

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 quarter ended March 31, 2017.

During this quarter, the company achieved sales of PKR 5.1 billion, compared with PKR 4.2 billion during the corresponding period last year. This growth was mainly driven by the Tyre business, as commodity prices started to rise. There was also strong top-line growth in the Servis Genuine Parts business as also positive developments in the footwear retail business. The weaker Euro continues to be a challenge, but our footwear export figures were aided by a 16% growth in pairage compared to the same period last year.

Financial performance:

	Quarter ended March 31,		
	2017	2016	growth
	PKR in Million		
Net Sales	5,103	4,251	20%
Profit Before Tax	363	340	7%
Profit After Tax	281	252	12%
Earning Per Share (Amount in PKR)	23.35	20.92	12%

During the period under review, operating expenses were increased as compared to corresponding period mainly due to start up of new retail outlets and sustained efforts on brand promotion. As a result of improved product mix, production efficiencies and continuous investment in technology your company achieved growth in Profit before Tax of 7% to PKR 363 million, compared with PKR 340 million last year.

The earnings per share stood at PKR 23.35 during the period under review registering a growth of 12% over same period Last Year.

### Future Outlook

In spite of the challenging operating environment and increasing competitive intensity, we are optimistic about the future outlook of the company, and this confidence is reflected in the continuous investment in manufacturing facility, product portfolio and brands. We hope that, with this approach, your Company will continue to improve customer satisfaction and enhance shareholder value through continuous innovation and stronger brand equity.

The Directors wish to place on record their appreciation for the continued patronage of our valuable customers, and to the support of all of our stakeholders as well as our staff and workers.

For and on behalf of the Board



Omar Saeed  
(Chief Executive)

Dated: April 27, 2017  
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 31 مارچ 2017 تک کی سہ ماہی کی مختصر عبوری مالیاتی معلومات پیش کی جارہی ہیں۔

آپ کی کمپنی نے اس سہ ماہی میں 5.1 بلین روپے کی فروخت کی جبکہ پچھلے سال اسی مدت میں 4.2 بلین روپے کی فروخت ہوئی۔ نمونکی بنیادی وجہ ٹائر کے کاروبار میں اضافہ ہے جیسا کہ دوسری اجناس کی قیمتوں میں بھی اضافہ شروع ہوا ہے۔ اس کے علاوہ سروس کے جینوئن پارٹس کے کاروبار میں شرح نمو بہت اچھی رہی اور اس کے ساتھ ساتھ جو تلوں کے کاروبار میں بھی ترقی ہوئی۔ کمزور یورو لگاتار چیلنج بنا ہوا ہے لیکن ہماری جو تلوں کی برآمدات پچھلے سال کی اسی مدت کے مقابلے میں 16 فیصد زیادہ رہیں ہیں۔

### مالیاتی کارکردگی

شرح نمو	سہ ماہی اختتام 31 مارچ	
	2016	2017
	روپے بلین میں	
20%	4,251	5,103
7%	340	363
12%	252	281
12%	20.92	23.35

خالص فروخت  
منافع قبل از ٹیکس  
منافع بعد از ٹیکس  
فی شیئر آمدنی (پے)

اس سہ ماہی کے دوران آپریٹنگ خرچے پچھلے سال کے اسی دورانیے کے مقابلے میں زیادہ رہے جس کی وجہ سے ریٹیل آؤٹلیٹس کھولنا اور برینڈ پروموشن پر لگاتار توجہ ہے۔ 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 7 فیصد یعنی 340 بلین سے بڑھ کر 363 بلین ہو گیا۔

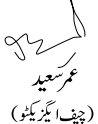
اس مدت کے دوران فی شیئر آمدنی 23.35 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 12 فیصد زیادہ ہے۔

### مستقبل پر ایک نظر

باوجود مشکل کاروباری حالات اور لگاتار بڑھتے ہوئے زبردست مقابلے کے رجحان کے، ہم کمپنی کے خوش آئند مستقبل کے بارے میں پر امید ہیں اور اسی لئے کمپنی مشینری، مصنوعات اور برینڈز میں لگاتار سرمایہ کاری کر رہی ہے۔ ہم امید کرتے ہیں کہا آپ کی کمپنی اس طرح نت نئے طریقوں اور برینڈ ایکوٹی کے ذریعے، گاہک کا اطمینان کو بہتر بنانے اور حصص یافتگان کے سرمائے کو مزید منافع بخش بنانا جاری رکھے گی۔

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

برائے اور منجانب بورڈ



عمر سعید  
(چیف ایگزیکٹو)

