

Realizing growth  
through diversification...



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## 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 Half Year ended June 30, 2017.

### Company's performance:

Key Financial Indicators of your companies are summarized below:

	Six Months Ended June 30			Quarter ended June 30		
	2017	2016	Growth	2017	2016	Growth
	PKR in Millions			PKR in Million		
Net Sales	10,214	9,574	7%	5,111	5,324	(4)%
Profit Before Tax	541	879	(38)%	179	540	(67)%
Profit After Tax	424	709	(40)%	144	457	(69)%
Earnings Per Share (PKR)	35.29	58.94	(40)%	11.94	38.01	(69)%

Despite volatile business environment due to uncertain socio-political situation prevailing in the country, your company achieved sales of PKR 10.21 billion during the first half of the year compared to PKR 9.57 billion during corresponding period last year, with steady growth of 7%. We were able to see growth in domestic sales as well as in exports of footwear and tyres.

Footwear export and local business reflected better profitability due to product mix, production efficiencies, and continuous investment in technology. However, this was partially offset by aggressive investment in the retail market of your company through doubling the number of retail outlets during this period resulting in higher marketing and startup cost of newly inaugurated retail outlets.

Due to unprecedented 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. We expect the profitability situation to improve as the market adjusts to the new rates.

The earnings per share stood at PKR 35.29 during the period under review registering a decline of 40% 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: August 22, 2017

Place: Lahore

## ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی ششماہی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 30 جون 2017 تک کی چھ ماہ کی مختصر عہدہ مالیاتی معلومات پیش کی جا رہی ہے۔

### مالیاتی کارکردگی

کمپنی کے اہم مالیاتی اعداد و شمار درج ذیل ہیں:

	ششماہی اختتام 30 جون			سہ ماہی اختتام 30 جون		
	2017	2016	تبدیلی	2017	2016	تبدیلی
	روپے، ہزاروں میں			روپے، ہزاروں میں		
خالص فروخت	10,214	9,574	7%	5,111	5,324	(4)%
منافع قبل از ٹیکس	541	879	(38)%	179	540	(67)%
منافع بعد از ٹیکس	424	709	(40)%	144	457	(69)%
فی شیئر آمدنی	35.29	58.94	(40)%	11.94	38.01	(69)%

غیر بیضی سماجی اور سیاسی حالات کی وجہ سے کاروباری حالات غیر مستحکم رہے ہیں اس کے باوجود آپ کی کمپنی نے پہلی ششماہی میں 10.21 بلین روپے کی مصنوعات فروخت کیں، جبکہ پچھلے سال اسی مدت میں 9.57 بلین روپے کی فروخت ہوئی جو کہ 7 فیصد شرح نمو میں اضافہ ظاہر کرتا ہے۔ ٹائر اور جوتوں کی فروخت میں اضافہ مقامی اور برآمدات دونوں سیکٹرز میں ہوا ہے۔

جوتوں کے مقامی کاروبار اور برآمدات کا منافع بہتر رہا ہے جس کی وجہ ملی جلی مصنوعات، پروڈکشن کی کارکردگی اور ٹیکنالوجی میں لگاتار سرمایہ کاری ہے۔ تاہم اس منافع میں کمی آئی ہے جسکی وجہ اپنے ریٹیل آؤٹ لیٹس کی تعداد کو دوگنا کرنے میں کثیر سرمایہ کاری ہے، نتیجتاً نئے ریٹیل آؤٹ لیٹس کی ابتدائی لاگت اور مارکیٹنگ کے اخراجات زیادہ رہے ہیں۔

ٹائرزوں سے متعلقہ خام مالوں کی قیمتوں میں انتہائی اضافے کی وجہ سے ٹائرزوں کے کاروبار میں اس دورانیے میں منافع میں کمی ہوئی ہے جس سے کمپنی کے مجموعی منافع میں بھی کمی ہوئی ہے۔ آپ کی کمپنی پر اعتماد ہے کہ جیسے جیسے مارکیٹ نئی قیمتوں سے ہم آہنگ ہوتی جائے گی کمپنی کا منافع بہتر ہو جائے گا۔

اس مدت کے دوران فی شیئر آمدنی 35.29 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 40 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۔

ٹائرزوں 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

ڈائریکٹرز 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 22 اگست 2017

مقام: لاہور

## Auditor's Report to the Members on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of SERVICE INDUSTRIES LIMITED as at June 30, 2017 the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the selected notes forming part thereof for the half year then ended (herein after referred to as "Interim Financial Information"), Management is responsible for the preparation and presentation of this Interim Financial Information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other Matters

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2017.

