

Report & Un-Audited Accounts for the
Half Year Ended June 30, 2020

Taking it further..



Servis

Service Industries Limited

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Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)

Non-Executive Director

Mr. Arif Saeed
(Chief Executive Officer)

Executive Director

Mr. Omar Saeed
Executive Director

Mr. Hassan Javed
Executive Director

Mr. Riaz Ahmed
Non-Executive Director

Mr. Muhammad Amin
Non-Executive Director

Mr. Osman Saifullah Khan
Independent Director

Mr. Shahid Hussain Jatoi
Independent Director

Mrs. Ayesha Naweed
Independent Director

Chief Financial Officer

Mr. Badar Ul Hassan

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Osman Saifullah Khan
Chairman

Mr. Riaz Ahmed
Member

Mr. Muhammad Amin
Member

Human Resource and Remuneration Committee

Mrs. Ayesha Naweed
Chairperson

Mr. Arif Saeed
Member

Mr. Riaz Ahmed
Member

Bankers

Allied Bank Limited

Askari Bank limited

Bank Al Habib Limited

Bank Alfalah Limited

Faysal Bank limited

Habib Bank Limited

Habib Metro Bank

ICBC Pakistan

MCB Bank Limited

MCB Islamic Bank

Meezan Bank Limited

National Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

Soneri Bank limited

The Bank of Punjab

United Bank Limited

Legal Advisor

M/s. Bokhari Aziz & Karim
2-A, block-G, Gulberg-II, Lahore.

Registered Office

Servis House,
2-Main Gulberg, Lahore-54662.

Tel:+92-42-35751990-96

Fax:+92-42-35710593,
35712109

Shares Registrar

M/s. Corplink (Pvt.) Limited

Wings Arcade, 1-K

Commercial, Model Town, Lahore

Tel: +92-42-35916714,

35916719,

35839182

Fax: +92-42-35869037

Pakistan Stock Exchange Limited

Stock Exchange Symbol SRVI

Factories

G.T. Road, Gujrat.

Web Presence

www.servisgroup.com

**“ Strength and Growth
come only through
Continuous Effort and
Struggle.”** -Napolean Hill



Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the condensed interim financial information of Service Industries Limited ("SIL") for the half-year ended June 30, 2020.

Scheme of Compromises, Arrangements and Reconstruction

In accordance with the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017 entered between SIL and its wholly owned subsidiary, Service Global Footwear Limited ("SGFL"), approved by the shareholders of SIL and shareholders of SGFL on 14 December 2019 and sanctioned by the Lahore High Court, Lahore vide its order dated 15 January 2020, the undertaking comprising the assets, liabilities, rights, entitlements and obligations of SIL has been split into two (2) separate segments i.e. Muridke Footwear Undertaking and Retained Undertaking. The segment comprising all the assets, liabilities, rights, entitlements and obligations of Muridke Footwear Undertaking has been carved out / bifurcated from SIL and stand merged / amalgamated with, transferred to, vested in, and be assumed by SGFL with effect from 01 July 2019 against issuance of shares by SGFL to SIL in accordance with the Scheme.

This bifurcation / merger / amalgamation will result in SIL becoming a Holding Company in respect of SGFL and overseeing and supervising the same (to the extent applicable). The managements of SIL and SGFL shall independently operate the businesses on a regular basis. This structure will result in the businesses being managed and carried out in a more effective and efficient manner, thus benefiting the shareholders.

The Financial Statements of SIL for the half-year ended June 30, 2020 have been prepared in accordance with the sanctioned Scheme. Resultantly, the financial results of Muridke Footwear Undertaking are not included in the financial statements of SIL for the half-year ended June 30, 2020. However, the corresponding figures include the financial results of Muridke Footwear Undertaking from January 01, 2019 to June 30, 2019. Since SGFL is a wholly owned subsidiary of SIL, the consolidated financials of SIL and its subsidiaries will reflect these results.

Company's Performance:

Key Performance Indicators for the Period 2020 versus Period 2019

Please find below key performance indicators of separate condensed interim financial statements of Service Industries Limited for the half-year ended June 30, 2020.

Particulars	Half Year Ended June 30		
	June 2020 (SIL excluding SGFL) "000"	June 2019 (SIL including SGFL) "000" Restated	Percentage Change
Net Sales	9,389,055	14,162,301	(33.70%)
Operating profit	697,940	1,134,770	(38.50%)
Profit before tax	26,439	646,317	(95.91%)
Net profit / (loss) after tax	(67,490)	565,098	(111.94%)

Please find below key performance indicators of consolidated condensed interim financial statements of Service Industries Limited and its Subsidiaries (including SGFL) for the half-year ended June 30, 2020.

Particulars	Half Year Ended June 30		
	June 2020 Rs'000	June 2019 Rs'000 Restated	Percentage Change
Net Sales	12,701,377	14,309,506	(11.24%)
Operating profit	967,885	1,140,591	(15.14%)
Profit before tax	340,400	660,802	(48.49%)
Net profit after tax	205,922	579,583	(64.47%)

SIL and its subsidiaries (including SGFL) recorded sales of PKR 12.70 billion in its consolidated financial statements during the half-year under review as compared to PKR 14.31 billion during the corresponding period last year showing a negative growth of 11.24%. Net profit before tax decreased to Rs 340.40 million during the half-year as compared to Rs 660.80 million during corresponding period showing a negative growth of 48.49%. Net profit after tax reduced by 64.47% due to abolishment of tax credit available under Section 65B of the Income Tax Ordinance, 2001 w.e.f. 01 July 2019 (which was earlier available to the Company on the amount of investment made in the purchase of plant and machinery at the rate of 10% of the amount invested). This decrease in profitability is mainly attributed to the drop in sales and due to the closure of production during the lockdowns announced by Punjab Government from March 23, 2020 on account of COVID-19 pandemic.

The Footwear export business (including SGFL) has showed a healthy performance during the half-year under review despite disruption in international markets owing to COVID-19 pandemic. Furthermore, the domestic footwear market faced tough challenges as the retail market remained closed for two months during the lockdown.

The Tyre business showed a minor decrease of 6.93% in sales, but the markets have recovered well after the initial lockdowns. The tough market competition and uncertain economic environment continued to prevail in the country.

The loss per share stood at PKR 2.87 during the half-year under review in the separate financials of Service Industries Limited, whereas the earnings per share in the consolidated financial statements of Service Industries Limited and its Subsidiaries stood at PKR. 8.76 during the half-year under review.

Future Outlook amid COVID-19

Economy of Pakistan is now set on the path of recovery with the threat of COVID-19 expected to reduce in the coming days. The measures taken by State Bank of Pakistan (SBP) has also helped companies weaken the storm and played a significant role in the revival of the economy. The management of the Company is working hard to optimize the cost levels and finding new

avenues of revenue generation in all segments of the company to maximize benefit to the shareholders.

Acknowledgment

The Directors wish to place on record the efforts of the staff and especially the workers in minimizing the effects of the disruption caused by COVID-19 and its related closures and lockdowns. We have swiftly recovered to optimum operating levels and hope to show steady improvement in the remaining part of the year. We remain indebted to all our stakeholders for their continued support.

For and on behalf of the Board



CHAUDHRY AHMED JAVED
Chairman



ARIF SAEED
Chief Executive

Dated: August 27, 2020
LAHORE.

اعتراف

ڈائریکٹرز، کرونا وبا اور اس سے وابستہ بندشوں اور لاک ڈاون کی وجہ سے پیدا ہونے والی مشکلات کے اثرات کو کم کرنے میں عملے اور خصوصاً کلارکوں کی کوششوں کو سراہتے ہیں۔ ہم نے تیزی سے لپٹی روز مرہ کی کاروباری سرگرمیوں کو بحال کیا ہے اور سال کے باقی حصے میں لگا ہوا بہتری کی امید کرتے ہیں۔ ہم اپنے تمام اسٹیک ہولڈرز کے لگا ہوا تعاون کے ممنون ہیں۔

منجانب بورڈ



عارف سعید
چیف ایگزیکٹو



چوہدری احمد جاوید
چیرمین

مورخہ 27 اگست 2020

30 جون 2020 کو ختم ہونے والی ششماہی میں سروس انڈسٹریز لمیٹڈ اور اس کے ذیلی اداروں (بشمول سروس گلوبل فٹ ویئر لمیٹڈ) کی مجموعی عبوری مالیاتی کارکردگی درج ذیل ہے۔

ششماہی اختتام 30 جون 2020		
2020 سال	سال 2019 ریٹینڈ	فیصد تبدیلی
روپے ہزار میں		
12,701,377	14,309,506	(11.24%)
967,885	1,140,591	(15.14%)
340,400	660,802	(48.49%)
205,922	579,583	(64.47%)

