

CONTENTS

Inside This Issue

Company Information	2
Directors' Report to the Shareholders	3
Auditors Report to the Members on Review of Interim Financial Information	4
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account	7
Condensed Statement of Comprehensive Income	8
Condensed Interim Cash Flow Statement	9
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim Accounts	11-15

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Ahmad Javed (Chairman) Mr. Omar Saeed (Chief Executive) Mr. M. Ijaz Butt Mr. Arif Saeed Mr. Hassan Javed Mr. Riaz Ahmad Mr. Ahmad Shahid Hussain Mr. Hamid Hussain Mr. Manzoor Ahmad (Rep. of NIT)
ADVISOR	Ch. Ahmad Saeed
AUDIT COMMITTEE	Mr. Manzoor Ahmad (Chairman) Mr. Hassan Javed (Member) Mr. Riaz Ahmed (Member)
COMPANY SECRETARY	Mr. Sultan Anwar
CHIEF FINANCIAL OFFICER	Mr. Muhammad Usman Amjad
AUDITORS	M/s S.M. Masood & Co. Chartered Accountants
LEGAL ADVISOR	M/s Bokhari Aziz & Karim 2-A Block-G, Gulberg-II, Lahore.
REGISTERED OFFICE	Servis House, 2 Main Gulberg, Lahore-54662 Phone: 042-35751990-96 Fax: 042-35710593, 35712109
FACTORIES	G.T. Road, Gujrat. Muridke-Sheikhupura Road, Muridke
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Limited 1st Floor, H.M. House, 7-Bank Square, The Mall Lahore. Phone: 042-37235081-2 Fax: 042-37358817
BANKERS	Habib Bank Limited United Bank Limited MCB Bank Limited Allied Bank Limited HSBC Bank Middle East Limited SAMBA Bank Limited Barclays Bank PLC, Pakistan Standard Chartered Bank (Pakistan) Limited Faysal Bank Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your Company take pleasure in presenting the second Quarter report on the performance of your company along with un-audited financial statements for the half year ended June 30, 2011.

Your Company's sales revenue grew by 24% in first half of 2011. This signifies healthy growth in current economic scenario of continuously decreasing purchasing power, higher inflation and conditions prevailing in the country.

The financial performance for the period under review is given below:

	Half year ended June 30			Quarter ended June 30		
	2011	2010	Variance	2011	2010	Variance
Sales revenue	5,744	4,620	24%	3,070	2,435	26%
Profit before tax	375	350	7%	154	152	1.3%
Profit after tax	283	234	21%	107	89	20%
EPS	23.5	19.4	21%	8.9	7.4	20%

Both businesses contributed in topline growth in first half of 2011 with Footwear growing by 23% and Tyre and Tube by 25%.

Footwear revenue is Rs. 3,692m against Rs. 2,991m and is mainly driven by Exports which has shown remarkable growth of 47% and closed at Rs. 1,260m against Rs. 856m in corresponding period last year. Growth in Local Footwear remained at 14%. Tyre & Tube revenue closed at Rs. 2,019m against Rs. 1,614m last year fuelled by growth of 30% in motor cycle business.

Gross profit ratio declined to 14.6% from 16.1% of the corresponding period last year. Increase in raw material prices impacted both Footwear and Tyre and Tube businesses. The company's pre-tax profit is adversely impacted by the weakness in profitability of the Tyre Division. The Footwear business continues to do well both in sales and in profitability.

The year 2011 will be focused on balancing our capacities for a major sales push in the next 3 years. We continue to incur capital costs this year that will have a positive impact on our profitability in the coming years.

We would like to place on record our profound gratitude to our employees for their dedicated services and look forward to their continued support.

For and on behalf of the Board

Dated: August 26, 2011
Place: Lahore

Omar Saeed
Chief Executive

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, 2011 and the related condensed interim profit and loss account, condensed statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as "interim financial information"), for the period then ended. 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. The figure of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2010 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011.

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 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.