The financial statements for the half year ended 30 June 2016 were reviewed by another firm of Chartered Accountants who issued report dated 25 August 2016. The aforesaid auditors' report expressed an unqualified opinion and the review report also gave an unqualified opinion.

## Financial Statements

Date: August 22, 2017  
Place: Lahore  
Audit Engagement Partner  
A. Rahman Mir

Rahman Sarfaraz Rahim Iqbal Rafiq  
CHARTERED ACCOUNTANTS

## Condensed Interim Balance Sheet (Unaudited)

As at June 30, 2017

	(Unaudited) June 30, 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	4,365,647	4,263,652
	4,485,935	4,383,940
<b>Non-current liabilities</b>		
Long term financing	2,080,783	998,021
Long term deposits	5,268	5,268
Deferred liabilities	435,546	390,792
	2,521,597	1,394,081
<b>Current liabilities</b>		
Trade and other payables	3,584,601	3,259,466
Interest and mark up accrued	64,717	44,362
Short term borrowings	4,856,032	3,242,870
Current portion of:		
long term financing	293,058	223,058
Provision of taxation	320,645	148,947
	9,119,053	6,918,703
Contingencies and commitments	5	-
	16,126,585	12,696,724

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.


Chaudhry Ahmed Javed  
(Chairman)

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6	5,437,904
Intangible assets		1,824
Long term investments	7	427,874
Long term loans		16,300
Long term deposits		93,832
		5,977,734
<b>Current assets</b>		
Stores, spares and loose tools		97,063
Stock in trade		3,889,841
Trade debts	8	3,058,497
Loans and advances		765,128
Trade deposits and prepayments		132,644
Other receivables		58,716
Short term investments		-
Tax refunds due from government		1,809,532
Cash and bank balances		337,430
		10,148,851
		7,480,827
		16,126,585
		12,696,724


Omar Saeed  
(Chief Executive)

## Condensed Interim Profit and Loss Account (Unaudited)

For the period ended June 30, 2017

	Note	Six months ended		Three months ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
(Rupees in thousand)					
Sales - net	9	10,214,186	9,574,399	5,110,890	5,323,674
Cost of sales	10	8,470,286	7,539,250	4,328,146	4,114,646
<b>Gross profit</b>		<b>1,743,900</b>	<b>2,035,149</b>	<b>782,744</b>	<b>1,209,028</b>
<b>Operating expenses</b>					
Distribution cost		665,237	483,047	371,815	299,184
Administrative expenses		518,086	452,392	246,877	238,334
Other operating expenses		76,578	159,053	9,545	113,068
		1,259,901	1,094,492	628,237	650,586
<b>Operating profit before other income</b>		<b>483,999</b>	<b>940,657</b>	<b>154,507</b>	<b>558,442</b>
Other income		195,176	68,776	108,681	50,741
<b>Operating profit</b>		<b>679,175</b>	<b>1,009,433</b>	<b>263,188</b>	<b>609,183</b>
Finance cost		137,274	130,030	84,266	69,662
<b>Profit before taxation</b>		<b>541,901</b>	<b>879,403</b>	<b>178,922</b>	<b>539,521</b>
Taxation		117,452	170,472	35,286	82,264
<b>Profit after taxation</b>		<b>424,449</b>	<b>708,931</b>	<b>143,636</b>	<b>457,257</b>
<b>Earnings per share basic and diluted (Rupees)</b>		<b>35.29</b>	<b>58.94</b>	<b>11.94</b>	<b>38.01</b>

The annexed notes from 1 to 16 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 June 30, 2017

	Six months ended		Three months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
(Rupees in thousand)				
Profit after taxation for the period	424,449	708,931	143,636	457,257
<b>Items that may reclassify to profit and loss account</b>				
(Loss)/ gain on investments	(21,734)	6,722	(21,734)	4,508
Add: Adjustment for amount transferred to profit and loss account	-	8,968	-	8,968
<b>Items that may not reclassify to profit and loss account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>402,715</b>	<b>724,621</b>	<b>121,902</b>	<b>470,733</b>

The annexed notes from 1 to 16 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 June 30, 2017