خالص فروخت
آپریٹنگ منافع
منافع قبل از ٹیکس
منافع بعد از ٹیکس

سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت ذیلی ادارے بشمول سروس گلوبل فٹ ویئر لمیٹڈ نے پہلی ششماہی میں اپنے مجموعی مالی گوشواروں کے مطابق 12.70 ارب روپے فروخت کی جو پچھلے سال کی اسی ششماہی میں 14.31 ارب روپے تھی جو کہ منفی 11.24 فیصد نمو ظاہر کرتا ہے۔ ٹیکس سے قبل خالص منافع اس ششماہی کے دوران کم ہو کر 340.40 ملین روپے ہو گیا جو کہ پچھلے سال کی اسی مدت کے دوران 660.80 ملین روپے تھا جو کہ 48.5 فیصد منفی نمو ظاہر کرتا ہے۔ تاہم 1 جولائی 2019 سے لاگو کردہ انکم ٹیکس آرڈیننس 2001 کی شق نمبر 65 بی کے تحت دستیاب ٹیکس میں چھوٹ کے خاتمے کی وجہ سے ٹیکس کے بعد خالص منافع میں 64.5 فیصد کمی ہوئی۔ یہ چھوٹ پہلے کمپنی کے پلانٹ اور مشینری کی خریداری پر صرف کی گئی رقم پر 10 فیصد کی شرح سے دستیاب تھی۔ منافع میں کمی کی بنیادی وجہ فروخت میں کمی اور پنجاب حکومت کا 23 مارچ 2020 کو کرونا وبا کے نتیجے میں لاک ڈاؤن کا اعلان کرنے سے پروڈکشن کی بندش ہے۔

کرونا وبا کی وجہ سے بین الاقوامی منڈیوں میں رکاوٹ کے باوجود جوتوں کی برآمدات (بشمول سروس گلوبل فٹ ویئر لمیٹڈ) میں صحت مند اضافہ ہوا۔ جبکہ جوتوں کی مقامی منڈی لاک ڈاؤن کی وجہ سے شدید مشکلات سے دوچار رہی۔ جس کی وجہ لاک ڈاؤن کے دوران دو ماہ کے لیے ریٹیل سیکٹرز کا بند رہنا ہے۔

ٹائر کی فروخت میں 6.93 فیصد کمی معمولی کمی ہوئی لیکن ابتدائی لاک ڈاؤن کے بعد فروخت میں بہتری آئی ہے۔ ملک میں زبردست مقابلے کا رجحان اور غیر یقینی معاشی ماحول لگا تار چل رہا ہے۔

سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشواروں کے مطابق اس ششماہی کا فی شیئر خسارہ 2.87 روپے رہا جبکہ سروس انڈسٹریز لمیٹڈ اور اس کے ماتحت اداروں کے اس ششماہی کے مجموعی مالی گوشواروں کے مطابق فی شیئر آمدنی 8.76 روپے رہی۔

کرونا کے تناظر میں مستقبل پر ایک نظر

آنے والے دنوں میں کرونا وبا میں کمی متوقع ہے اور اس کے ساتھ ساتھ پاکستان کی معیشت بحال ہو رہی ہے۔ اسٹیٹ بینک آف پاکستان کے اقدامات نے اداروں کو کرونا وبا کے اثرات کا مقابلہ کرنے اور معیشت کی بحالی میں نمایاں کردار ادا کیا ہے۔ کمپنی کی انتظامیہ لاگت کم کرنے اور آمدنی بڑھانے کے ذرائع تلاش کرنے کے لیے کوشاں ہے۔ تاکہ کمپنی کے مالی معاملات پر کرونا وبا کے اثرات کو کم سے کم کیا جاسکے اور حصص یافتگان کو زیادہ سے زیادہ فائدہ پہنچایا جاسکے۔

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز اپنی رپورٹ بمعہ کمپنی کی 30 جون 2020 تک کی ششماہی کی مختصر عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

سکیم آف کپروماٹرز، اینجمنٹس اینڈ ری کنسٹرکشن

سکیم آف کپروماٹرز، اینجمنٹس اینڈ ری کنسٹرکشن (کمپنیز ایکٹ 2017 کے سیکشن 279 سے 283 اور 285 کے تحت) کے مطابق سروس انڈسٹریز لمیٹڈ اور اس کی مکمل ملکیتی ماتحت کمپنی سروس گلوبل فٹ ویئر لمیٹڈ کے مابین طے پایا، جس کی منظوری سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ کے حصص یافتگان نے 14 دسمبر 2019 کو دی ہے اور اسے لاہور ہائی کورٹ نے اپنے حکم مورخہ 15 جنوری 2020 کے تحت توثیق کی ہے۔ ایس آئی ایل کے اثاثوں، واجبات، حقوق، حقداروں اور ذمہ داریوں پر مشتمل معاہدہ کو دو حصوں یعنی مرید کے فٹ ویئر انڈر ٹیکنگ اور ریٹینڈ انڈر ٹیکنگ میں تقسیم ہو گئی ہے۔ مرید کے فٹ ویئر انڈر ٹیکنگ اپنے تمام اثاثوں، واجبات، حقوق، اور ذمہ داریوں سمیت سروس انڈسٹریز لمیٹڈ سے منقسم ہو گئی ہے اور اسے سروس گلوبل فٹ ویئر لمیٹڈ میں مورخہ 01 جولائی 2019 سے سروس گلوبل فٹ ویئر لمیٹڈ کے سروس انڈسٹریز لمیٹڈ کو حصص جاری کرنے کے عوض ضم کر دیا گیا ہے۔

اس تقسیم / انضمام / ملاپ کے توسط سے سروس انڈسٹریز لمیٹڈ کو سروس گلوبل فٹ ویئر لمیٹڈ کی ہولڈنگ کمپنی کی حیثیت سے کام کرنے اور اس کی نگرانی اور کنٹرول کرنے (جس حد تک قابل اطلاق ہے) کی اجازت ہوگی۔ سروس انڈسٹریز لمیٹڈ اور سروس گلوبل فٹ ویئر لمیٹڈ کی انتظامیہ کاروبار چلانے میں خود مختار ہوں گے۔ اس طرح کاروبار زیادہ موثر انداز میں چلایا جاسکے گا اور اس سے حصص یافتگان کو فائدہ ہوگا۔

30 جون 2020 کو ختم ہونے والی ششماہی کے لئے سروس انڈسٹریز لمیٹڈ کے مالی گوشوارے منظور شدہ اسکیم کے مطابق تیار کیے گئے ہیں۔ لہذا مرید کے فٹ ویئر انڈر ٹیکنگ کے جون 2020 کو ختم ہونے والی ششماہی تک کے مالی گوشوارے، سروس انڈسٹریز لمیٹڈ کے انفرادی مالی گوشواروں میں شامل نہیں ہیں تاہم، گزشتہ اعداد و شمار میں 01 جنوری، 2019 سے 30 جون، 2019 تک کے مرید کے فٹ ویئر انڈر ٹیکنگ کے مالی نتائج شامل ہیں۔ چونکہ سروس گلوبل فٹ ویئر لمیٹڈ، سروس انڈسٹریز لمیٹڈ کا مکمل ملکیتی ماتحت ادارہ ہے، لہذا سروس انڈسٹریز لمیٹڈ اور اس کے ذیلی اداروں کی مجموعی مالی نتائج میں یہ اعداد و شمار شامل ہیں۔

کمپنی کی کارکردگی

30 جون 2020 کو ختم ہونے والی ششماہی کے لئے سروس انڈسٹریز لمیٹڈ کی انفرادی عبوری مالیاتی کارکردگی درج ذیل ہے۔

ششماہی اختتام 30 جون 2020		
فیصد تبدیلی	جون 2019 SIL (SGFL کے سمیت) - ریٹینڈ	جون 2020 SIL (SGFL کے علاوہ)
روپے ہزار میں		
(33.70%)	14,162,301	9,389,055
(38.50%)	1,134,770	697,940
(95.91%)	646,317	26,439
(111.94%)	565,098	(67,490)

خالص فروخت

آپریٹنگ منافع

منافع قبل از ٹیکس

نقصان / منافع بعد از ٹیکس

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Service Industries Limited

Report on review of Unconsolidated Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of SERVICE INDUSTRIES LIMITED as at 30 June 2020 and the related unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the unconsolidated condensed interim financial statements for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated condensed interim financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2020 and 30 June 2019 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 30 June 2020.

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 unconsolidated condensed interim financial statements 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 unconsolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Riaz Ahmad & Company

Chartered Accountants

The engagement partner on the review resulting in this independent auditor's review report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: August 27, 2020

Unconsolidated Condensed Interim Statement of Financial Position (Unaudited)

As at June 30, 2020

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital	1,000,000	1,000,000
100,000,000 (2019: 100,000,000) ordinary shares of Rupees 10 each		
Issued, subscribed and paid-up share capital	187,950	187,950
18,794,982 (31 December 2019: 18,794,982) ordinary shares of Rupees 10 each		
Reserves	<u>6,416,621</u>	<u>5,553,258</u>
Total equity	6,604,571	5,741,208
LIABILITIES		
Non-current liabilities		
Long term financing - secured	3,106,101	2,770,768
Long term deposits	1,940	2,406
Lease liabilities	1,455,750	1,302,055
Employees' retirement benefit	159,448	148,408
Deferred income tax liability - net	138,990	186,637
	<u>4,862,229</u>	<u>4,410,274</u>
Current liabilities		
Trade and other payables	3,323,678	2,707,757
Accrued mark-up	482,454	256,471
Short term borrowings	6,072,007	5,078,215
Current portion of non-current liabilities	556,617	918,111
Unclaimed dividend	37,295	37,784
Provision for taxation	510,379	368,803
	<u>10,982,430</u>	<u>9,367,141</u>
Total liabilities	15,844,659	13,777,415
Contingencies and commitments	4	
TOTAL EQUITY AND LIABILITIES	22,449,230	19,518,623

