end of September 30, 2017.

For and on behalf of the Board



Dated: October 27, 2017
Place: Lahore

Omar Saeed
(Chief Executive)

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمیٹی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 30 ستمبر 2017 تک گروپ کی نو ماہی 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 پر مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

30 ستمبر 2017 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 1.3 بلین روپے کا نقصان ہوا ہے جو کہ بنیادی طور پر 30 ستمبر 2017 تک کے ابتدائی اخراجات ہیں۔

برائے اور پنجاب بورڈ



عمر سعید

(جف۔ انٹرنیٹ)

مورخہ: 27 اکتوبر 2017

مقام: لاہور

Condensed Consolidated Interim Balance Sheet (Unaudited)

As at September 30, 2017

	(Unaudited) Sep 30, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital 100,000,000 (2016: 1000,000) ordinary shares of Rs. 10/- each:	1,000,000	1,000,000
Paid up share capital	120,288	120,288
Reserves	4,397,824	4,262,576
Attributable to owners of the holding company	4,518,112	4,382,864
Non-controlling interest	-	-
	4,518,112	4,382,864
Non-current liabilities		
Long term financing	2,058,362	998,021
Long term deposits	5,268	5,268
Deferred liabilities	475,214	390,792
	2,538,844	1,394,081
Current liabilities		
Trade and other payables	3,044,992	3,259,519
Interest and mark-up accrued	71,099	44,362
Short term borrowings	5,100,466	3,242,870
Current portion of:		
long term financing	325,280	223,058
Provision of taxation	286,228	148,947
	8,828,065	6,918,756
	15,885,021	12,695,701

Contingencies and commitments

6

The annexed notes from 1 to 16 form an integral part of these Condensed Consolidated Interim financial Information.



Chaudhry Ahmed Javed

(Chairman)

		(Unaudited) Sep 30, 2017	(Audited) December 31, 2016
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,778,896	4,745,935
Intangible assets		1,377	2,720
Long term investments	8	290,988	248,174
Long term loans		17,772	15,431
Long term deposits		104,312	77,956
		6,193,345	5,090,216
Current assets			
Stores, spares and loose tools		94,772	100,205
Stock in trade		4,027,976	2,729,738
Trade debts		2,920,055	2,483,211
Loans and advances		315,033	354,029
Trade deposits and prepayments		173,311	85,769
Other receivables		59,874	75,699
Short term Investment		-	103,745
Tax refunds due from government		1,967,785	1,384,844
Cash and Bank Balances		132,871	288,245
		9,691,677	7,605,485
		15,885,021	12,695,701



Omar Saeed
(Chief Executive)

Condensed Consolidated Interim Profit and Loss Account (Unaudited)

For the period ended September 30, 2017

	Note	Nine months ended		Three months ended	
		Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
(Rupees in thousand)					
Sales - net	9	15,577,289	14,187,144	5,363,103	4,612,745
Cost of sales	10	13,076,311	11,307,339	4,606,025	3,768,089
Gross profit		2,500,978	2,879,805	757,078	844,656
Operating expenses					
Distribution cost		994,493	730,780	329,256	247,733
Administrative expenses		785,368	705,031	267,116	252,639
Other operating expenses		96,121	182,518	19,433	23,465
		1,875,982	1,618,329	615,805	523,837
Operating profit before other income		624,996	1,261,476	141,273	320,819
Other income		277,726	83,794	82,493	15,018
Operating profit		902,722	1,345,270	223,766	335,837
Finance cost		233,463	183,439	96,189	53,409
Profit before taxation		669,259	1,161,831	127,577	282,428
Taxation		47,663	201,527	(69,789)	31,055
Profit after taxation		621,596	960,304	197,366	251,373
Attributable to:					
Owners of the holding company		621,596	960,304	197,366	251,373
Non-controlling interest		-	-	-	-
		621,596	960,304	197,366	251,373
Earning per share- Basic and diluted (Rupees)					
attributable to owner of holding company		51.68	79.83	16.41	20.90

The annexed notes from 1 to 16 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, 2017

	Nine months ended		Three months ended	
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
	(Rupees in thousand)			
Profit after taxation for the period	621,596	960,304	197,366	251,373
Items that may reclassify to profit and loss account				
(Loss)/ gain on investments	(24,904)	6,379	(3,170)	(343)
Add: Adjustment for amount transferred to profit and loss account	(40,436)	8,968	(40,436)	-
Items that may not reclassify to profit and loss account	-	-	-	-
Total comprehensive income for the period	556,256	975,651	153,760	251,030
Attributable to:				
Owners of the holding company	556,256	975,651	153,760	251,030
Non-controlling interest	-	-	-	-
	556,256	975,651	153,760	251,030