	Six months ended	
	June 30, 2017	June 30, 2016
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	541,901	879,403
Adjustments for:		
Depreciation and amortization	225,101	171,111
Employee benefit plans	21,981	19,346
Ijarah rentals	36,238	32,620
Finance cost	137,274	130,030
Provision for workers' profit participation fund	25,267	47,229
Provision for workers' welfare fund	(8,711)	17,947
Provision for slow moving stocks	22,257	(22,436)
Provision for doubtful debts	10,529	12,253
Share of profit from Speed (Private) Limited	(30,000)	(39,000)
(Profit)/ loss on sale of property, plant and equipment	18,745	20,588
Loss on sales of shares	-	11,760
<b>Operating profit before working capital changes</b>	<b>1,000,582</b>	<b>1,280,851</b>
<b>Changes in working capital</b>		
(Increase)/ decrease in current assets		
Stores, spares and loose tools	225	1,094
Stock in trade	(1,179,441)	(20,254)
Trade debts	(585,814)	(646,850)
Advances, deposits, prepayments and other receivables	(501,792)	(94,446)
Tax refunds due from government	(208,795)	(10,817)
	(2,475,617)	(771,273)
<b>Increase in current liabilities</b>		
Trade and other payables	336,234	765,168
<b>Cash generated from operations</b>	<b>(1,138,801)</b>	<b>1,274,746</b>
Finance cost paid	(116,919)	(134,049)
Income tax paid	(160,039)	(212,949)
Staff retirement benefits paid	(15,297)	(11,674)
W.P.P.F and W.W.F paid	2,873	(66,770)
<b>Net cash generated from operating activities</b>	<b>(1,428,183)</b>	<b>849,304</b>
<b>Cash flow from investing activities</b>		
Capital expenditure	(937,190)	(1,360,003)
Proceeds from sale of property, plant and equipment	2,272	20,008
Investment in Associates	-	(480)
Long term investments	(61,824)	54,019
Dividend received from Speed (Private) Limited	16,071	10,446
Short term investments	103,745	(245,500)
Long term loans	(869)	(3,503)
Long term deposits	(15,876)	(21,101)
<b>Net cash used in investing activities</b>	<b>(893,671)</b>	<b>(1,546,114)</b>
<b>Cash flow from financing activities</b>		
Long term deposits	-	1,603
Ijarah rentals paid	(36,238)	(32,620)
Short term borrowings - net	1,613,162	896,472
Long term financing	1,152,762	(272,022)
Dividend paid	(295,289)	(294,441)
<b>Net cash generated from financing activities</b>	<b>2,434,397</b>	<b>298,992</b>
<b>Net decrease in cash and cash equivalents</b>	<b>112,543</b>	<b>(397,818)</b>
<b>Cash and cash equivalents at 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>337,430</b>	<b>62,028</b>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

  
Chaudhry Ahmed Javed  
(Chairman)

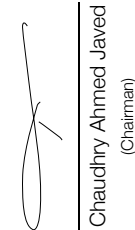
  
Omar Saeed  
(Chief Executive)

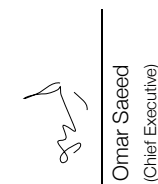
## Condensed Interim Statement of Changes in Equity (Unaudited)

For the period ended June 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
Final dividend for the year ended December 31, 2015 @ Rs. 25 per share	-	-	-	-	(300,720)
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	724,621
Balance as at June 30, 2016	120,288	102,730	21,217	1,558,208	2,224,527
<b>Balance as at December 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>
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	(300,720)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	402,715
<b>Balance as at June 30, 2017</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>2,683,492</b>
<b>Balance as at June 30, 2017</b>	<b>120,288</b>	<b>102,730</b>	<b>21,217</b>	<b>1,558,208</b>	<b>4,485,935</b>

The annexed notes from 1 to 16 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 June 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 half year ended June 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 six 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 was 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. 2,084.99 million (Dec-2016 : Rs. 1,855.89 million).

5.6 Irrevocable letters of credit Rs. 1,216.16 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:



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

For the period ended June 30, 2017

Note	(Unaudited)	(Audited)	
	Jun 30, 2017	Dec 31, 2016	
(Rupees in thousand)			
Not later than one year	70,376	68,824	
Later than one year but not later than five years	107,994	100,558	
Later than five years	-	-	
	178,370	169,382	
<b>6. Property, plant and equipment</b>			
Operating fixed assets	6.1	4,342,765	4,116,625
Capital work in progress		1,095,139	629,310
		5,437,904	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/ year	6.2	471,444	1,309,402
		4,588,069	4,550,174
Less: Disposals during the period/ year (at net book value)	6.2	21,099	50,553
		4,566,970	4,499,621
Less: Depreciation charged during the period/ year		224,205	382,996
		4,342,765	4,116,625