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)

		(Unaudited) June 30, 2020	(Audited) December 31, 2019
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	5	6,000,142	6,117,464
Right-of-use assets		1,388,843	1,403,090
Intangible assets		1,979	2,688
Long term investments	6	4,434,079	2,668,005
Long term loans to employees		14,911	14,770
Long term security deposits		107,131	105,894
		<u>11,947,085</u>	<u>10,311,911</u>
Current assets			
Stores, spares and loose tools		175,447	252,240
Stock-in-trade		4,817,619	4,247,068
Trade debts		3,818,511	3,021,121
Loans and advances		357,736	390,886
Trade deposits and prepayments		249,580	131,628
Other receivables		1,008,643	1,125,266
Cash and bank balances		74,609	38,503
		<u>10,502,145</u>	<u>9,206,712</u>
TOTAL ASSETS		22,449,230	19,518,623



Arif Saeed
(Chief Executive)




Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Profit or Loss (Unaudited)

For the half year ended June 30, 2020

	Note	Half year ended		Quarter ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)					
			Restated		Restated
Sales - net	7	9,389,055	14,162,301	4,763,575	8,136,692
Cost of sales	8	(7,556,950)	(11,593,719)	(4,038,155)	(6,747,568)
Gross profit		1,832,105	2,568,582	725,420	1,389,124
Distribution cost		(669,735)	(1,021,904)	(300,163)	(574,957)
Administrative expenses		(445,667)	(604,018)	(211,112)	(313,911)
Other expenses		(66,148)	(92,683)	(26,239)	(58,689)
		(1,181,550)	(1,718,605)	(537,514)	(947,557)
		650,555	849,977	187,906	441,567
Other income		47,385	284,793	31,828	182,749
Profit from operations		697,940	1,134,770	219,734	624,316
Finance cost		(656,722)	(509,469)	(309,971)	(305,835)
		41,218	625,301	(90,237)	318,481
Share of (loss) / profit in equity					
accounted investee - net of taxation		(14,779)	21,016	(15,501)	11,519
Profit / (loss) before taxation		26,439	646,317	(105,738)	330,000
Taxation		(93,929)	(81,219)	24,494	(43,497)
(Loss) / profit after taxation		(67,490)	565,098	(81,244)	286,503
(Loss) / earnings per share - basic and diluted (rupees)		(2.87)	24.05	(3.46)	12.19

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.


 Chaudhry Ahmed Javed
 (Chairman)


 Arif Saeed
 (Chief Executive)


 Badar Ul Hassan
 (Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

For the half year ended June 30, 2020

	Half year ended		Quarter ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Rupees in thousand)			
		Restated		Restated
(Loss) / profit after taxation	(67,490)	565,098	(81,244)	286,503
Other comprehensive (loss) / income:				
Items that will not be reclassified to profit or loss:				
Surplus / (deficit) arising on remeasurement of investment at fair value through other comprehensive income-net of tax	3,690	(5,690)	(6,770)	(4,660)
Remeasurements of employees retirement benefit Obligation - net of tax	-	(18,576)	-	(18,576)
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income / (loss) for the period - net of tax	3,690	(24,266)	(6,770)	(23,236)
Total comprehensive (loss) / income for the period	(63,800)	540,832	(88,014)	263,267

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the half year ended June 30, 2020

	RESERVES										Total Equity	
	Share Capital	Capital Reserves					Revenue Reserves			Total		
		Capital gains	Fair value reserve FVTOCI investment	Share premium	Share of reserve held by equity accounted investee	Reserve pursuant to the Scheme	Sub Total	General reserve	Un-appropriated profit			Sub total
Rupees in thousand												
Balance as at 31 December 2018 - audited	120,288	102,730	-	21,217	23,935	-	147,882	1,558,208	3,689,787	5,247,995	5,395,877	5,516,165
Adjustment on adoption of IFRS 9	-	-	-	-	-	-	-	-	(51,358)	(51,358)	(51,358)	(51,358)
Adjustment on adoption of IFRS 15	-	-	-	-	-	-	-	-	(70,612)	(70,612)	(70,612)	(70,612)
Adjusted total equity as at 01 January 2019	120,288	102,730	-	21,217	23,935	-	147,882	1,558,208	3,567,817	5,126,025	5,273,907	5,394,195
Transactions with owners:												
Final dividend for the year ended 31 December 2018 @ Rupees 30 per share	-	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	(360,862)
Issue of bonus shares @ 25%	30,072	-	-	-	-	-	-	-	(30,072)	(30,072)	(30,072)	-
	30,072	-	-	-	-	-	-	-	(390,934)	(390,934)	(390,934)	(360,862)
Profit for the half year ended 30 June 2019 - restated	-	-	-	-	-	-	-	-	565,098	565,098	565,098	565,098
Other comprehensive loss for the half year ended 30 June 2019	-	-	(5,690)	-	-	-	(5,690)	-	(18,576)	(18,576)	(24,266)	(24,266)
Total comprehensive income for the half year ended 30 June 2019 - restated	-	-	(5,690)	-	-	-	(5,690)	-	546,522	546,522	540,832	540,832
Balance as at 30 June 2019 - un-audited - restated	150,360	102,730	(5,690)	21,217	23,935	-	142,192	1,558,208	3,723,405	5,281,613	5,423,805	5,574,165
Transactions with owners:												
Interim dividend for the year ended 31 December 2019	-	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	(187,950)
@ Rupees 12.50 per share	37,590	-	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	-
Issue of bonus shares @ 25%	37,590	-	-	-	-	-	-	-	(225,540)	(225,540)	(225,540)	(187,950)

Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the half year ended June 30, 2020

	RESERVES										Total Equity		
	Share Capital	Capital Reserves			Reserve pursuant to the Scheme	Sub Total	Revenue Reserves		Total	Total Equity			
		Capital gains	Fair value reserve FVOCI investment	Share premium			Share of reserve held by equity accounted investee	General reserve				Un- appropriated profit	Sub total
Profit for the half year ended 31 December 2019	-	-	-	-	-	8,190	-	321,266	-	321,266	321,266	321,266	
Other comprehensive income for the half year ended 31 December 2019	-	-	-	-	-	8,190	-	25,537	-	33,727	33,727	33,727	
Total comprehensive income for the half year ended 31 December 2019	-	-	-	-	-	8,190	-	346,803	-	354,993	354,993	354,993	
Balance as at 31 December 2019 - audited	187,950	102,730	2,500	23,935	-	150,382	1,558,208	3,844,668	5,402,876	5,553,258	5,741,208	5,741,208	
Adjustment arising on transfer of net assets to Service Global Footwear Limited- subsidiary company pursuant to the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017) between Service Industries Limited and its members and Service Global Footwear Limited and its member ("the Scheme")	-	-	-	-	-	927,163	-	-	-	927,163	927,163	927,163	
Loss for the half year ended 30 June 2020	-	-	-	-	-	-	-	(67,490)	-	(67,490)	(67,490)	(67,490)	
Other comprehensive income for the half year ended 30 June 2020	-	-	3,690	-	-	3,690	-	-	-	3,690	3,690	3,690	
Total comprehensive loss for the half year ended 30 June 2020	-	-	3,690	-	-	3,690	-	(67,490)	-	(63,800)	(63,800)	(63,800)	
Balance as at 30 June 2020 - un-audited	187,950	102,730	6,190	23,935	927,163	1,081,235	1,558,208	3,777,178	5,335,386	6,416,621	6,604,571	6,604,571	

The Annexed notes form an integral part of these Unconsolidated Condensed Interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Unconsolidated Condensed Interim Statement of Cash Flows (Unaudited)


For the half year ended June 30, 2020

	June 30, 2020	June 30, 2019
	(Rupees in thousand)	
Cash flows from operating activities		Restated
Profit before taxation	26,439	646,317
Adjustments for non-cash charges and other items:		
Depreciation	317,970	331,071
Depreciation on right-of-use assets	103,796	92,744
Amortization on intangible assets	708	603
Provision for gratuity	21,288	26,265
Finance cost	656,722	509,469
Provision for workers' profit participation fund	198	26,368
Provision for workers' welfare fund	2,996	5,614
(Reversal of provision) / provision for slow moving and obsolete inventory	(3,089)	39,823
Allowance for expected credit losses	30,356	24,732
Share of (loss) / profit in equity accounted investee	14,779	(21,016)
Gain on termination of leases	(9,367)	-
Loss on disposal of fixed assets	3,342	11,457
Cash generated from operating activities before working capital changes	1,166,138	1,693,447
(Increase) / decrease in current assets:		
Stores, spares and loose tools	78,055	(36,716)
Stock in trade	(568,724)	(734,736)
Trade debts	(827,746)	(702,602)
Loans and advances	33,150	(467,694)
Trade deposits and prepayments	(117,952)	(73,841)
Other receivables	211,003	166,178
Increase in current liabilities:		
Trade and other payables	612,727	1,572,654
	(579,487)	(276,757)
Cash generated from operations	586,651	1,416,690
Finance cost paid	(430,739)	(479,591)
Income tax paid	(94,380)	(130,965)
Staff retirement benefits paid	(10,248)	(5,355)
Long term loans - net	(141)	152
Long term security deposits - net	(1,237)	(7,462)
Net cash generated from operating activities	49,906	793,469
Cash flows from investing activities		
Capital expenditure on fixed assets	(219,851)	(545,655)
Intangible asset acquired	-	(1,441)
Proceeds from disposal of fixed assets	15,861	475
Long term investments made	(850,000)	-
Net cash used in investing activities	(1,053,990)	(546,621)
Cash flows from financing activities		
Long term financing - net	52,779	(164,342)
Long term deposit repaid	(466)	-
Short term borrowings - net	993,792	294,448
Repayment of lease liabilities	(5,426)	(31,828)
Dividend paid	(489)	(354,932)
Net cash from / (used in) financing activities	1,040,190	(256,654)
Net increase / (decrease) in cash and cash equivalents	36,106	(9,806)
Cash and cash equivalents at the beginning of the period	38,503	53,761
Cash and cash equivalents at the end of the period	74,609	43,955

The annexed notes form an integral part of these unconsolidated condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

1. The Company and its Operations

Service Industries Limited (the Company) was incorporated as a private limited Company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now Companies Act, 2017), was converted into a public limited Company on 23 September 1959 and got listed on 27 June 1970. The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is located at 2-Main Gulberg, Lahore. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. These unconsolidated condensed interim financial statements pertain to Service Industries Limited as an individual entity.