مورخہ: 27 اپریل 2017  
مقام: لاہور

## Condensed Interim Balance Sheet (Unaudited)

As at March 31, 2017

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
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	4,544,465	4,263,652
	4,664,753	4,383,940
<b>Non-current liabilities</b>		
Long term financing	926,906	998,021
Long term deposits	5,268	5,268
Deferred liabilities	420,352	390,792
	1,352,526	1,394,081
<b>Current liabilities</b>		
Trade and other payables	3,100,167	3,259,466
Interest and mark-up accrued	25,354	44,362
Short term borrowings	4,274,443	3,242,870
Current portion of long term financing	223,058	223,058
Provision for taxation	202,625	148,947
	7,825,647	6,918,703
	13,842,926	12,696,724

Contingencies and commitments

7

The annexed notes from 1 to 14 form an integral part of these financial statements.


Chaudhry Ahmed Javed  
(Chairman)

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,845,845	4,745,935
Intangible assets	2,272	2,720
Long term investments	387,784	373,855
Long term loans	17,506	15,431
Long term deposits	88,689	77,956
	5,342,096	5,215,897
<b>Current assets</b>		
Stores, spares and loose tools	110,813	100,205
Stock in trade	3,359,555	2,729,738
Trade debts	2,678,885	2,483,211
Loans and advances	375,441	293,228
Trade deposits and prepayments	97,578	85,769
Other receivables	82,563	75,699
Tax refunds due from government	1,535,616	1,384,345
Short term Investment	158,484	103,745
Cash and cash equivalents	101,895	224,887
	8,500,830	7,480,827
	13,842,926	12,696,724


Omar Saeed  
(Chief Executive)

## Condensed Interim Profit and Loss Account (Unaudited)

For the period ended March 31, 2017

	Note	March 31, 2017 (Rupees in thousand)	March 31, 2016 (Rupees in thousand)
Sales	8	5,103,296	4,250,725
Cost of sales	9	4,142,140	3,424,604
<b>Gross profit</b>		<b>961,156</b>	<b>826,121</b>
<b>Operating expenses</b>			
Distribution cost		293,422	183,863
Administrative expenses		271,209	214,058
Other operating expenses		67,033	45,985
		631,664	443,906
<b>Operating profit before other income</b>		<b>329,492</b>	<b>382,215</b>
Other operating income		86,495	18,035
<b>Operating profit</b>		<b>415,987</b>	<b>400,250</b>
Finance cost		53,008	60,368
<b>Profit before taxation</b>		<b>362,979</b>	<b>339,882</b>
Taxation		82,166	88,208
<b>Profit after taxation</b>		<b>280,813</b>	<b>251,674</b>

<b>Earning per share-Basic and diluted (Rupees)</b>	<b>23.35</b>	<b>20.92</b>
---	--------------	--------------

The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended March 31, 2017

	March 31, 2017 (Rupees in thousand)	March 31, 2016 (Rupees in thousand)
Profit after taxation for the period	280,813	251,674
<b>Other comprehensive income</b>		
<b>Items that may reclassify to profit and loss account</b>		
Gain/(loss) on investments	-	2,214
<b>Items that may not reclassify to profit and loss account</b>	-	-
<b>Total comprehensive income for the period</b>	<b>280,813</b>	<b>253,888</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Condensed Interim Cash Flow Statement (Unaudited)