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

	Additions		Disposals- NBV	
	Unaudited	Audited	Unaudited	Audited
	June 30, 2017	Dec 31, 2016	June 30, 2017	Dec 31, 2016
(Rupees in thousand)				
Land	-	-	-	35
Building on freehold land	357,083	69,601	6,537	8,909
Plant and machinery	47,309	1,009,342	3,966	33,924
Furniture, fixture and fittings	4,530	5,849	-	4
Vehicles	11,221	8,571	724	2,102
Service equipments	14,529	79,967	9,872	5,579
Leasehold improvements	36,772	136,072	-	-
	471,444	1,309,402	21,099	50,553

Note	(Unaudited)	(Audited)	
	Jun 30, 2017	Dec 31, 2016	
(Rupees in thousand)			
<b>7. Long term investments</b>			
These represent long term investment in:			
Related parties	7.1	387,784	373,855
Other - Available for sale			
Quoted		61,824	-
Less: Fair value adjustment		(21,734)	-
		40,090	-
		427,874	373,855

## 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
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## 7.1.2 Investment in Associate

Speed (Private) Limited	7.1.2.1	261,623	247,694
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## 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
		387,784	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 year	7.2	30,000	30,932
Distributions received during the period		(16,071)	(10,446)
		70,674	56,745
		261,623	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 June 30, 2017

## 8. Trade Debts

The increase is mainly caused by sales mix change towards local customers having longer credit period as compared to export customers.

Note	Six months ended		Three months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(Rupees in thousand)			
<b>9. Sales - net</b>				
Sales of footwear - net				
Export	2,142,684	2,035,375	1,020,873	1,047,953
Local	2,953,174	2,832,019	1,486,102	1,316,689
	5,095,858	4,867,394	2,506,975	2,364,642
Sales of tyre division - net				
Export	278,449	328,653	182,238	211,454
Local	4,838,486	4,371,707	2,420,306	2,738,853
	5,116,935	4,700,360	2,602,544	2,950,307
Sales of technical rubber products - net				
Export	-	-	-	-
Local	1,393	6,645	1,371	8,725
	1,393	6,645	1,371	8,725
	10,214,186	9,574,399	5,110,890	5,323,674

## 10. Cost of sales

Raw material consumed	10.1	5,308,008	4,768,103	2,657,321	2,354,878
Salaries, wages and benefits		1,342,506	1,197,687	668,623	596,209
Stores and spares consumed		114,782	146,084	67,622	88,599
Packing material consumed		333,842	304,454	160,695	154,471
Fuel and power		351,727	320,100	174,228	150,988
Insurance		8,793	10,782	5,190	5,094
Depreciation		197,226	158,418	100,503	79,711
Travelling and conveyance		6,491	7,283	3,373	2,553
Repair and maintenance		64,966	53,061	33,282	25,730
Entertainment		1,429	1,723	808	1,264
Provision for slow moving and obsolete items		22,257	(22,436)	20,171	334
Other manufacturing charges		63,322	72,389	29,282	29,338
		7,815,349	7,017,648	3,921,098	3,489,169
<b>Work in process</b>					
Opening stock		288,944	392,647	322,028	333,634
Closing stock		(357,006)	(350,728)	(357,006)	(350,728)
		(68,062)	41,919	(34,978)	(17,094)
<b>Cost of goods manufactured</b>		7,747,287	7,059,567	3,886,120	3,472,075
<b>Finished goods</b>					
Opening stock		1,375,329	1,057,958	1,572,060	1,555,631
Purchases during the period		1,100,621	629,531	622,917	294,746
Closing stock		(1,752,951)	(1,207,806)	(1,752,951)	(1,207,806)
		722,999	479,683	442,026	642,571
		8,470,286	7,539,250	4,328,146	4,114,646

Note	Six months ended		Three months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(Rupees in thousand)			

## 10.1 Raw material consumed

Opening stock	963,419	1,213,355	1,245,875	944,609
Purchases during the period	5,707,116	4,564,903	2,773,973	2,420,424
Closing stock	(1,362,527)	(1,010,155)	(1,362,527)	(1,010,155)
	5,308,008	4,768,103	2,657,321	2,354,878