2. Basis of preparation

2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These unconsolidated condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2019. These unconsolidated condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors.

3. Accounting Policies

The accounting policies and methods of computations adopted for the preparation of these unconsolidated condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

3.1 Critical Accounting Estimates and Judgments

The preparation of these unconsolidated condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

During preparation of these unconsolidated condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019.

4.2 Commitments

4.2.1 Letters of credit other than capital expenditure are of Rupees 1,112.652 million (31 December 2019: Rupees 483.486 million).

4.2.2 Guarantees issued in ordinary course of business through banks are of Rupees 1,214.027 million (31 December 2019: Rupees 879.505 million).

4.2.3 Contracts for capital expenditure are approximately of Rupees 74.250 million (31 December 2019: Rupees 82.054 million).

4.2.4 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of five years. Future monthly Ujrah payments under Ijarah are as follows:

	Note	June 30, 2020 (Rupees in thousand)	December 31, 2019
Not later than one year		51,517	63,299
Later than one year and not later than five years		71,221	103,214
		122,738	166,513
5 Fixed Assets			
Operating fixed assets	5.1	5,906,671	5,969,030
Capital work-in-progress	5.2	93,471	148,434
		6,000,142	6,117,464
5.1 Operating fixed assets			
Owned			
Opening net book value		5,969,030	5,726,524
Add: Cost of additions during the period / year	5.1.1	274,814	1,678,740
Less: Book value of deletions during the period / year	5.1.2	(19,203)	(19,406)

	June 30, 2020	December 31, 2019
Note	(Rupees in thousand)	
Less: Book value of transfers pursuant to the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017) between Service Industries Limited and its members and Service Global Footwear Limited and its member ("the Scheme") during the year	5.1.3 -	(756,753)
Less: Depreciation charged during the period / year	(317,970)	(660,075)
Closing net book value	5,906,671	5,969,030
5.1.1 Cost of additions during the period / year		
Buildings on freehold land	17,100	317,963
Plant and machinery	156,249	1,161,615
Furniture, fixture and fittings	1,126	9,195
Vehicles	37,832	7,399
Service equipment	46,290	158,132
Leasehold improvements	16,217	24,436
	274,814	1,678,740
5.1.2 Book value of deletions during the period / year		
Cost of deletions		
Freehold land	-	655
Plant and machinery	8,583	6,964
Furniture, fixture and fittings	610	13
Vehicles	2,456	2,426
Service equipment	4,342	11,899
Leasehold improvements	23,758	14,514
	39,749	36,471
Less: Accumulated depreciation	(20,546)	(17,065)
Book value of deletions during the period / year	19,203	19,406
5.1.3 Book value of transfers pursuant to the Scheme during the year		
Cost of transfers		
Freehold land	-	1,395
Buildings on freehold land	-	223,405
Plant and machinery	-	835,362
Furniture, fixture and fittings	-	6,358
Vehicles	-	1,048
Service equipment	-	268,597
	-	1,336,165
Less: Accumulated depreciation	-	579,412
Book value of transfers during the year	-	756,753

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

	Note	June 30, 2020 (Rupees in thousand)	December 31, 2019
5.2 Capital work-in-progress			
Buildings on freehold land		12,202	26,940
Plant and machinery		44,254	109,745
Furniture, fixture and fittings		23	380
Leasehold improvements		30,878	-
Service equipment		6,114	11,369
		93,471	148,434
6 Long term investments			
Investments in subsidiary companies - at cost	6.1	4,091,184	2,314,021
Investment in associate (with significant influence)			
- under equity method	6.2	314,175	328,954
Investments in joint ventures - at cost	6.3	480	480
Other investment - at FVTOCI	6.4	28,240	24,550
		4,434,079	2,668,005
6.1 Investments in subsidiary companies - at cost			
Service Industries Capital (Private) Limited 29,999,997 (31 December 2019: 29,999,997) fully paid ordinary shares of Rupees 10 each Equity held 100% (31 December 2019:100%)		300,000	300,000
Service Global Footwear Limited 13,550,000 (31 December 2019: 5,050,000) fully paid ordinary shares of Rupees 10 each 150,000,000 fully paid ordinary shares of Rupees 10 each Equity held 100% (31 December 2019: 100%)	6.1.1	135,500 2,890,684	50,500 1,963,521
		3,026,184	2,014,021
Service Long March Tyres (Private) Limited 76,500,000 (31 December 2019: Nil) fully paid ordinary shares of Rupees 10 each Equity held 51% (31 December 2019: Nil)		765,000	-
		4,091,184	2,314,021

6.1.1 Subsequent to the reporting period, 150,000,000 fully paid ordinary shares of Rupees 10 each have been issued on 03 July 2020 pursuant to the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017) between Service Industries Limited and its members and Service Global Footwear Limited and its member ("the Scheme").

	June 30, 2020	December 31, 2019		
	(Rupees in thousand)			
6.2 Investment in associate (with significant influence)				
- under equity method				
Speed (Private) Limited				
160,709 (31 December 2019 : 160,709) fully paid ordinary shares of Rupees 100 each	190,949	190,949		
Share of post acquisition reserve				
As at the beginning of the period / year	138,005	117,757		
Share of post acquisition (loss) / profit for the period / year	(14,779)	20,248		
	123,226	138,005		
	314,175	328,954		
6.3 Investments in joint ventures - at cost				
S2 Power Limited (24,000 fully paid ordinary shares of Rupees 10 each)	240	240		
S2 Hydro Limited (24,000 fully paid ordinary shares of Rupees 10 each)	240	240		
	480	480		
6.4 Other investment - at FVTOCI				
TRG Pakistan Limited				
1,000,000 (31 December 2019: 1,000,000) fully paid ordinary shares of Rupees 10 each	24,550	22,050		
Fair value adjustment	3,690	2,500		
	28,240	24,550		
	Un-audited	Un-audited		
	Half year ended	Quarter ended		
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Rupees in thousand)			
7 Sales - net				
Sales of footwear - net				
Export sales	542,701	3,769,050	237,532	1,842,064
Local sales	1,494,816	2,476,920	458,141	1,275,669
Duty drawback	9,964	153,659	5,814	72,494
	2,047,481	6,399,629	701,487	3,190,227
Sales of tyres - net				
Export sales	416,481	534,314	218,868	324,563
Local sales	6,799,958	7,220,199	3,736,157	4,615,814
	7,216,439	7,754,513	3,955,025	4,940,377
Sales of technical rubber products - net				
Local sales	125,135	8,159	107,063	6,088
	9,389,055	14,162,301	4,763,575	8,136,692

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

	Note	Un-audited Half year ended		Un-audited Quarter ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		(Rupees in thousand)			
8	Cost of sales				
	Raw materials consumed	8.1 5,016,783	7,008,962	2,103,625	3,818,415
	Salaries, wages and other benefits	1,036,595	1,578,311	478,093	829,119
	Stores and spares consumed	108,721	172,045	45,438	117,179
	Packing materials consumed	190,991	381,587	75,663	199,770
	Fuel and power	364,359	443,591	134,905	234,171
	Insurance	11,138	11,942	6,627	6,780
	Travelling and conveyance	2,157	12,066	(911)	6,176
	Repair and maintenance	78,669	76,485	31,852	39,559
	Entertainment	539	2,769	227	1,511
	Depreciation	283,776	299,009	142,731	161,099
	(Reversal of provision) / provision for slow moving and obsolete inventory	(3,089)	39,823	(1,535)	25,682
	Other manufacturing charges	46,826	94,500	29,028	34,143
		7,137,465	10,121,090	3,045,743	5,473,604
	Work in process:				
	Opening stock	225,852	398,416	440,582	524,147
	Less: Closing stock	463,237	602,481	463,237	602,481
		(237,385)	(204,065)	(22,655)	(78,334)
	Cost of goods manufactured	6,900,080	9,917,025	3,023,088	5,395,270
	Finished goods:				
	Opening stock	2,413,252	2,187,111	3,512,407	2,641,921
	Purchases during the period	836,942	1,377,182	95,984	597,976
	Less: Closing stock	2,593,324	1,887,599	2,593,324	1,887,599
		656,870	1,676,694	1,015,067	1,352,298
		7,556,950	11,593,719	4,038,155	6,747,568
8.1	Raw materials consumed				
	Opening stock	1,182,782	1,500,550	1,199,568	1,555,393
	Add: Purchases during the year	5,374,932	7,171,630	2,444,988	3,926,240
	Less: Closing stock	1,540,931	1,663,218	1,540,931	1,663,218
		5,016,783	7,008,962	2,103,625	3,818,415

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

9. Segment reporting

The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

Footwear

Purchase, manufacturing and sale of different qualities of footwear.