For the period ended March 31, 2017

	March 31, 2017 (Rupees in thousand)	March 31, 2016 (Rupees in thousand)
<b>Cash flow from operating activities</b>		
Profit before taxation	362,979	339,882
<b>Adjustments for:</b>		
Depreciation and amortization	108,905	83,805
Employee benefit plans	10,988	9,719
Finance cost	53,008	60,368
Provision for slow moving	2,086	(22,770)
Provision for W.P.P.F.	15,693	18,253
Provision for W.W.F.	1,198	6,936
Ijarah rentals	17,428	19,143
Unrealized loss on short term investment	9,744	-
Unrealized income on short term investment	(2,659)	-
Share of profit from Speed (Private) Limited	(30,000)	-
Loss / (Profit) on sale of property, plant and equipment	14,758	(4,807)
<b>Operating profit before working capital changes</b>	<b>564,128</b>	<b>510,529</b>
<b>Changes in working capital</b>		
(increase) / decrease in current assets		
Stores, spares and loose tools	(10,924)	2,249
Stock in trade	(631,588)	(252,742)
Trade debts	(195,674)	(83,031)
Advances, deposits, prepayments and other receivables	(100,886)	(277,455)
Tax refunds, due from / to government	(72,030)	(113,485)
	(1,011,102)	(724,464)
(decrease) /increase in current liabilities		
Trade and other payables	(178,906)	(856,765)
<b>Cash (used in) operations</b>	<b>(625,880)</b>	<b>(1,070,700)</b>
Finance cost paid	(72,017)	(79,130)
Income taxes paid	(79,241)	(119,824)
Staff retirement benefits paid	(9,915)	(10,529)
W.P.P.F. paid	-	(67,000)
W.P.P.F. receipt	2,872	-
<b>Net cash (used in) operating activities</b>	<b>(784,181)</b>	<b>(1,347,183)</b>
<b>Cash flow from investing activities</b>		
Capital expenditure	(223,972)	(456,984)
Long term loans	(2,075)	(3,915)
Long term deposit	(10,733)	728
Speed (Private) Limited (Associated company)	16,071	10,446
Payment for short term investment	(61,824)	-
Proceeds from sale of property, plant and equipment	847	11,263
<b>Net cash (used in) investing activities</b>	<b>(281,686)</b>	<b>(438,462)</b>
<b>Cash flow from financing activities</b>		
Short term borrowings - net	1,031,573	1,632,412
Long term financing	(71,115)	(235,039)
Ijarah rentals	(17,428)	(19,143)
Dividend paid	(155)	(79)
<b>Net cash from financing activities</b>	<b>942,875</b>	<b>1,378,151</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(122,992)</b>	<b>(407,494)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>224,887</b>	<b>459,846</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>101,895</b>	<b>52,352</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Condensed Interim Statement of Changes in Equity (Unaudited)

For the period ended March 31, 2017

	(Rupees in thousand)					
	Share capital	Capital reserves	Revenue reserves	Total		
	Capital gain	Share Premium	General reserves	Un-appropriated profit		
<b>Balance as at Dec. 31, 2015</b>	120,288	102,730	21,217	1,558,208	1,800,626	3,603,069
Net profit for the quarter ended Mar. 31, 2016	-	-	-	-	253,888	253,888
<b>Balance as at Mar. 31, 2016</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>2,054,514</b>	<b>3,856,957</b>
<b>Balance as at Dec. 31, 2016</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>2,581,497</b>	<b>4,383,940</b>
Net profit for the quarter ended Mar. 31, 2017	-	-	-	-	280,813	280,813
<b>Balance as at Mar. 31, 2017</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>2,862,310</b>	<b>4,664,753</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2017

### 1. The Company and its operations

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

### 2. Basis of preparation

These financial statements for the period ended March 31, 2017 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements are unaudited 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 effect 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 three months profit. These are subject to change on final results.

	Note	(Unaudited) March 31, 2017 (Rupees in thousand)	(Audited) December 31, 2016
<b>5. Property, plant and equipment</b>			
Operating fixed assets	5.1	4,011,826	4,116,625
Capital work in progress		834,019	629,310
		<b>4,845,845</b>	<b>4,745,935</b>
<b>5.1 Operating fixed assets</b>			
Opening written down value		4,116,625	3,240,772
Add: Additions during the period	5.2	19,303	1,309,402
		<b>4,135,928</b>	<b>4,550,174</b>
Less: Disposals during the period (at book value)		15,645	50,553
		<b>4,120,283</b>	<b>4,499,621</b>
Less: Depreciation charged during the period		108,457	382,996
		<b>4,011,826</b>	<b>4,116,625</b>

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

	Additions		Disposals - NBV	
	Unaudited March 31, 2017	Audited December 31, 2016	Unaudited March 31, 2017	Audited December 31, 2016
	(Rupees in thousand)			
Freehold Land	-	-	-	35
Building on freehold land	-	69,601	6,537	8,909
Plant and machinery	13,916	1,009,342	2,195	33,924
Furniture, fixture and fittings	1,181	5,849	-	4
Vehicles	-	8,571	596	2,102
Service equipments	4,024	79,967	6,317	5,579
Leasehold improvements	182	136,072	-	-
	<b>19,303</b>	<b>1,309,402</b>	<b>15,645</b>	<b>50,553</b>
			(Unaudited) March 31, 2017 (Rupees in thousand)	(Audited) December 31, 2016
	Note			
<b>6 Long term investment</b>				
These represent long term investments in:				
Related parties	6.1	387,784	373,855	
		<b>387,784</b>	<b>373,855</b>	
<b>6.1 Investment in Related Parties:</b>				
<b>6.1.1 Investment in Subsidiary:</b>				
Service Industries Capital (Private) Limited-SICPL (12,568,100 fully paid shares of Rs.10/- each)		125,681	125,681	
<b>6.1.2 Investment in associate:</b>				
Speed (Private) Limited	6.1.2.1	261,623	247,694	
<b>6.1.3 Investment in Joint Venture:</b>				
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	
		<b>480</b>	<b>480</b>	
		<b>387,784</b>	<b>373,855</b>	