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

For the period ended June 30, 2017

## 11. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016
External sales	5,095,858	4,867,394	5,116,935	4,700,360	1,393	6,645	10,214,186	9,574,399
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	5,095,858	4,867,394	5,116,935	4,700,360	1,393	6,645	10,214,186	9,574,399
Profit/ (loss) before tax and unallocated expenses	597,246	512,787	389,869	818,650	(6,070)	1,485	981,045	1,332,922
<b>Unallocated corporate expenses</b>								
Finance cost	-	-	-	-	-	-	(118,309)	(109,732)
Other operating expenses	-	-	-	-	-	-	(341,432)	(392,793)
Other operating income	-	-	-	-	-	-	20,597	49,006
Taxation	-	-	-	-	-	-	(117,452)	(170,472)
<b>Profit after taxation</b>	-	-	-	-	-	-	424,449	708,931
11.1 Reconciliation of segment profit								
Total profit for reportable segments							981,045	1,332,922
Unallocated expenses							(439,144)	(453,519)
<b>Profit before tax</b>							541,901	879,403

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

For the period ended June 30, 2017

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	As at Jun. 30, 2017	As at Dec. 31, 2016	As at Jun. 30, 2017	As at Dec. 31, 2016	As at Jun. 30, 2017	As at Dec. 31, 2016	As at Jun. 30, 2017	As at Dec. 31, 2016
11.2 Reconciliation of segment								
Total assets for reportable segments	5,823,704	5,001,031	7,517,724	5,686,775	40,090	23,055	13,381,518	10,710,861
Unallocated assets	-	-	-	-	-	-	2,745,067	1,985,863
<b>Total assets as per balance sheet</b>							16,126,585	12,696,724
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	11,640,650	8,312,784
<b>Total liabilities as per balance sheet</b>							11,640,650	8,312,784

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

For the period ended June 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 June 30, 2017	June 30, 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	620	2,489	-	1,869	-
	Others	-	-	3,782	-	3,782
Subsidiary	Advances	166	1,107	-	941	-
	Investment	-	125,681	-	125,681	-
Retirement Benefits	Contribution	80,391	-	53,847	-	49,111

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

### 13. Events after the balance sheet date

The Board of Directors in its meeting held on August 22, 2017 has proposed an interim cash dividend of Rs.10.00 per share (December 31, 2016: final cash dividend of Rs. 25.00 per share).

### 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 August 22, 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)

## 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 Half Year Ended June 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 Half Year ended June 30, 2017 has been presented seperately.

### 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 June 30, 2017.

## گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز نے اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 30 جون 2017 تک گروپ کی ششماہی 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 مشتمل ہے۔

### سروس انڈسٹریز لمیٹڈ

30 جون 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 ملین روپے کا نقصان ہوا ہے جو کہ بنیادی طور پر 30 جون 2017 تک کے ابتدائی اخراجات ہیں۔

For and on behalf of the Board



Omar Saeed  
(Chief Executive)

Dated: August 22, 2017  
Place: Lahore

مورخہ 22 اگست 2017  
مقام: لاہور

برائے اور منجانب بورڈ



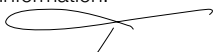
عمر سعید  
(چیف ایگزیکٹو)

## Condensed Consolidated Interim Balance Sheet (Unaudited)


As at June 30, 2017

	(Unaudited) June 30, 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: 1000,000) ordinary shares of Rs. 10/- each:	1,000,000	1,000,000
Paid up share capital	120,288	120,288
Reserves	4,364,352	4,262,576
Attributable to owners of the holding company	4,484,640	4,382,864
Non-controlling interest	-	-
	4,484,640	4,382,864
<b>Non-current liabilities</b>		
Long term financing	2,080,783	998,021
Long term deposits	5,268	5,268
Deferred liabilities	435,546	390,792
	2,521,597	1,394,081
<b>Current liabilities</b>		
Trade and other payables	3,584,654	3,259,519
Interest and mark-up accrued	64,717	44,362
Short term borrowings	4,856,032	3,242,870
Current portion of:		
long term financing	293,058	223,058
Provision of taxation	320,645	148,947
	9,119,106	6,918,756
Contingencies and commitments	6	-
	16,125,343	12,695,701

The annexed notes from 1 to 17 form an integral part of this Condensed Consolidated Interim financial Information.

  
Chaudhry Ahmed Javed  
(Chairman)

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
Note	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,437,904	4,745,935
Intangible assets	1,824	2,720
Long term investments	302,193	248,174
Long term loans	16,300	15,431
Long term deposits	93,832	77,956
	5,852,053	5,090,216
<b>Current assets</b>		
Stores, spares and loose tools	97,063	100,205
Stock in trade	3,889,841	2,729,738
Trade debts	3,058,497	2,483,211
Loans and advances	885,512	354,029
Trade deposits and prepayments	132,644	85,769
Other receivables	58,716	75,699
Short term Investment	0	103,745
Tax refunds due from government	1,810,032	1,384,844
Cash and Bank Balances	340,986	288,245
	10,273,291	7,605,485
	16,125,343	12,695,701