Tyre

Manufacturing of different qualities of tyres.

Technical Rubber Products

Manufacturing of different qualities of rubber products on specifications.

	Footwear		Tyre		Technical Rubber Products		Total - Company	
	(Un-audited) Half year ended	30 June 2019	(Un-audited) Half year ended	30 June 2019	(Un-audited) Half year ended	30 June 2020	(Un-audited) Half year ended	30 June 2020
30 June 2020	30 June 2019	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2019	30 June 2019

(Rupees in thousand)

Sales

Sales - External	2,047,481	6,399,629	7,216,439	7,754,513	125,135	8,159	9,389,055	14,162,301
(Loss) / profit before taxation and unallocated income and expenses	(7,864)	658,756	828,879	815,025	33,029	(2,709)	854,044	1,471,072
Unallocated income and expenses							(827,605)	(824,755)
Taxation							(93,929)	(81,219)
(Loss) / profit after taxation							(67,490)	565,098

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

9.1 Reconciliation of reportable segment assets and liabilities

	Footwear		Tyre		Technical Rubber Products		Total - Company	
	(Un-audited) 30 June 2020	(Audited) 31 Dec 2019	(Un-audited) 30 June 2020	(Audited) 31 Dec 2019	(Un-audited) 30 June 2020	(Audited) 31 Dec 2019	(Un-audited) 30 June 2020	(Audited) 31 Dec 2019
Total assets for reportable segment	7,269,483	5,947,499	9,409,556	9,121,739	157,140	152,290	16,836,179	15,221,528
Unallocated assets:							5,613,051	4,297,095
Total assets as per unconsolidated condensed statement of financial position							22,449,230	19,518,623
Unallocated liabilities							15,844,659	13,777,415
Total liabilities as per unconsolidated condensed statement of financial position							15,844,659	13,777,415

(Rupees in thousand)

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

- 10 Recognized fair value measurements - financial instruments
(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these unconsolidated condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 30 June 2020 Un-audited	----- Rupees in thousand -----			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through other comprehensive income	28,240	-	-	28,240
Total financial assets	28,240	-	-	28,240
----- Rupees in thousand -----				
Recurring fair value measurements At 31 December 2019 - Audited	----- Rupees in thousand -----			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through other comprehensive income	24,550	-	-	24,550
Total financial assets	24,550	-	-	24,550

Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 30 June 2020. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) **Valuation techniques used to determine level 1 fair values**

Specific valuation technique used to value financial instruments was use of quoted market prices.

11 Transactions with Related Parties

Related parties comprise subsidiary companies, associated undertakings, other related parties, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Details of transactions with related parties are as follows:

(i) Transactions:

(Unaudited)		(Unaudited)	
Half year ended		Quarter ended	
June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019

(Rupees in thousand)

Subsidiary companies

Investments made	850,000	-	-	-
Increase in short term loan obtained	190,417	-	190,417	-
Interest on short term loan	125,402	-	73,173	-
Sale of goods	-	39,832	-	17,268
Purchase of goods	55,822	-	50,741	-

Associated companies

Advance received	-	60,000	-	60,000
Donations paid	15,264	1,739	10,022	1,739
Reimbursement of expenses	-	266	-	266

Key management personnel

Cash dividend paid	-	160,509	-	160,509
Bonus shares issued	-	13,380	-	13,376
Meeting fee	840	1,140	-	720
Remuneration	64,009	93,575	25,053	46,788

Other related parties

Employees' retirement benefits	67,989	95,610	30,142	48,981
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Notes to the Unconsolidated Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

(ii) Period end balances

As at 30 June 2020 (Un-audited)			
	Subsidiary companies	Other related parties	Total
(Rupees in thousand)			
Employee benefit plans	-	176,459	176,459
Loans and advances	-	13,549	13,549
Short term loan payable	2,335,295	-	2,335,295
Trade and other payables	106,469	-	106,469
Accrued mark-up	260,223	-	260,223

As at 31 December 2019 (Audited)			
	Subsidiary companies	Other related parties	Total
(Rupees in thousand)			
Employee benefit plans	-	169,169	169,169
Loans and advances	-	13,549	13,549
Short term loan payable	2,144,878	-	2,144,878
Accrued mark-up	134,821	-	134,821

12 The Financial Risk Management

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019. In accordance with the terms of agreement with the lenders of long term finances in connection with deferment of principal amount for twelve months, there is restriction on distribution of dividends by the Company during the relief period.

13 Date of authorization for issue

These unconsolidated condensed interim financial statements were approved by the Board of Directors and authorized for issue on 27 August 2020.

14 Corresponding figures

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the unconsolidated condensed interim statement of financial position and unconsolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Entire Muridke Footwear undertaking has been separated from Service Industries Limited with effect from 01 July 2019. Hence, comparative figures of unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows are not comparable.

The Company adopted IFRS 16 'Leases' from 01 January 2019. However, at the time of preparation of unconsolidated condensed interim financial statements for the half year ended 30 June 2019, IFRS 16 was not applied. Hence, now, the corresponding figures appearing in the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been restated as follows:

	(Un-audited)
	Half year ended 30 June 2019
	(Rupees in thousand)
Distribution cost decreased by	16,516
Finance cost increased by	(77,432)
Profit after taxation decreased by	(60,916)
Total comprehensive income decreased by	(60,916)

15 General

Figures have been rounded off to nearest thousand of Rupees unless otherwise stated. In view of issue of 4,698,745 ordinary shares of Rupees 10 each as bonus shares subsequent to the reporting period, the calculation of basic and diluted (loss) / earnings per share for all periods presented has been retrospectively adjusted.



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

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Consolidated Financial Statements

Group Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with Group Condensed Interim Financial information of the Service Industries Limited for the Half Year ended June 30, 2020.

The Group comprises of Service Industries Limited, Service Industries Capital (Private) Limited, a wholly owned subsidiary of Service Industries Limited, Service Global Footwear Limited, a wholly owned subsidiary of Service Industries Limited, Service Long March Tyres (Private) Limited, partially owned subsidiary of Service Industries Limited and Service Shoes Lanka (Private) Limited, a partially owned subsidiary company of Service Industries Capital (Private) Limited.

Service Industries Limited

Service Industries Limited

The Director Report providing a commentary on the performance of Service Industries Limited for half year ended June 30, 2020 has been presented separately. Service Industries Limited has annexed its Condensed Consolidated Interim Financial Information along with its Separate Condensed Interim Financial information, in accordance with the requirements of International Financial Reporting Standards and Companies Act 2017.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is wholly owned subsidiary of the Service Industries Limited. Service Industries Capital (Private) Limited got registered under the Companies Ordinance, 1984 (now the Companies Act 2017) in Pakistan as a company limited by shares on November 10, 2015. The registered office of Service Industries Capital (Private) Limited is situated at Service House, 2-Main Gulberg, Lahore. The main object of Service Industries Capital (Private) Limited is to make investment in new ventures, shares and securities, listed or otherwise, in Pakistan or elsewhere in the world, subject to requirements of applicable law.

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is wholly owned subsidiary of Service Industries Limited.

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited is a Private Limited Company incorporated in Pakistan on January 07, 2020 under Companies Act, 2017 (XIX of 2017). The registered office of the Company is situated at Servis House, 2-Main Gulberg, Lahore. The principle line of business of the Company is to carry on the business of manufacturing, sale, marketing, import and export of all steel radial truck and bus tyres. The shareholding of Service Industries Limited in Service Long March Tyres (Private) Limited is 51%.

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a subsidiary company of Service Industries Capital (Private) Limited, which is wholly owned subsidiary of Service Industries Limited. Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on July 16, 2015 and domiciled in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The registered office of the Company is located at No 143/17, Sri Wickrema Mawatha, Colombo 15 and the principal place of business is located at Katunayake.

For and on Behalf of the Board



CHAUDHRY AHMED JAVED
Chairman

August 27, 2020
Lahore.