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2017

	Note	(Unaudited)	(Audited)
		March 31, 2017	December 31, 2016
<b>6.1.2.1 Investment in Associate</b>			
<b>Cost of investment</b>			
160,709 fully paid ordinary shares of Rs. 100/- each		190,949	190,949
<b>Share of post acquisition reserve</b>			
As at the beginning of the year		56,745	36,259
Share of post acquisition profit for the year / period		30,000	30,932
Less: Dividends received during the year		(16,071)	(10,446)
		70,674	56,745
		<b>261,623</b>	<b>247,694</b>

**7. Contingencies and commitments****Contingencies**

- 7.1 The Collectorate of Customs, Sambrial (Sialkot) initiated a case against the Company on March 15, 2003 before the Collector of Customs, Sales Tax and Central Excise (Adjudication) Lahore. The Customs department had alleged that the consignments of the Company were released without the payment of duties and taxes amounting to Rs. 17.99 million. The Company has strongly put forward its case that the said consignments were cleared against demand drafts prepared in favour of Collector of Customs, Sumbrial Dry Port Trust and had been duly credited in the designated bank account. The case has been decided in favour of the Company by Collector (Appeal) Customs. The department has filed an appeal against the said decision before Sales Tax, Federal Excise and Customs Tribunal, Lahore, which is still pending. However, the Company has a strong case therefore no provision has been made in these financial statements against the case.
- 7.2 The Additional Collector (Adjudication) 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.
- 7.3 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 send 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.

- 7.4 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**

- 7.5 Guarantees issued through banks Rs. 1,823.34 million (Dec-2016 : Rs. 1,855.89 million).
- 7.6 Irrevocable letters of credit Rs. 1,567.14 million (Dec-2016 : Rs. 1,657.62 million).
- 7.7 The amount of future Ijarah financing and the period in which these payments will become due are as follows:

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
	(Rupees in thousand)	
Not later than one year	72,275	68,824
Later than one year but not later than five years	104,804	100,558
Later than 5 years	-	-
	<b>177,079</b>	<b>169,382</b>



## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2017

	(Unaudited) March 31, 2017 (Rupees in thousand)	(Unaudited) March 31, 2016
Note		
<b>8. Sales</b>		
<b>Sale of footwear (Net)</b>		
Export sales	1,121,811	987,422
Local sales	1,467,072	1,515,330
	<b>2,588,883</b>	<b>2,502,752</b>
<b>Sale of tyre and tube (Net)</b>		
Export sales	96,211	117,199
Local sales	2,418,180	1,632,854
	<b>2,514,391</b>	<b>1,750,053</b>
<b>Sale of technical rubber products (Net)</b>		
Local sales	22	(2,080)
	<b>22</b>	<b>(2,080)</b>
	<b>5,103,296</b>	<b>4,250,725</b>

	(Unaudited) March 31, 2017 (Rupees in thousand)	(Unaudited) March 31, 2016
Note		
<b>9. Cost of sales</b>		
Raw material consumed	9.1 2,650,687	2,413,225
Salaries, wages and benefits	673,883	601,478
Stores and spares consumed	47,160	57,485
Packing material consumed	173,147	149,983
Fuel and power	177,499	169,112
Insurance	3,603	5,688
Depreciation	96,723	78,707
Travelling and conveyance	3,118	4,730
Repair and maintenance	31,684	27,331
Entertainment	621	459
Provision of slow moving and obsolete item	2,086	(22,770)
Other manufacturing charges	34,040	43,051
	<b>3,894,251</b>	<b>3,528,479</b>
Work in process		
Opening stock	288,944	392,647
Closing stock	(322,028)	(333,634)
	<b>(33,084)</b>	<b>59,013</b>
<b>Cost of goods manufactured</b>	<b>3,861,167</b>	<b>3,587,492</b>
Finished goods		
Opening stock	1,375,329	1,057,958
Finished goods purchased	477,704	334,785
Closing stock	(1,572,060)	(1,555,631)
	<b>280,973</b>	<b>(162,888)</b>
<b>Cost of goods sold</b>	<b>4,142,140</b>	<b>3,424,604</b>
<b>9.1 Raw material consumed</b>		
Opening stock	962,327	1,213,355
Purchases	2,934,235	2,144,479
Closing stock	(1,245,875)	(944,609)
	<b>2,650,687</b>	<b>2,413,225</b>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2017