Lahore: August 26, 2011
Audit Engagement Partner: S.M. Masood

S. M. Masood & Co.
Chartered Accountants

CONDENSED INTERIM FINANCIAL STATEMENT

CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2011

	Note	(Unaudited) Jun. 30, 2011	(Audited) Dec. 31, 2010
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment	6	1,457,900	1,425,169
Long term loans		615	1,450
Long term deposits		12,380	12,875
		1,470,895	1,439,494
CURRENT ASSETS			
Stores, spares & loose tools		69,582	50,972
Stock in trade		2,450,311	1,358,128
Trade debts		1,203,796	897,675
Loans and advances		545,314	317,585
Trade deposits and prepayments		14,251	6,105
Other receivables		337,802	224,949
Cash & bank balances		9,824	247,951
		4,630,880	3,103,365
CURRENT LIABILITIES			
Trade & other payables		1,554,080	1,033,217
Interest and mark-up accrued		43,624	40,362
Short term borrowings		1,979,231	1,119,143
Current portion:			
Long term financing		85,467	78,762
Liabilities against assets subject to finance lease		10,686	10,070
Provision for taxation		99,466	94,433
		3,772,554	2,375,987
Net current assets		858,326	727,378
Capital employed		2,329,221	2,166,872
NON CURRENT LIABILITIES			
Long term financing		191,960	214,263
Liabilities against assets subject to finance lease		20,780	26,262
Long term deposits		990	880
Deferred liabilities		222,736	225,641
		436,466	467,046
Contingencies & commitments	7	—	—
Net assets		1,892,755	1,699,826
REPRESENTED BY			
Share capital			
Authorized:			
20,000,000 (Dec. 31, 2010 : 20,000,000)			
ordinary shares of Rs. 10/- each		200,000	200,000
Issued, subscribed & paid up:			
12,028,789 (Dec. 31, 2010: 12,028,789)			
ordinary shares of Rs. 10/- each		120,288	120,288
Reserves and surplus		1,772,467	1,579,538
		1,892,755	1,699,826

Annexed notes form an integral part of these financial statements.

Ahmad Javed
Chairman

Omar Saeed
Chief Executive

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

	Note	Six Months Ended Jun. 30, 2011	Jun. 30, 2010	Three Months Ended Jun. 30, 2011	Jun. 30, 2010
(Rupees in thousand)					
Sales	8	5,744,515	4,620,992	3,070,354	2,434,651
Cost of sales	9	4,906,737	3,879,246	2,678,386	2,078,330
Gross profit		837,778	741,746	391,968	356,321
Distribution cost		149,052	136,719	66,292	66,168
Administrative expenses		196,437	155,138	107,209	79,728
Other operating expenses		40,631	30,204	21,914	14,132
Finance cost		94,286	82,708	52,722	49,730
Other operating income		(17,413)	(12,778)	(10,367)	(5,957)
		462,993	391,991	237,770	203,801
Profit before taxation		374,785	349,755	154,198	152,520
Taxation		91,640	116,178	47,283	63,270
Profit after taxation		283,145	233,577	106,915	89,250
 EARNING PER SHARE -					
Basic & Diluted (Rupees)		23.54	19.42	8.89	7.42

Annexed notes form an integral part of these financial statements.

Ahmad Javed
Chairman

Omar Saeed
Chief Executive

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

	Six Months Ended		Three Months Ended	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
	(Rupees in thousand)			
Profit for the period	283,145	233,577	106,915	89,250
Other comprehensive income	-	-	-	-
	<u>283,145</u>	<u>233,577</u>	<u>106,915</u>	<u>89,250</u>

Annexed notes form an integral part of these financial statements.