For and on Behalf of the Board



ARIF SAEED
Chief Executive

سروس شوز لنکا (پرائیویٹ) لمیٹڈ

سروس شوز لنکا (پرائیویٹ) لمیٹڈ SICPL کا ایک ماتحت ادارہ ہے جو کہ SIL کا ایک ملکیتی ماتحت ادارہ ہے۔ سروس شوز لنکا (پرائیویٹ) لمیٹڈ ایک (پرائیویٹ) لمیٹڈ لائسنسڈ کمپنی ہے جو کہ 16 جولائی 2015 کو سری لنکا میں کمپنیوں کے ایکٹ 2007 کے نمبر 7 کے تحت رجسٹر ہوئی۔ کمپنی کا رجسٹرڈ دفتر نمبر 143/17 سری وکرما ماداتھا، کولمبو 15 پر واقع ہے اور کاروبار کی مرکزی جگہ کاتونائیکے میں واقع ہے۔

منجانب بورڈ



عارف سعید
چیف ایگزیکٹو



چوہدری احمد جاوید
چیرمین

مورخہ 27 اگست 2020
لاہور

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 30 جون 2020 تک گروپ کی مجموعی ششماہی مختصر عبوری مالیاتی معلومات پیش کی جا رہی ہیں۔ گروپ میں SIL، سروس انڈسٹریز کیپیٹل (پرائیویٹ) لمیٹڈ (SICPL) جو کہ SIL گروپ کا مکمل ملکیتی ماتحت ادارہ ہے، سروس گلوبل فٹ ویئر لمیٹڈ (SGFL)، جو کہ (SIL) گروپ کا مکمل ملکیتی ماتحت ادارہ ہے، سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ (SLMTL) جو کہ (SIL) گروپ کی جزوی ملکیتی ادارہ ہے، اور سروس شووز لٹکا (پرائیویٹ) لمیٹڈ جو کہ (SICPL) کا ماتحت ادارہ ہے، پر مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

30 جون 2020 کو ختم ہونے والے دورانیے کے لیے سروس انڈسٹریز لمیٹڈ کی کارکردگی پر ڈائریکٹرز رپورٹ، علیحدہ سے پیش کی گئی ہے۔ سروس انڈسٹریز لمیٹڈ نے انٹرنیشنل فائینانشل رپورٹنگ سٹینڈرڈز اور کمپنیز ایکٹ 2017 کے مطابق 30 جون 2020 تک کی گروپ اور انفرادی ششماہی معلومات اس رپورٹ میں منسلک کر دی ہیں۔

سروس انڈسٹریز کیپیٹل پرائیویٹ لمیٹڈ

SIL، SICPL، SIL کا ایک مکمل ملکیتی ماتحت ادارہ ہے۔ SICPL آرڈیننس 1984 (جو کہ اب کمپنی ایکٹ 2017 ہے) کے تحت 10 نومبر 2015 کو پاکستان میں ایک لمیٹڈ کمپنی کے طور پر رجسٹر ہوئی۔ SICPL کا رجسٹرڈ دفتر سروس ہاؤس، 2- مین گلبرگ، لاہور پر واقع ہے۔ اس ماتحت ادارے کا بنیادی مقصد پاکستان میں یا دنیا میں کہیں بھی، نئے کاروبار اور حصص میں متعلقہ قوانین کے مطابق سرمایہ کاری کرنا ہے۔

سروس گلوبل فٹ ویئر لمیٹڈ

سروس گلوبل فٹ ویئر لمیٹڈ کو 19 جولائی 2019 کو پاکستان میں کمپنیز ایکٹ، 2017 کے تحت پبلک لمیٹڈ کمپنی کے طور پر تشکیل کیا گیا ہے۔ کمپنی کی بنیادی سرگرمیوں میں جوتے، چمڑے اور اس سے منسلک مصنوعات کی تیاری، فروخت، مارکیٹنگ، درآمد اور برآمد شامل ہیں۔ یہ سروس انڈسٹریز لمیٹڈ کی مکمل ملکیتی ماتحت ادارہ ہے۔

سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ

سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ کو 7 جنوری 2020 کو پاکستان میں کمپنیز ایکٹ، 2017 کے تحت (پرائیویٹ) لمیٹڈ کمپنی کے طور پر تشکیل کیا گیا ہے۔ کمپنی کا رجسٹرڈ آفس سروس ہاؤس، 2- مین گلبرگ، لاہور میں واقع ہے۔ کمپنی کا بنیادی کاروبار تمام اسٹیل ریڈیل ٹرک اور بس ٹائروں کی تیاری، فروخت، مارکیٹنگ، درآمد اور برآمد کرنا ہے۔ سروس لانگ مارچ ٹائرز (پرائیویٹ) لمیٹڈ میں سروس انڈسٹریز لمیٹڈ کے 51 فیصد شیئر ہیں۔

Condensed Consolidated Interim Statement of Financial Position (Unaudited)

As at June 30, 2020

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital	1,000,000	1,000,000
100,000,000 (2019: 100,000,000) ordinary shares of Rs 10/- each		
Issued, subscribed and paid-up share capital	187,950	187,950
Reserves	6,232,473	6,027,682
Non-controlling interest	694,995	(31,693)
Total equity	7,115,418	6,183,939
LIABILITIES		
Non-current liabilities		
Long term financing	3,424,727	3,090,252
Long term deposits	1,940	2,406
Lease liabilities	1,455,750	1,302,055
Employees' retirement benefit	232,597	215,979
Deferred income tax liability - net	142,489	189,131
	5,257,503	4,799,823
Current liabilities		
Trade and other payables	4,975,954	4,006,199
Accrued mark-up	235,787	142,320
Short term borrowings	7,299,854	6,284,209
Current portion of non-current liabilities	586,191	947,685
Unclaimed dividend	37,295	37,784
Provision for taxation	589,990	407,864
	13,725,071	11,826,061
Total liabilities	18,982,574	16,625,884
Contingencies and commitments	5	
TOTAL EQUITY AND LIABILITIES	26,097,992	22,809,823

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



Chaudhry Ahmed Javed
(Chairman)

		(Unaudited) June 30, 2020	(Audited) December 31, 2019
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Fixed assets	6	7,937,755	7,260,918
Right-of-use assets		1,388,843	1,403,090
Intangible assets		50,887	48,173
Long term investments	7	522,062	542,646
Long term loans to employees		27,172	25,031
Long term security deposits		113,188	112,171
		<u>10,039,907</u>	<u>9,392,029</u>
Current assets			
Stores, spares and loose tools		217,683	289,399
Stock-in-trade		6,701,172	5,903,758
Trade debts		4,635,768	3,617,736
Loans and advances		730,018	684,295
Trade deposits and prepayments		276,210	136,379
Other receivables		2,618,611	2,681,253
Accrued interest		8,795	1,426
Cash and bank balances		869,828	103,548
		<u>16,058,085</u>	<u>13,417,794</u>
		<u>26,097,992</u>	<u>22,809,823</u>



Arif Saeed
(Chief Executive)




Badar Ul Hassan
(Chief Financial Officer)

Condensed Consolidated Interim Statement of Profit or Loss (Unaudited)


For the half year ended June 30, 2020

	Note	Half year ended		Quarter ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		Restated		Restated	
		(Rupees in thousand)			
Sales - net	8	12,701,377	14,309,506	5,824,701	8,193,549
Cost of sales	9	(10,276,107)	(11,710,471)	(4,956,921)	(6,800,839)
Gross profit		2,425,270	2,599,035	867,780	1,392,710
Distribution cost		(965,696)	(1,024,447)	(458,414)	(576,170)
Administrative expenses		(634,331)	(626,288)	(298,153)	(325,636)
Other expenses		(82,295)	(92,683)	(28,478)	(58,689)
		(1,682,322)	(1,743,418)	(785,045)	(960,495)
		742,948	855,617	82,735	432,215
Other income		224,937	284,974	146,488	184,189
Profit from operations		967,885	1,140,591	229,223	616,404
Finance cost		(603,210)	(514,307)	(273,876)	(308,339)
		364,675	626,284	(44,653)	308,065
Share of (loss) / profit in equity					
Accounted investee - net of taxation		(24,274)	34,518	(25,460)	17,618
Profit before taxation		340,401	660,802	(70,113)	325,683
Taxation		(134,479)	(81,219)	7,886	(43,497)
Profit after taxation		205,922	579,583	(62,227)	282,186
Share of profit attributable to:					
Equity holders of the holding company		207,805	579,134	(56,875)	277,778
Non-controlling interest		(1,883)	449	(5,352)	4,408
		205,922	579,583	(62,227)	282,186
Earnings per share - basic and diluted (Rupees)		8.76	24.67	(2.65)	12.01


The annexed notes form 1 to 16 an integral part of these unconsolidated condensed interim financial statements.



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)




Badar Ul Hassan
(Chief Financial Officer)


Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the half year ended June 30, 2020

	Half year ended		Quarter ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Restated		Restated	
	(Rupees in thousand)			
Profit after taxation	205,922	579,583	(62,227)	282,186
Other comprehensive (loss) / income:				
Items that will not be reclassified to profit or loss:				
Surplus / (deficit) arising on remeasurement of investment at fair value through other comprehensive income-net of tax	3,690	(5,690)	14,330	(4,680)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign subsidiary	(16,073)	(38,454)	(11,667)	(35,962)
Remeasurements of employees' retirement benefit obligation -net of tax	-	(18,576)	-	(18,576)
Exchange difference on translation of goodwill	2,940	8,922	1,031	6,999
	(13,133)	(48,108)	(10,636)	(47,539)
Other comprehensive income / (loss) for the period - net of tax	(9,443)	(53,798)	3,694	(52,219)
Total comprehensive income for the period	196,479	525,785	(58,533)	229,967
Share of total comprehensive income attributable to:				
Equity holders of the holding company	204,791	521,767	(48,514)	222,759
Non-controlling interest	(8,312)	4,018	(10,019)	7,208
	196,479	525,785	(58,533)	229,967

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


 Chaudhry Ahmed Javed
 (Chairman)


 Arif Saeed
 (Chief Executive)


 Badar Ul Hassan
 (Chief Financial Officer)

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the half year ended June 30, 2020