## 10. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016
External sales	2,568,883	2,502,752	2,514,391	1,750,053	22	(2,080)	5,103,296	4,250,725
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	2,568,883	2,502,752	2,514,391	1,750,053	22	(2,080)	5,103,296	4,250,725
Profit/(Loss) before tax and unallocated expenses	263,169	282,186	289,109	284,868	(2,973)	(2,250)	549,305	564,804
<b>Unallocated corporate expenses</b>								
Finance cost	-	-	-	-	-	-	(42,974)	(51,972)
Other operating expenses	-	-	-	-	-	-	(207,682)	(175,903)
Other operating income	-	-	-	-	-	-	64,330	2,953
Taxation	-	-	-	-	-	-	(82,166)	(88,208)
<b>Profit after taxation</b>							<b>280,813</b>	<b>251,674</b>
<b>10.1 Reconciliation of segment profit</b>								
Total profit for reportable segments							549,305	564,804
Unallocated expenses							(186,326)	(224,922)
<b>Profit before tax</b>							<b>362,979</b>	<b>339,882</b>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2017

## 10.2 Reconciliation of segment

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
<b>Assets &amp; Liabilities</b>								
Total assets for reportable segments	5,115,253	5,001,031	6,536,753	5,686,775	14,337	23,055	11,666,343	10,710,861
Unallocated assets							2,176,582	1,985,863
<b>Total assets as per balance sheet</b>							<b>13,842,926</b>	<b>12,696,724</b>
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							9,178,173	8,312,784
<b>Total liabilities as per balance sheet</b>							<b>9,178,173</b>	<b>8,312,784</b>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the period ended March 31, 2017

11. 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 Mar 31, 2017	March 31, 2017		December 31, 2016	
			Closing balance		Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	262,103		248,174	
	Advances	2,000	9,500		7,500	
	Expenses	214	2,083		1,869	
	Others	-		3,782		3,782
Subsidiary	Advances	50	991		941	
	Investment	125,681	125,681		125,681	
Retirement Benefits	Contribution	40,391		113,086		49,111

## 12. 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.

## 13. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'International Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

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

## 14. Authorization date

These financial statements were authorized for issue by the Board of Directors as on April 27, 2017.



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 Financial Information of the Service Industries Limited (SIL) for the quarter ended March 31, 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 commentary on the performance of Service Industries Limited for the quarter ended March 31, 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. Since the subsidiary has not yet finalize the investment till March 31, 2017, hence it has incurred a loss of PKR 1 million being preliminary expenses incurred till March 31, 2017.

## 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 31 مارچ 2017 تک گروپ کی سہ 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 پیش کیا ہے۔

### سروس انڈسٹریز لمیٹڈ

31 مارچ 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 ایک ملین روپے کا نقصان ہوا ہے جو کہ بنیادی طور پر 31 مارچ 2017 تک کے ابتدائی اخراجات ہیں۔

For and on behalf of the Board



Omar Saeed  
(Chief Executive)

Dated: April 27, 2017  
Place: Lahore

مورخہ 27 اپریل 2017  
مقام: لاہور

برائے اور منجانب بورڈ



عمر سعید  
(چیف ایگزیکٹو)

## Condensed Consolidated Interim Balance Sheet (Unaudited)

As at March 31, 2017

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
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	4,543,286	4,262,576
Attributable to owners of the holding company	4,663,574	4,382,864
Non-controlling interest	-	-
<b>Total Equity</b>	<b>4,663,574</b>	<b>4,382,864</b>
<b>Non-current liabilities</b>		
Long term financing	926,906	998,021
Long term deposits	5,268	5,268
Deferred liabilities	420,352	390,792
	1,352,526	1,394,081
<b>Current liabilities</b>		
Trade and other payables	3,100,220	3,259,519
Interest and mark-up accrued	25,354	44,362
Short term borrowings	4,274,443	3,242,870
Current portion of long term financing	223,058	223,058
Provision for taxation	202,625	148,947
	7,825,700	6,918,756
	<b>13,841,800</b>	<b>12,695,701</b>

Contingencies and commitments

8

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


Chaudhry Ahmed Javed  
(Chairman)