  
Omar Saeed  
(Chief Executive)

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

For the period ended June 30, 2017

Note	Six months ended		Three months ended		
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	
	(Rupees in thousand)				
Sales - net	12	10,214,186	9,574,399	5,110,890	5,323,674
Cost of sales	13	8,470,286	7,539,250	4,328,146	4,114,646
<b>Gross profit</b>		<b>1,743,900</b>	<b>2,035,149</b>	<b>782,744</b>	<b>1,209,028</b>
<b>Operating expenses</b>					
Distribution cost		665,237	483,047	371,815	299,184
Administrative expenses		518,252	452,392	247,043	238,334
Other operating expenses		76,688	159,053	9,655	113,068
		1,260,177	1,094,492	628,513	650,586
<b>Operating profit before other income</b>		<b>483,723</b>	<b>940,657</b>	<b>154,231</b>	<b>558,442</b>
Other income		195,233	68,776	108,738	50,741
<b>Operating profit</b>		<b>678,956</b>	<b>1,009,433</b>	<b>262,969</b>	<b>609,183</b>
Finance cost		137,274	130,030	84,266	69,662
<b>Profit before taxation</b>		<b>541,682</b>	<b>879,403</b>	<b>178,703</b>	<b>539,521</b>
Taxation		117,452	170,472	35,286	82,264
<b>Profit after taxation</b>		<b>424,230</b>	<b>708,931</b>	<b>143,417</b>	<b>457,257</b>
<b>Attributable to:</b>					
Owners of the holding company		424,230	708,931	143,417	457,257
Non-controlling interest		-	-	-	-
		424,230	708,931	143,417	457,257
<b>Earning per share- Basic and diluted (Rupees)</b>					
attributable to owner of holding company		35.27	58.94	11.92	38.01

The annexed notes from 1 to 17 form an integral part of this 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 June 30, 2017

	Six months ended		Three months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(Rupees in thousand)			
Profit after taxation for the period	424,230	708,931	143,417	457,257
<b>Items that may reclassify to profit and loss account</b>				
(Loss)/ gain on investments	(21,734)	6,722	(21,734)	4,508
Add: Adjustment for amount transferred to profit and loss account	-	8,968	-	8,968
<b>Items that may not reclassify to profit and loss account</b>				
	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>402,496</b>	<b>724,621</b>	<b>121,683</b>	<b>470,733</b>
<b>Attributable to:</b>				
Owners of the holding company	402,496	724,621	121,683	470,733
Non-controlling interest	-	-	-	-
	402,496	724,621	121,683	470,733

The annexed notes from 1 to 17 form an integral part of this Condensed Consolidated Interim financial Information.



Chaudhry Ahmed Javed  
(Chairman)



Omar Saeed  
(Chief Executive)



## Condensed Consolidated Interim Cash Flow Statement (Unaudited)

For the period ended June 30, 2017

	Six months ended	
	June 30, 2017	June 30, 2016
	(Rupees in thousand)	
<b>Cash flow from operating activities</b>		
Profit before taxation	541,682	879,403
<b>Adjustments for</b>		
Depreciation and amortization	225,101	171,111
Employee benefit plans	21,981	19,346
Ijarah rentals	36,238	32,620
Finance cost	137,274	130,030
Provision for workers' profit participation fund	25,267	47,229
Provision for workers' welfare fund	(8,711)	17,947
Provision for slow moving stocks	22,257	(22,436)
Provision for doubtful debts	10,529	12,253
Share of profit from Speed (Private) Limited	(30,000)	(39,000)
(Profit)/ loss on sale of property, plant and equipment	18,745	20,588
Loss on sales of shares	-	11,760
<b>Operating profit before working capital changes</b>	1,000,363	1,280,851
<b>Changes in working capital</b>		
<b>(Increase)/ decrease in current assets</b>		
Stores, spares and loose tools	225	1,094
Stock in trade	(1,179,441)	(20,254)
Trade debts	(585,814)	(646,850)
Advances, deposits, prepayments and other receivables	(561,375)	(94,446)
Tax refunds due from government	(208,795)	(10,817)
	(2,535,200)	(771,273)
<b>Increase in current liabilities</b>		
Trade and other payables	336,234	765,168
<b>Cash generated from operations</b>	(1,198,603)	1,274,746
Finance cost paid	(116,919)	(134,049)
Income tax paid	(160,039)	(212,949)
Staff retirement benefits paid	(15,297)	(11,674)
W.P.P.F and W.W.F paid	2,873	(66,770)
<b>Net cash generated from operating activities</b>	(1,487,985)	849,304
<b>Cash flow from investing activities</b>		
Capital expenditure	(937,190)	(1,360,003)
Proceeds from sale of property, plant and equipment	2,272	20,008
Investment in Associates	-	(480)
Long term investments	(61,824)	54,019
Dividend received from Speed (Private) Limited	16,071	10,446
Short term investments	103,745	(245,500)
Long term loans	(869)	(3,503)
Long term deposits	(15,876)	(21,101)
<b>Net cash used in investing activities</b>	(893,671)	(1,546,114)
<b>Cash flow from financing activities</b>		
Long term deposits	-	1,603
Ijarah rentals paid	(36,238)	(32,620)
Short term borrowings - net	1,613,162	896,472
Long term financing	1,152,762	(272,022)
Dividend paid	(295,289)	(294,441)
<b>Net cash generated from financing activities</b>	2,434,397	298,992
<b>Net decrease in cash and cash equivalents</b>	52,741	(397,818)
<b>Cash and cash equivalents at beginning of the period</b>	288,245	459,846
<b>Cash and cash equivalents at the end of the period</b>	340,986	62,028