	Reserves										Non-controlling interest	Total Equity	
	Share Capital	Capital Reserves					Revenue Reserves						Total Reserves
		Capital gains	Fair value reserve FVTOCI investment	Share premium	Share held by equity accounted investee	Exchange translation reserve	Sub Total	General reserve	Un-appropriated profit	Sub total			
Rupees in thousand													
Balance as at 31 December 2018 - restated	120,288	102,730	-	21,217	44,395	3,785	172,127	1,558,208	3,648,863	5,207,071	5,379,198	(16,322)	5,483,164
Adjustment on adoption of IFRS 9	-	-	-	-	-	-	-	-	(51,358)	(51,358)	(51,358)	-	(51,358)
Adjustment on adoption of IFRS 15	-	-	-	-	-	-	-	-	(70,612)	(70,612)	(70,612)	-	(70,612)
Adjusted total equity as at 01 January 2019	120,288	102,730	-	21,217	44,395	3,785	172,127	1,558,208	3,526,893	5,085,101	5,257,228	(16,322)	5,361,194
Transactions with owners:													
Final dividend for the year ended	-	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	-	(360,862)
31 December 2018 @ Rupees 30 per share	-	-	-	-	-	-	-	-	(360,862)	(360,862)	(360,862)	-	(360,862)
Issue of bonus shares for the year ended	30,072	-	-	-	-	-	-	-	(30,072)	(30,072)	(30,072)	-	-
31 December 2018 @ 25%	30,072	-	-	-	-	-	-	-	(390,934)	(390,934)	(390,934)	-	(360,862)
Profit for the half year ended 30 June 2019													
Other comprehensive income for the period	-	(5,690)	-	-	-	(33,101)	(38,791)	-	579,134	579,134	579,134	449	579,583
Total comprehensive income for the period	-	(5,690)	-	-	-	(33,101)	(38,791)	-	(18,576)	(18,576)	(57,367)	3,569	(53,798)
Balance as at 30 June 2019 - unaudited - restated	150,360	102,730	(5,690)	21,217	44,395	(29,316)	133,336	1,558,208	3,696,517	5,254,725	5,388,061	(12,304)	5,526,117
Transactions with owners:													
Interim dividend for the year ended	-	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	-	(187,950)
31 December 2019 @ Rupees 12.50 per share	-	-	-	-	-	-	-	-	(187,950)	(187,950)	(187,950)	-	(187,950)
Issue of bonus shares during the year ended	37,590	-	-	-	-	-	-	-	(37,590)	(37,590)	(37,590)	-	-
31 December 2019 @ 25%	37,590	-	-	-	-	-	-	-	(225,540)	(225,540)	(225,540)	-	(187,950)

Condensed Consolidated Interim Statement of Cash Flows (Unaudited)


For the half year ended June 30, 2020

	June 30, 2020	June 30, 2019
	(Rupees in thousand)	
		Restated
Cash flow from operating activities		
Profit before taxation	340,401	721,718
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	382,200	337,889
Depreciation on right of use assets	103,796	-
Provision for gratuity	32,770	26,265
Finance cost	603,210	436,875
Provision for workers' profit participation fund	7,161	26,368
Provision for workers' welfare fund	9,699	5,614
Provision / (reversal of provision) for slow moving and obsolete inventory	13,033	39,823
Allowance for expected credit losses	13,157	24,732
Share of profit in equity accounted investee	24,274	(34,518)
Exchange gain / (loss)	(15,139)	(29,532)
Operating profit before working capital changes	1,174,161	833,516
Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	71,716	(36,716)
Stock-in-trade	(810,447)	(735,524)
Trade debts	(1,031,189)	(751,823)
Accrued interest	(7,369)	-
Loans, advances, trade deposits, prepayments and other receivables	1,992	(381,529)
	(1,775,297)	(1,905,592)
Increase in trade and other payables	952,895	1,661,998
	(822,402)	(243,594)
Cash generated from operations	692,160	1,311,640
Finance cost paid	(509,743)	(406,997)
Income tax paid	(123,899)	(130,966)
Employees' retirement benefits paid	(16,152)	(5,355)
Long term loans - net	(2,141)	152
Long term deposits - net	(1,017)	(7,462)
Net cash (used in) / generated from operating activities	39,208	761,012
Cash flows from investing activities		
Capital expenditure on operating fixed assets	(1,059,745)	(569,977)
Proceed for investment in subsidiary (Service Long March (Private) Limited)	735,000	-
Net cash used in investing activities	(324,745)	(569,977)
Cash flows from financing activities		
Long term financing - net	42,553	(164,342)
Short term borrowings - net	1,015,645	320,296
Repayment of lease liabilities	(5,426)	-
Dividend paid	(489)	(354,932)
Long term deposits - net	(466)	-
Net cash from financing activities	1,051,817	(198,978)
Net decrease in cash and cash equivalents	766,280	(7,943)
Cash and cash equivalents at the beginning of the period	103,548	72,841
Cash and cash equivalents at the end of the period	869,828	64,898


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



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

1. The group and its operations

The Group consists of:

Holding Company

- Service Industries Limited

Subsidiary Companies

- Service Global Footwear Limited
- Service Industries Capital (Private) Limited
- Service Shoes Lanka (Private) Limited
- Service Long March Tyres (Private) Limited

Service Industries Limited

Service Industries Limited was incorporated as a private limited company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017), converted into a public limited company on 23 September 1959 and got listed on 27 June 1970. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activities of the Company are purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products.

Service Global Footwear Limited

Service Global Footwear Limited was incorporated as a public limited company on 19 July 2019 in Pakistan under the Companies Act, 2017. The principal activities of the Company are manufacturing, sale, marketing, import and export of footwear, leather and allied products. It is wholly owned subsidiary of Service Industries Limited.

Service Industries Capital (Private) Limited

Service Industries Capital (Private) Limited is a private limited company incorporated in Pakistan on 10 November 2015 under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). Its registered office and head office is situated at Servis House, 2-Main Gulberg, Lahore. The principal objects of the Company are to hold investments in subsidiaries / joint ventures and other companies, entities and organizations, listed or otherwise in Pakistan or elsewhere in the world subject to all the applicable laws and procedures but not to act as an investment company. It is wholly owned subsidiary of Service Industries Limited.

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on 16 July 2015 under the provisions of the Companies Act No. 07 of 2007 in Sri Lanka. The registered office of the Company is located at No. 143 / 17, Sri Wickrema Mawatha, Colombo and the principal place of business is located at Katunayake, Sri Lanka. It is subsidiary of Service Industries Capital (Private) Limited which is wholly owned subsidiary of Service Industries Limited. Ownership interest held by non-controlling interest in Service Shoes Lanka (Private) Limited - Subsidiary Company is 40%.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

Service Long March Tyres (Private) Limited

Service Long March Tyres (Private) Limited is a Private Limited Company incorporated in Pakistan on January 07, 2020 under Companies Act, 2017 (XIX of 2017). The registered office of the Company is situated at Servis House, 2-Main Gulberg, Lahore. The principle line of business of the Company is to carry on the business of manufacturing, sale, marketing, import and export of all steel radial truck and bus tyres. The shareholding of Service Industries Limited in Service Long March Tyres (Private) Limited is 51%.

2. Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The assets and liabilities of Subsidiary Companies have been consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Companies.

Intragroup balances and transactions have been eliminated.

Non-controlling interest are that part of net results of the operations and of net assets of Subsidiary Companies attributable to interest which are not owned by the Holding Company. Non-controlling interest are presented as separate item in the consolidated financial statements.

b) Associate

Associate is an entity over which the Group has significant influence but not control or joint control. Investment in associate is accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associate is recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in equity method accounted for associate is tested for impairment in accordance with the provision of IAS 36 'Impairment of Assets'.

c) Translations of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in preparing the Group's financial statements are translated in functional currency of the Group. Statement of financial position items are translated at the exchange rate at the reporting date and statement of profit and loss items are converted at the average rate for the period. Any resulting translations differences are recognized under exchange translation reserve in consolidated reserves.

3. Basis of preparation

3.1 These Condensed consolidated interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under Companies Act, 2017.
Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These do not include all of the information required for the full set of annual financial statements and the consolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the company for the year ended 31 December 2019.

3.2 The condensed consolidated interim financial statements are presented in Pak Rupee which is the company's functional and presentation currency.

4. Accounting Policies

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

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial statements, 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, 2019.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 31 December 2019 except:

Post dated cheques have been issued to custom authorities in respect of duties amounting to Rupees 1,167.816 million on imported material availed on the basis of consumption and export plans. In the event the documents of exports are not provided on due dates, cheques issued as security shall be encashable.

5.2 Commitments

5.2.1 Guarantees issued in ordinary course of business through banks are of Rupees 1,214.027 million (2019: Rupees 879.505 million).