	(Unaudited) March 31, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,845,845	4,745,935
Intangible assets	2,272	2,720
Long term investments	262,103	248,174
Long term loans	17,506	15,431
Long term deposits	88,689	77,956
	5,216,415	5,090,216
<b>Current assets</b>		
Stores, spares and loose tools	110,814	100,205
Stock in trade	3,359,555	2,729,738
Trade debts	2,678,885	2,483,211
Loans and advances	498,961	354,029
Trade deposits and prepayments	97,578	85,769
Other receivables	82,563	75,699
Tax refunds due from government	1,536,115	1,384,844
Short term Investment	158,484	103,745
Cash and cash equivalents	102,430	288,245
	8,625,385	7,605,485
	<b>13,841,800</b>	<b>12,695,701</b>


Omar Saeed  
(Chief Executive)

## Condensed Consolidated Interim Profit and Loss Account (Unaudited)

For the period ended March 31, 2017

	Note	March 31, 2017 (Rupees in thousand)	March 31, 2016 (Rupees in thousand)
Sales	9	5,103,296	4,250,725
Cost of sales	10	4,142,140	3,424,604
<b>Gross profit</b>		<b>961,156</b>	<b>826,121</b>
<b>Operating expenses</b>			
Distribution cost		293,422	183,863
Administrative expenses		271,259	214,058
Other operating expenses		67,143	45,985
		631,824	443,906
<b>Operating profit before other income</b>		<b>329,332</b>	<b>382,215</b>
Other operating income		86,552	18,035
<b>Operating profit</b>		<b>415,884</b>	<b>400,250</b>
Finance cost		53,008	60,368
<b>Profit before taxation</b>		<b>362,876</b>	<b>339,882</b>
Taxation		82,166	88,208
<b>Profit after taxation</b>		<b>280,710</b>	<b>251,674</b>
<b>Attributable to:</b>			
Owners of the holding company		280,710	251,674
Non-controlling interest		-	-
		280,710	251,674
<b>Earning per share- Basic and diluted (Rupees)</b>			
<b>attributable to owner of holding company</b>		<b>23.34</b>	<b>20.92</b>

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



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the period ended March 31, 2017

	March 31, 2017 (Rupees in thousand)	March 31, 2016 (Rupees in thousand)
Profit after taxation for the period	280,710	251,674
<b>Other comprehensive income</b>		
<b>Items that may reclassify to profit and loss account</b>		
Gain/(loss) on investments	-	2,214
<b>Items that may not reclassify to profit and loss account</b>		
	-	-
<b>Total other comprehensive income for the period</b>	<b>280,710</b>	<b>253,888</b>
<b>Attributable to:</b>		
Owners of the holding company	280,710	253,888
Non-controlling interest	-	-
	280,710	253,888

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



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Condensed Consolidated Interim Cash Flow Statement (Unaudited)

For the period ended March 31, 2017

	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	362,875	339,882
Adjustments for:		
Depreciation and amortization	108,905	83,805
Employee benefit plans	10,988	9,719
Finance cost	53,008	60,368
Provision for slow moving	2,086	(22,770)
Provision for W.P.P.F.	15,693	18,253
Provision for W.W.F.	1,198	6,936
Ijarah rentals	17,428	19,143
Unrealized loss on short term investment	9,744	-
Unrealized income on short term investment	(2,659)	-
Share of profit from Speed (Private) Limited	(30,000)	-
Loss / (Profit) on sale of property, plant and equipment	14,758	(4,807)
<b>Operating profit before working capital changes</b>	<b>564,024</b>	<b>510,529</b>
<b>Changes in working capital</b>		
(increase) / decrease in current assets		
Stores, spares and loose tools	(10,924)	2,249
Stock in trade	(631,588)	(252,742)
Trade debts	(195,674)	(83,031)
Advances, deposits, prepayments and other receivables	(100,835)	(277,455)
Tax refunds, due from / to government	(72,030)	(113,485)
	(1,011,051)	(724,464)
(decrease) /increase in current liabilities		
Trade and other payables	(178,906)	(856,765)
<b>Cash (used in) operations</b>	<b>(625,933)</b>	<b>(1,070,700)</b>
Finance cost paid	(72,017)	(79,130)
Income taxes paid	(79,241)	(119,824)
Staff retirement benefits paid	(9,915)	(10,529)
W.P.P.F. paid	-	(67,000)
W.P.P.F. receipt	2,872	-
<b>Net cash (used in) operating activities</b>	<b>(784,234)</b>	<b>(1,347,183)</b>
<b>Cash flow from investing activities</b>		
Capital expenditure	(223,972)	(456,984)
Long term loans	(2,075)	(3,915)
Long term deposit	(10,733)	728
Speed (Private) Limited (Associated company)	16,071	10,446
Payment for short term investment	(61,824)	-
Advance against investment	(62,770)	-
Proceeds from sale of property, plant and equipment	847	11,263
<b>Net cash (used in) investing activities</b>	<b>(344,456)</b>	<b>(438,462)</b>
<b>Cash flow from financing activities</b>		
Short term borrowings - net	1,031,573	1,632,412
Long term financing	(71,115)	(235,039)
Ijarah rentals	(17,428)	(19,143)
Dividend paid	(155)	(79)
Long term deposits	-	-
<b>Net cash from financing activities</b>	<b>942,875</b>	<b>1,378,151</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(185,815)</b>	<b>(407,494)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>288,245</b>	<b>459,846</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>102,430</b>	<b>52,352</b>