The annexed notes from 1 to 17 form an integral part of this 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 June 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
Final dividend for the year ended December 31, 2015 @ Rs. 25 per share	-	-	-	-	(300,720)
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	724,621
Balance as at June 30, 2016	120,288	102,730	21,217	1,558,208	2,224,527
<b>Balance as at December 31, 2016</b>	120,288	102,730	21,217	1,558,208	2,580,421
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	(300,720)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	402,496
<b>Balance as at June 30, 2017</b>	120,288	102,730	21,217	1,558,208	2,682,197
					4,484,640

The annexed notes from 1 to 17 form an integral part of this 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 June 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 half year ended June 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 six months' profit. These are subject to change on final results.

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

For the period ended June 30, 2017

## 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.

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. 2,084.99 million (Dec-2016 : Rs. 1,855.89 million).

6.6 Irrevocable letters of credit Rs. 1,216.16 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:

		(Unaudited) June 30, 2017	(Audited) December 31, 2016
	Note	(Rupees in thousand)	
Not later than one year		70,376	68,824
Later than one year but not later than five years		107,994	100,558
Later than five years		-	-
		178,370	169,382
<b>7. Property, plant and equipment</b>			
Operating fixed assets	7.1	4,342,765	4,116,625
Capital work in progress		1,095,139	629,310
		5,437,904	4,745,935
<b>7.1 Operating fixed assets</b>			
Opening written down value		4,116,625	3,240,772
Add: Additions during the period/ year	7.2	471,444	1,309,402
		4,588,069	4,550,174
Less: Disposals during the period/ year (at net book value)	7.2	21,099	50,553
		4,566,970	4,499,621
Less: Depreciation charged during the period/ year		224,205	382,996
		4,342,765	4,116,625

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

	Additions		Disposals - NBV	
	Unaudited	Audited	Unaudited	Audited
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
(Rupees in thousand)				
Land	-	-	-	35
Building on freehold land	357,083	69,601	6,537	8,909
Plant and machinery	47,309	1,009,342	3,966	33,924
Furniture, fixture and fittings	4,530	5,849	-	4
Vehicles	11,221	8,571	724	2,102
Service equipments	14,529	79,967	9,872	5,579
Leasehold improvements	36,772	136,072	-	-
	471,444	1,309,402	21,099	50,553

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

For the period ended June 30, 2017

		(Unaudited) June 30, 2017	(Audited) December 31, 2016
	Note	(Rupees in thousand)	
<b>8. Long term investments</b>			
These represent long term investment in:			
Related parties	8.1	262,103	248,174
Other- Available for sale			
Quoted		61,824	-
Add:Fair value adjustment		(21,734)	-
		40,090	
		302,193	248,174
<b>8.1 Investment in Related Parties</b>			
<b>8.1.1 Investment in Associate</b>			
Speed (Private) Limited	8.1.1.1	261,623	247,694
<b>8.1.2 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
		262,103	248,174
<b>8.1.1.1 Investment in associates</b>			
<b>Cost of investment</b>			
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		(16,071)	(10,446)
		70,674	56,745
		261,623	247,694
<b>8.1.2.2</b> The registered office of Speed (Private) Limited is situated at Office no.1, First Floor, Service Club Extension Building Mereweather Road, Karachi.			
<b>8.2</b> 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)			
<b>9. Trade debts</b>			
The increase is mainly caused by sales mix change towards local customers having longer credit period as compared to export customers.			