5.2.2 Contracts for capital expenditure are approximately of Rupees 109.908 million (2019: Rupees 88.215 million).

5.2.3 Letters of credit other than capital expenditure are of Rupees 1,209.603 million (2019: Rupees 515.023 million).

5.2.4 The Company has obtained vehicles under ijarah arrangements from Meezan Bank Limited, Allied Bank Limited and Bank Al Habib Limited for a period of five years. Future Ujrah payments under Ijarah are as follows:

	Note	June 30, 2020	December 31, 2019
		(Rupees in thousand)	
		58,076	70,917
		75,065	109,932
		133,141	180,849
6	Fixed Assets		
	Operating fixed assets	6.1	7,018,908
	Capital work-in-progress		918,847
			7,937,755
6.1	Operating fixed assets		
	Opening net book value		7,008,694
	Add: Additions during the period	6.2	404,200
			7,412,894
	Less: Disposals during the period (at book value)	6.2	(19,753)
			7,393,141
	Add: Currency retranslation		7,259
			13,336
			7,400,400
	Less: Depreciation charged during the period		(381,492)
			7,018,908
			7,008,694

6.2 Following is the detail of additions and disposals during the period:

	Additions		Disposals - NBV	
	Un-audited June 30, 2020	Audited Dec 31, 2019	Un-audited June 30, 2020	Audited Dec 31, 2019
	(Rupees in thousand)			
Land	85,892	-	-	655
Building on freehold land	32,163	428,636	-	-
Plant and machinery	182,143	1,241,827	1,557	1,406
Furniture, fixture and fittings	2,390	9,787	475	-
Vehicles	37,832	7,399	1,589	843
Service equipments	47,563	183,172	796	2,357
Leasehold improvements	16,217	24,436	15,336	11,599
	404,200	1,895,257	19,753	16,860

	Note	June 30, 2020	December 31, 2019
		(Rupees in thousand)	
7. Long term investments			
Investment in associate (with significant influence)			
- under equity method	7.1	493,342	517,616
Investment in joint ventures - at cost	7.2	480	480
Other investment - at FVTOCI	7.3	28,240	24,550
		522,062	542,646
7.1 Investment in associate (with significant influence) - under equity method			
Speed (Private) Limited			
263,909 (2019: 263,909) fully paid ordinary shares of Rupees 100 each		342,526	342,526
Share of post acquisition reserve			
As at the beginning of the year		175,090	141,858
Share of post acquisition profit for the period		(24,274)	33,232
		150,816	175,090
		493,342	517,616
7.2 Investment in joint ventures - at cost			
S2 Power Limited			
24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each		240	240
S2 Hydro Limited			
24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each		240	240
		480	480

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

7.3	Other investment - at FVTOCI		
	TRG Pakistan Limited		
	1,000,000 (2019: 1,000,000) fully paid		
	ordinary shares of Rupees 10 each	24,550	22,050
	Fair value adjustment	3,690	2,500
		28,240	24,550

	Note	Un-audited Half year ended		Un-audited Quarter ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)					
8.	Sales of footwear - net				
	Export sales	3,678,566	3,912,742	1,227,689	1,896,305
	Local sales	1,533,139	2,480,433	475,210	1,278,285
	Duty draw back	148,098	153,659	60,421	72,494
		5,359,803	6,546,834	1,763,320	3,247,084
	Sales of tyres - net				
	Export sales	416,481	534,314	218,161	324,563
	Local sales	6,799,958	7,220,199	3,736,157	4,615,814
		7,216,439	7,754,513	3,954,318	4,940,377
	Sales of technical rubber products - net				
	Local sales	125,135	8,159	107,063	6,088
		12,701,377	14,309,506	5,824,701	8,193,549

	Note	Un-audited Half year ended		Un-audited Quarter ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)					
9. Cost of sales					
Raw materials consumed	9.1	6,589,490	7,065,121	2,828,855	3,843,819
Salaries, wages and other benefits		1,822,394	1,615,704	839,336	856,123
Stores and spares consumed		198,015	172,125	99,579	117,259
Packing materials consumed		350,642	389,242	143,400	202,077
Fuel and power		402,798	445,303	146,860	234,992
Insurance		14,259	11,942	8,234	6,780
Travelling		8,341	12,066	31	6,176
Repair and maintenance		93,475	76,890	38,067	39,964
Entertainment		2,346	2,769	1,029	1,511
Depreciation (Reversal of provision) / provision for slow moving and obsolete inventory		340,093	302,271	167,895	162,796
Other manufacturing charges		13,033	39,823	11,194	25,682
		83,529	104,588	38,123	38,321
		9,918,415	10,237,844	4,322,603	5,535,500
Work-in-process					
Opening stock		479,707	423,069	655,723	531,238
Less: Closing stock		(733,124)	(622,018)	(733,124)	(622,018)
		(253,417)	(198,949)	(77,401)	(90,780)
Cost of goods manufactured		9,664,998	10,038,895	4,245,202	5,444,720
Finished goods					
Opening stock		2,970,441	2,196,383	3,789,422	2,423,252
Add: Purchases during the period		875,633	1,376,274	157,262	833,948
Less: Closing stock		(3,234,965)	(1,901,081)	(3,234,965)	(1,901,081)
		611,109	1,671,576	711,719	1,356,119
		10,276,107	11,710,471	4,956,921	6,800,839
9.1 Raw materials consumed					
Opening stock		1,878,197	1,545,084	1,842,877	1,526,175
Add: Purchases during the period		6,970,150	7,228,935	3,244,835	4,026,542
Less: Closing stock		(2,258,857)	(1,708,898)	(2,258,857)	(1,708,898)
		6,589,490	7,065,121	2,828,855	3,843,819

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

10. Segment reporting

The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

Footwear: Purchase, manufacturing and sale of different qualities of footwear.

Tyre: Manufacturing of different qualities of tyres.

Technical Rubber Products: Manufacturing of different qualities of rubber products on specifications.

	(Rupees in thousand)							
	Footwear		Tyre		Technical Rubber Products		Total - Company	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Sales	5,359,803	6,546,834	7,216,439	7,754,513	125,135	8,159	12,701,377	14,309,506
Profit/(loss) before taxation and unallocated income and expenses	280,170	658,756	854,806	815,025	33,029	(2,709)	1,168,005	1,471,072
Unallocated income and expenses:								
Taxation							(827,604)	(810,270)
Profit after taxation							205,922	579,583

10.1 Reconciliation of reportable segment assets and liabilities

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total - Company	
	June 30, 2020	Dec 31, 2019	June 30, 2020	Dec 31, 2019	June 30, 2020	Dec 31, 2019	June 30, 2020	Dec 31, 2019
Total assets for reportable segment	9,391,099	8,782,272	10,936,701	9,121,739	157,140	152,290	20,484,940	18,056,301
Unallocated assets							5,613,051	4,753,522
Total assets as per statement of financial position							26,097,992	22,809,823
Unallocated liabilities							18,982,574	16,625,884
Total liabilities as per statement of financial position							18,982,574	16,625,884

Notes to the Condensed Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

- 11 Recognized fair value measurements - financial instruments
(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 30 June 2020	Level 1	Level 2	Level 3	Total
	Rupees in thousand			
Financial assets				
Financial assets at fair value through other comprehensive income	28,240	-	-	28,240
Total financial assets	28,240	-	-	28,240

Recurring fair value measurements At 31 December 2019	Level 1	Level 2	Level 3	Total
	Rupees in thousand			
Financial assets				
Available for sale financial asset	24,550	-	-	24,550
Total financial assets	24,550	-	-	24,550

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period. Further, there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) **Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include the use of quoted market prices.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

12 Transactions with Related Parties

Transaction with related parties and associated undertakings, other than those disclosed elsewhere in the financial statements are as follows:

(Unaudited)		(Unaudited)	
Half year ended		Quarter ended	
June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(Rupees in thousand)			

Associated companies

Advance received	-	60,000	-	60,000
Donations made	15,264	1,739	10,022	1,739
Reimbursement of expenses	-	266	-	266

Key management personnel

Cash dividend	-	160,509	-	160,509
Bonus shares	-	13,380	-	13,380
Meeting fee	840	1,140	-	720
Remuneration	64,009	93,575	-	46,788

Other related parties

Employees' retirement benefits	114,215	95,610	54,426	48,981
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(ii) Period end balances

As at 30 June 2020 (Un-audited)		
Associated companies	Other related parties	Total
(Rupees in thousand)		

Employee benefit plans	-	263,225	263,225
Loans and advances	13,549	-	13,549

As at 31 December 2019 (Audited)		
Associated companies	Other related parties	Total
(Rupees in thousand)		

Employee benefit plans	-	248,818	248,818
Loans and advances	13,549	-	13,549

13. The Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2019.

14. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 27 August 2020 by the Board of Directors of the Company.

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the unconsolidated condensed interim statement of financial position and unconsolidated condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of other comprehensive income and unconsolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. Entire Muridke Footwear undertaking has been separated from Service Industries Limited with effect from 01 July 2019. Hence, comparative figures of unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows are not comparable.

The Company adopted IFRS 16 'Leases' from 01 January 2019. However, at the time of preparation of consolidated condensed interim financial statements for the half year ended 30 June 2019, IFRS 16 was not applied. Hence, now, the corresponding figures appearing in the unconsolidated condensed interim statement of profit or loss, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of cash flows have been restated as follows:

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

For the half year ended June 30, 2020

(Un-audited)

Half year ended 30 June 2019

(Rupees in
thousand)

Distribution cost decreased by	16,516
Finance cost increased by	(77,432)
Profit after taxation decreased by	(60,916)
Total comprehensive income decreased by	(60,916)

16. General

Figures have been rounded off to nearest thousand of Rupees, except stated otherwise.



Chaudhry Ahmed Javed
(Chairman)



Arif Saeed
(Chief Executive)



Badar Ul Hassan
(Chief Financial Officer)

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