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



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the period ended March 31, 2017

	(Rupees in thousand)					
	Share capital	Capital reserves	Revenue reserves	Total		
	Capital gain	Share Premium	General reserves	Un-appropriated profit		
Balance as at Dec. 31, 2015	120,288	102,730	21,217	1,558,208	1,800,626	3,603,069
Net profit for the quarter ended Mar. 31, 2016	-	-	-	-	253,888	253,888
<b>Balance as at Mar. 31, 2016</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>2,054,514</b>	<b>3,856,957</b>
Balance as at Dec. 31, 2016	120,288	102,730	21,217	1,558,208	2,580,421	4,382,864
Net profit for the quarter ended Mar. 31, 2017	-	-	-	-	280,710	280,710
<b>Balance as at Mar. 31, 2017</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>2,861,131</b>	<b>4,663,574</b>

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



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2017

### 1. The Company and its operations

Service Industries Limited (the Holding Company) was incorporated as a private limited Holding Company on March 20, 1957 in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984), was converted into a public limited Holding Company on September 23, 1959 and got listed on June 27, 1970. The shares of the Holding Company are quoted on the Pakistan Stock Exchange. The registered office of the Holding 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.

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

These condensed consolidated financial statements for the period ended March 31, 2017 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and the directives of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). These condensed consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the annual consolidated financial statements.

### 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 interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, 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 three months profit. These are subject to change on final results.



## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2017

	Note	(Unaudited) March 31, 2017 (Rupees in thousand)	(Audited) December 31, 2016
<b>6. Property, plant and equipment</b>			
Operating fixed assets	6.1	4,011,826	4,116,625
Capital work in progress		834,019	629,310
		4,845,845	4,745,935
<b>6.1 Operating fixed assets</b>			
Opening written down value		4,116,625	3,240,772
Add: Additions during the period	6.2	19,303	1,309,402
		4,135,928	4,550,174
Less: Disposals during the period (at book value)		15,645	50,553
		4,120,283	4,499,621
Less: Depreciation charged during the period		108,457	382,996
		4,011,826	4,116,625

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

	Additions		Disposals - NBV	
	Unaudited March 31, 2017	Audited December 31, 2016	Unaudited March 31, 2017	Audited December 31, 2016
	(Rupees in thousand)			
Freehold Land	-	-	-	35
Building on freehold land	-	69,601	6,537	8,909
Plant and machinery	13,916	1,009,342	2,195	33,924
Furniture, fixture and fittings	1,181	5,849	-	4
Vehicles	-	8,571	596	2,102
Service equipments	4,024	79,967	6,317	5,579
Leasehold improvements	182	136,072	-	-
	19,303	1,309,402	15,645	50,553

	Note	(Unaudited) March 31, 2017 (Rupees in thousand)	(Audited) December 31, 2016
<b>7. Long term investment</b>			
These represent long term investments in:			
Related parties	7.1	262,103	248,174
Others		-	-
		262,103	248,174
<b>7.1 Investment in Related Parties:</b>			
<b>7.1.1 Investment in associate:</b>			
Speed (Private) Limited	7.1.1.1	261,623	247,694
<b>7.1.2 Investment in Joint Venture:</b>			
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
		480	480
		262,103	248,174

## 7.1.1.1 Investment in Associate:

Cost of investment		
160,709 fully paid ordinary shares of Rs. 100/- each	190,949	190,949
<b>Share of post acquisition reserve</b>		
As at the beginning of the year	56,745	36,259
Share of post acquisition profit for the year / period	30,000	30,932
Less: Dividends received during the year	(16,071)	(10,446)
	70,674	56,745
	261,623	247,694

## 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 these financial statements against the case.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2017

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 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 send 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.

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. 1,823.34 million (Dec-2016 : Rs. 1,855.89 million).