	Note	Six months ended June 30, 2017		Three months ended June 30, 2017	
		(Rupees in thousand)			
<b>10. Sales - net</b>					
<b>Sales of footwear - net</b>					
Export		2,142,684	2,035,375	1,020,873	1,047,953
Local		2,953,174	2,832,019	1,486,102	1,316,689
		5,095,858	4,867,394	2,506,975	2,364,642
<b>Sales of tyre division - net</b>					
Export		278,449	328,653	182,238	211,454
Local		4,838,486	4,371,707	2,420,306	2,738,853
		5,116,935	4,700,360	2,602,544	2,950,307
<b>Sales of technical rubber products - net</b>					
Export		-	-	-	-
Local		1,393	6,645	1,371	8,725
		1,393	6,645	1,371	8,725
		10,214,186	9,574,399	5,110,890	5,323,674
<b>11. Cost of sales</b>					
Raw material consumed	11.1	5,308,008	4,768,103	2,657,321	2,354,878
Salaries, wages and benefits		1,342,506	1,197,687	668,623	596,209
Stores and spares consumed		114,782	146,084	67,622	88,599
Packing material consumed		333,842	304,454	160,695	154,471
Fuel and power		351,727	320,100	174,228	150,988
Insurance		8,793	10,782	5,190	5,094
Depreciation		197,226	158,418	100,503	79,711
Travelling and conveyance		6,491	7,283	3,373	2,553
Repair and maintenance		64,966	53,061	33,282	25,730
Entertainment		1,429	1,723	808	1,264
Provision for slow moving and obsolete items		22,257	(22,436)	20,171	334
Other manufacturing charges		63,322	72,389	29,282	29,338
		7,815,349	7,017,648	3,921,098	3,489,169
<b>Work in process</b>					
Opening stock		288,944	392,647	322,028	333,634
Closing stock		(357,006)	(350,728)	(357,006)	(350,728)
		(68,062)	41,919	(34,978)	(17,094)
<b>Cost of goods manufactured</b>		7,747,287	7,059,567	3,886,120	3,472,075
<b>Finished goods</b>					
Opening stock		1,375,329	1,057,958	1,572,060	1,555,631
Purchases during the period		1,100,621	629,531	622,917	294,746
Closing stock		(1,752,951)	(1,207,806)	(1,752,951)	(1,207,806)
		722,999	479,683	442,026	642,571
		8,470,286	7,539,250	4,328,146	4,114,646
<b>11.1 Raw material consumed</b>					
Opening stock		963,419	1,213,355	1,245,875	944,609
Purchases during the period		5,707,116	4,564,903	2,773,973	2,420,424
Closing stock		(1,362,527)	(1,010,155)	(1,362,527)	(1,010,155)
		5,308,008	4,768,103	2,657,321	2,354,878

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

For the period ended June 30, 2017

## 12. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2016
External sales	5,095,858	4,867,394	5,116,935	4,700,360	1,393	6,645	10,214,186	9,574,399
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	5,095,858	4,867,394	5,116,935	4,700,360	1,393	6,645	10,214,186	9,574,399
Profit/ (loss) before tax and unallocated expenses	597,246	512,787	389,869	818,650	(6,070)	1,485	981,045	1,332,922
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(118,309)	(109,732)
Other operating expenses	-	-	-	-	-	-	(341,708)	(392,793)
Other operating income	-	-	-	-	-	-	20,654	49,006
Taxation	-	-	-	-	-	-	(117,452)	(170,472)
Profit after taxation							424,230	708,931
12.1 Reconciliation of segment profit								
Total profit for reportable segments							981,045	1,332,922
Unallocated expenses							(439,363)	(463,519)
Profit before tax							541,682	879,403

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

For the period ended June 30, 2017

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	As at Jun. 30, 2017	As at Dec. 31, 2016	As at Jun. 30, 2017	As at Dec. 31, 2016	As at Jun. 30, 2017	As at Dec. 31, 2016	As at Jun. 30, 2017	As at Dec. 31, 2016
12.2 Reconciliation of segment								
Total assets for reportable segments	5,818,478	5,001,031	7,517,724	5,686,775	40,090	23,055	13,376,292	10,710,861
Unallocated assets	-	-	-	-	-	-	2,749,051	1,984,840
Total assets as per balance sheet							16,125,343	12,695,701
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	11,640,703	8,312,837
Total liabilities as per balance sheet							11,640,703	8,312,837







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