The annexed notes from 1 to 16 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, 2017

	Nine months ended	
	Sep 30, 2017	Sep 30, 2016
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	669,259	1,161,831
Adjustments for		
Depreciation and amortization	336,621	262,429
Employee benefit plans	32,950	29,018
Ijarah rentals	56,378	49,324
Finance cost	233,463	183,439
Provision for workers' profit participation fund	30,109	61,741
Provision for workers' welfare fund	(11,847)	10,264
Provision for slow moving stocks	32,739	(28,558)
Provision for doubtful debts	-	17,183
Share of profit from Speed (Private) Limited	(30,000)	(39,000)
(Profit)/ loss on sale of property, plant and equipment	18,723	20,864
Loss on sales of shares	-	11,760
Operating profit before working capital changes	1,368,395	1,740,296
Changes in working capital		
(Increase)/ decrease in current assets		
Stores, spares and loose tools	1,062	14,433
Stock in trade	(1,326,604)	(197,992)
Trade debts	(436,844)	(931,578)
Advances, deposits, prepayments and other receivables	(32,721)	(184,069)
Tax refunds due from government	(265,729)	(81,009)
	(2,060,836)	(1,380,215)
Increase/ (decrease) in current liabilities		
Trade and other payables	(265,897)	432,876
Cash generated from operations	(958,338)	792,957
Finance cost paid	(206,726)	(206,091)
Income tax paid	(248,665)	(285,151)
Staff retirement benefits paid	(23,646)	(13,456)
W.P.P.F and W.W.F paid	2,872	(66,770)
Net cash generated from operating activities	(1,434,502)	221,489
Cash flow from investing activities		
Capital expenditure	(1,389,953)	(1,487,280)
Proceeds from sale of property, plant and equipment	2,935	20,201
Investment in Associates	-	(480)
Long term investments	(36,920)	54,019
Dividend received from Speed (Private) Limited	24,106	10,446
Short term investments	103,745	(247,942)
Long term loans	(2,341)	6
Long term deposits	(26,356)	(22,907)
Net cash used in investing activities	(1,324,784)	(1,673,937)
Cash flow from financing activities		
Long term deposits	-	1,603
Ijarah rentals paid	(56,378)	(49,324)
Short term borrowings - net	1,857,596	1,524,066
Long term financing	1,162,563	(93,139)
Dividend paid	(359,869)	(297,228)
Net cash generated from financing activities	2,603,912	1,085,978
Net decrease in cash and cash equivalents	(155,374)	(366,470)
Cash and cash equivalents at beginning of the period	288,245	459,846
Cash and cash equivalents at the end of the period	132,871	93,376

The annexed notes from 1 to 16 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, 2017

(Rupees in thousand)

	Share capital		Capital reserves		Revenue reserves		Total
	Share capital	Capital gain	Share Premium	General reserves	Un-appropriated profit		
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
Balance as at December 31, 2016	120,288	102,730	21,217	1,558,208	2,580,421		4,382,864
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	(300,720)		(300,720)
Interim dividend for the year ended December 31, 2017 @ Rs. 10 per share	-	-	-	-	(120,288)		(120,288)
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	556,256		556,256
Balance as at September 30, 2017	120,288	102,730	21,217	1,558,208	2,715,669		4,518,112

The annexed notes from 1 to 16 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, 2017

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 Act, 2017), was converted into a public limited company on September 23, 1959 and got listed on June 27, 1970. The shares of the Holding Company are quoted on the Pakistan Stock Exchanges. The registered office of the Holding 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.

Information on significant investments of the Group is disclosed in note Long term investments.

The group consists of:

- Service Industries Limited - the holding company;
- Service Industries Capital (Private) Limited - Holding of 100%;

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 in Pakistan as a company limited by shares on 10 November 2015. The registered office of Service Industries Capital (Private) Limited is situated at Service House, 2-Main Gulberg, Lahore. The main object of Service Industries Capital (Private) Limited is to make investment in new ventures, shares and securities, listed or otherwise, in Pakistan or elsewhere in the world, subject to requirements of applicable law.

2. Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the holding company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements of the Group include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiaries have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements. Material intragroup balances and transactions are eliminated.

A change in the ownership interest of the subsidiaries, without a change of control, is accounted for as an equity transaction.

The subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of the subsidiaries are established and are excluded from consolidation from the date of disposal or cessation of control.