8.6 Irrevocable letters of credit Rs. 1,567.14 million (Dec-2016 : Rs. 1,657.62 million).

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

Note	(Unaudited)	(Audited)
	March 31, 2017	December 31, 2016
	(Rupees in thousand)	
Not later than one year	72,275	68,824
Later than one year but not later than five years	104,804	100,558
Later than 5 years	-	-
	177,079	169,382

Note	(Unaudited)	(Unaudited)
	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
<b>9. Sales</b>		
<b>Sale of footwear (Net)</b>		
Export sales	1,121,811	987,422
Local sales	1,467,072	1,515,330
	2,588,883	2,502,752
<b>Sale of tyre and tube (Net)</b>		
Export sales	96,211	117,199
Local sales	2,418,180	1,632,854
	2,514,391	1,750,053
<b>Sale of technical rubber products (Net)</b>		
Local sales	22	(2,080)
	22	(2,080)
	5,103,296	4,250,725
<b>10. Cost of sales</b>		
Raw material consumed	10.1 2,650,687	2,413,225
Salaries, wages and benefits	673,883	601,478
Stores and spares consumed	47,160	57,485
Packing material consumed	173,147	149,983
Fuel and power	177,499	169,112
Insurance	3,603	5,688
Depreciation	96,723	78,707
Travelling and conveyance	3,118	4,730
Repair and maintenance	31,684	27,331
Entertainment	621	459
Provision of slow moving and obsolete item	2,086	(22,770)
Other manufacturing charges	34,040	43,051
	3,894,251	3,528,479
Work in process		
Opening stock	288,944	392,647
Closing stock	(322,028)	(333,634)
	(33,084)	59,013
Cost of goods manufactured	3,861,167	3,587,492
Finished goods		
Opening stock	1,375,329	1,057,958
Finished goods purchased	477,704	334,785
Closing stock	(1,572,060)	(1,555,631)
	280,973	(162,888)
Cost of goods sold	4,142,140	3,424,604
<b>10.1 Raw material consumed</b>		
Opening stock	962,327	1,213,355
Purchases	2,934,235	2,144,479
Closing stock	(1,245,875)	(944,609)
	2,650,687	2,413,225

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2017

## 11. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016	3 months ended Mar. 31, 2017	3 months ended Mar. 31, 2016
External sales	2,588,883	2,502,752	2,514,391	1,750,053	22	(2,080)	5,103,296	4,250,725
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	2,588,883	2,502,752	2,514,391	1,750,053	22	(2,080)	5,103,296	4,250,725
Profit/(Loss) before tax and unallocated expenses	263,169	282,186	289,109	284,868	(2,973)	(2,250)	549,305	564,804
<b>Unallocated corporate expenses</b>								
Finance cost	-	-	-	-	-	-	(42,974)	(51,972)
Other operating expenses	-	-	-	-	-	-	(207,842)	(175,903)
Other operating income	-	-	-	-	-	-	64,387	2,953
Taxation	-	-	-	-	-	-	(82,166)	(88,208)
<b>Profit after taxation</b>							<b>280,710</b>	<b>251,674</b>
<b>11.1 Reconciliation of segment profit</b>								
Total profit for reportable segments							549,305	564,804
Unallocated expenses							(186,429)	(224,922)
<b>Profit before tax</b>							<b>362,876</b>	<b>339,882</b>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2017

## 11.2 Reconciliation of segment

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
<b>Assets &amp; Liabilities</b>								
Total assets for reportable segments	5,115,253	5,001,031	6,536,753	5,686,775	14,337	23,055	11,666,343	10,710,861
Unallocated assets							2,175,456	1,984,840
<b>Total assets as per balance sheet</b>							<b>13,841,800</b>	<b>12,695,701</b>
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities							9,178,226	8,312,837
<b>Total liabilities as per balance sheet</b>							<b>9,178,226</b>	<b>8,312,837</b>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the period ended March 31, 2017

12. 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 Mar 31, 2017	March 31, 2017		December 31, 2016	
			Closing balance		Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	262,103		248,174	
	Advances	2,000	9,500		7,500	
	Expenses	214	2,083		1,869	
	Others	-		3,782		3,782
Retirement Benefits	Contribution	40,391		113,086		49,111

## 13. Financial risk management

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

The condensed 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. Corresponding figures

In order to comply with the requirements of International Accounting Standard 34 - 'International Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

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

## 15. Authorization date

These financial statements were authorized for issue by the Board of Directors as on April 27, 2017.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)

[www.servisgroup.com](http://www.servisgroup.com)

SERVIS HOUSE

2-Main Gulberg, Lahore-54662, Pakistan.

Tel: +92-42-35751990-96

Fax: +92-42-35711827, 35710593