Non-controlling interest (NCI) is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

Associates

Associates are all entities over which the Group has significant influence but not control. Investment in associate is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate. The consolidated profit and loss account reflects the Group share of the results of the operations of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss account where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognized in the profit and loss account.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the same in the profit and loss account. “

3. Basis of preparation

This condensed consolidated financial information for the nine months ended September 30, 2017 is prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. These condensed consolidated Interim financial Statements are unaudited and are being submitted to shareholders as required under section 237 of the companies Act, 2017.

4. Accounting policies

Accounting policies adopted for the preparation of these condensed financial information are the same as those applied in the preparation of preceding annual financial statements of the Holding 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, 2016.

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.

6. Contingencies and commitments

Contingencies

- 6.1 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.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2017

- 6.2 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.
- 6.3 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 Holding 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 Holding Company by the Director General Recovery PESSI, Lahore. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 6.4 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

- 6.5 Guarantees issued through banks Rs. 1,998.89 million (Dec-2016 : Rs. 1,855.89 million).
- 6.6 Irrevocable letters of credit Rs. 1,119.12 million (Dec-2016 : Rs. 1,657.62 million).
- 6.7 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, 2017	(Audited) December 31, 2016
(Rupees in thousand)			
Not later than one year		75,192	68,824
Later than one year but not later than five years		97,221	100,558
Later than five years		-	-
		172,413	169,382

7. Property, plant and equipment

Operating fixed assets	7.1	4,386,177	4,116,625
Capital work in progress		1,392,719	629,310
		5,778,896	4,745,935

	Note	(Unaudited) Sep 30, 2017 (Rupees in thousand)	(Audited) December 31, 2016
7.1 Operating fixed assets			
Opening written down value		4,116,625	3,240,772
Add: Additions during the period/ year	7.2	626,544	1,309,402
		4,743,169	4,550,174
Less: Disposals during the period/ year (at net book value)	7.2	21,714	50,553
		4,721,455	4,499,621
Less: Depreciation charged during the period/ year		335,278	382,996
		4,386,177	4,116,625

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

	Additions		Disposals - NBV	
	Unaudited Sep 30, 2017	Audited December 31, 2016 (Rupees in thousand)	Unaudited Sep 30, 2017	Audited December 31, 2016
Land	-	-	-	35
Building on freehold land	357,807	69,601	6,537	8,909
Plant and machinery	86,237	1,009,342	4,059	33,924
Furniture, fixture and fittings	7,425	5,849	-	4
Vehicles	11,447	8,571	838	2,102
Service equipments	111,875	79,967	10,280	5,579
Leasehold improvements	51,753	136,072	-	-
	626,544	1,309,402	21,714	50,553

	Note	(Unaudited) Sep 30, 2017 (Rupees in thousand)	(Audited) December 31, 2016
8. Long term investments			
These represent long term investment in:			
Related parties	8.1	254,068	248,174
Other- Available for sale			
Quoted		61,824	-
Less: Fair value adjustment		(24,904)	-
		36,920	-
		290,988	248,174

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2017

	Note	(Unaudited) Sep 30, 2017 (Rupees in thousand)	(Audited) December 31, 2016
8.1 Investment in Related Parties			
8.1.1 Investment in Associate			
Speed (Private) Limited	8.1.1.1	253,588	247,694
8.1.2 Investment in Joint Venture			
S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	240
		254,068	248,174
8.1.1.1 Investment in associates			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the period/ year		56,745	36,259
Share of post acquisition profit	8.2	30,000	30,932
Distributions received during the period		(24,106)	(10,446)
		62,639	56,745
		253,588	247,694

8.1.1.2 The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.

8.2 Share of Profit of Associate has been taken on the basis of unaudited accounts of the associate for the year ended June 30,2107 (December 31,2016:unaudited for the period ended Decemeber 31,2016)

Note	Nine months ended		Three months ended	
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
	(Rupees in thousand)			
9. Sales - net				
Sales of footwear - net				
Export	3,344,701	3,122,618	1,202,017	1,087,243
Local	4,321,435	3,945,534	1,368,261	1,113,515
	7,666,136	7,068,152	2,570,278	2,200,758
Sales of tyre division - net				
Export	464,288	552,826	185,839	224,173
Local	7,439,667	6,559,521	2,601,181	2,187,814
	7,903,955	7,112,347	2,787,020	2,411,987
Sales of technical rubber products - net				
Export	-	-	-	-
Local	7,198	6,645	5,805	-
	7,198	6,645	5,805	-
	15,577,289	14,187,144	5,363,103	4,612,745

Note	Nine months ended		Three months ended		
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016	
(Rupees in thousand)					
10. Cost of sales					
Raw material consumed	10.1	7,965,589	6,999,193	2,657,581	2,231,090
Salaries, wages and benefits		2,007,210	1,814,891	664,704	617,204
Stores and spares consumed		156,474	187,939	41,692	41,855
Packing material consumed		482,078	452,658	148,236	148,204
Fuel and power		522,019	483,182	170,292	163,082
Insurance		14,733	15,902	5,940	5,120
Depreciation		304,907	243,123	107,681	84,705
Travelling and conveyance		8,835	9,300	2,344	2,017
Repair and maintenance		99,813	82,319	34,847	29,258
Entertainment		4,774	3,122	3,345	1,399
Provision for slow moving and obsolete items		32,739	(28,558)	10,482	(6,122)
Other manufacturing charges		97,390	101,486	34,068	29,097
		11,696,561	10,364,557	3,881,212	3,346,909
Work in process					
Opening stock		288,944	392,647	357,006	350,728
Closing stock		(322,901)	(303,867)	(322,901)	(303,867)
		(33,957)	88,780	34,105	46,861
Cost of goods manufactured		11,662,604	10,453,337	3,915,317	3,393,770
Finished goods					
Opening stock		1,375,329	1,057,958	1,752,951	1,207,806
Net purchases during the period		1,889,595	1,107,888	788,974	478,357
Closing stock		(1,851,217)	(1,311,844)	(1,851,217)	(1,311,844)
		1,413,707	854,002	690,708	374,319
		13,076,311	11,307,339	4,606,025	3,768,089
10.1 Raw material consumed					
Opening stock		963,419	1,213,355	1,362,527	1,010,155
Net purchases during the period		8,401,130	6,875,679	2,694,014	2,310,776
Closing stock		(1,398,960)	(1,089,841)	(1,398,960)	(1,089,841)
		7,965,589	6,999,193	2,657,581	2,231,090
				(Unaudited)	(Unaudited)
				Sep 30, 2017	Sep 30, 2016
				(Rupees in thousand)	
11. Taxation					
Current tax-Current Year				81,721	207,933
Current tax-Prior Year				(44,826)	-
Deferred tax				10,768	(6,406)
				47,663	201,527

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2017

12. Segment reporting

(Rupees in thousand)

	Footwear		Tyre Division		Technical Rubber Products		Total	
	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2016
External sales	7,666,136	7,068,152	7,903,955	7,112,347	7,198	6,645	15,577,289	14,187,144
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	7,666,136	7,068,152	7,903,955	7,112,347	7,198	6,645	15,577,289	14,187,144
Profit/ (loss) before tax and unallocated expenses	824,640	701,180	477,592	1,114,828	(6,889)	(1,267)	1,295,343	1,814,741
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(206,999)	(155,351)
Other operating expenses	-	-	-	-	-	-	(532,799)	(543,079)
Other operating income	-	-	-	-	-	-	113,714	45,520
Taxation	-	-	-	-	-	-	(47,663)	(201,527)
Profit after taxation							621,596	960,304
12.1 Reconciliation of segment profit								
Total profit for reportable segments							1,295,343	1,814,741
Unallocated expenses							(626,084)	(652,910)
Profit before tax							669,259	1,161,831

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)
For the period ended September 30, 2017

(Rupees in thousand)

	Footwear		Tyre Division		Technical Rubber Products		Total	
	As at Sep. 30, 2017	As at Dec. 31, 2016	As at Sep. 30, 2017	As at Dec. 31, 2016	As at Sep. 30, 2017	As at Dec. 31, 2016	As at Sep. 30, 2017	As at Dec. 31, 2016
12.2 Reconciliation of segment								
Total assets for reportable segments	5,754,043	5,001,031	7,834,927	5,686,775	56,083	23,055	13,645,053	10,710,861
Unallocated assets	-	-	-	-	-	-	2,239,968	1,984,840
Total assets as per balance sheet							15,885,021	12,695,701
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	11,366,909	8,312,837
Total liabilities as per balance sheet							11,366,909	8,312,837

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended September 30, 2017

13 Related party transactions

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

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions for the period ended June 30, 2017	Sep 30, 2017		December 31, 2016	
			Closing balance		Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	254,068	-	248,174	-
	Advances	3,374	10,874	-	7,500	-
	Expenses	570	2,439	-	1,869	-
	Others	-	-	3,782	-	3,782
Retirement Benefits	Contribution	120,104		118,617		49,111

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

14. The Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2016.

There have been no changes in the risk management policies since the year end.

15. Authorization date

This financial information was approved and authorized for issue by the Board of Directors as on October 27, 2017.

16. General

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



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)

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