Ahmad Javed
Chairman

Omar Saeed
Chief Executive

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

	Six Months Ended	
	Jun. 30, 2011	Jun. 30, 2010
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	374,785	349,755
Adjustments for:		
Depreciation	74,539	55,985
Gratuity provision	6,620	5,835
Finance cost	94,286	82,707
Provision for W.P.P.F	20,128	18,784
Provision for W.W.F	7,649	7,138
Provision for slow moving stocks	-	(6,769)
Profit on sale of fixed assets	<u>(2,210)</u>	<u>(140)</u>
Operating profit before working capital changes	575,797	513,295
Changes in working capital		
(Increase) stores, spares and loose tools	(18,610)	(10,190)
Increase in stock in trade	(1,092,183)	(390,272)
(Increase) in trade debts	(306,121)	(284,655)
Increase in advances, deposits, prepayments and other receivables	(238,482)	(223,302)
Increase in trade and other payables	518,235	436,048
Decrease/ (increase) in long term deposits	495	(26)
Decrease in long term loans	835	605
Cash (used in)/ generated from operations	(560,034)	41,502
Finance cost paid	(91,024)	(59,959)
Income tax paid	(204,681)	(230,596)
Gratuity paid	(1,700)	(1,450)
W.P.P.F. and W.W.F. paid	<u>(26,229)</u>	<u>(49,752)</u>
Net cash from/ (used in) operating activities	(883,668)	(300,256)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(110,050)	(207,235)
Proceeds from sale of property, plant & equipments	4,987	1,300
Net cash (used in) investing activities	(105,063)	(205,035)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term deposits	110	50
Lease rental paid	(4,864)	(4,354)
Short term borrowings - net	860,088	346,893
Long term financing	(15,598)	117,497
Dividend paid	<u>(89,132)</u>	<u>(148,671)</u>
Net cash generated from financing activities	750,604	311,415
Net (decrease) in cash and cash equivalents	(238,127)	(194,776)
Cash & cash equivalents at beginning of the period	247,951	208,445
Cash & cash equivalents at end of the period	<u>9,824</u>	<u>13,669</u>

Annexed notes form an integral part of these financial statements.

Ahmad Javed
Chairman

Omar Saeed
Chief Executive

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

	(Rupees in thousand)					
	Share capital	Capital reserves		Revenue reserves	Un-appropriated profit	Total
		Capital gain	Share premium			
Balance as at Dec. 31, 2009	120,288	102,730	21,217	698,208	579,641	1,522,084
Final dividend @ Rs. 12.50 per share	—	—	—	—	(150,363)	(150,363)
Transferred to general reserve	—	—	—	425,000	(425,000)	—
Net profit for the six months ended Jun. 30, 2010	—	—	—	—	233,577	233,577
Balance as at Jun. 30, 2010	<u>120,288</u>	<u>102,730</u>	<u>21,217</u>	<u>1,123,208</u>	<u>237,855</u>	<u>1,605,298</u>
Balance as at Dec. 31, 2010	120,288	102,730	21,217	1,123,208	332,383	1,699,826
Final dividend @ Rs. 7.50 per share	—	—	—	—	(90,216)	(90,216)
Transferred to general reserve	—	—	—	235,000	(235,000)	—
Net profit for six months ended Jun. 30, 2011	—	—	—	—	283,145	283,145
Balance as at Jun. 30, 2011	<u>120,288</u>	<u>102,730</u>	<u>21,217</u>	<u>1,358,208</u>	<u>290,312</u>	<u>1,892,755</u>

Annexed notes form an integral part of these financial statements.

Ahmad Javed
Chairman

Omar Saeed
Chief Executive

NOTES TO THE CONDENSED INTERIM ACCOUNTS FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)

1. The Company and its operations

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

2. Basis of preparation

These financial statements for the period ended June 30, 2011 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These financial statements are un-audited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

3. Accounting policies

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

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income 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, 2010.

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. Figures have been rounded off to the nearest thousand and corresponding period figures have been re-arranged, where necessary, for comparison purposes. However no significant reclassification has been made.

Note	(Unaudited) Jun. 30, 2011	(Audited) Dec. 31, 2010
	(Rupees in thousand)	

6. PROPERTY, PLANT & EQUIPMENT

Operating fixed assets	6.1	1,402,175	1,320,304
Capital work in progress		<u>55,725</u>	<u>104,865</u>
		<u>1,457,900</u>	<u>1,425,169</u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

	Note	(Unaudited) Jun. 30, 2011 (Rupees in thousand)	(Audited) Dec. 31, 2010
6.1 Operating fixed assets			
Opening written down value		1,320,304	920,720
Add: Additions during the period	6.2	<u>159,200</u>	<u>532,114</u>
		1,479,504	1,452,834
Less: Disposals during the period/ year (at book value)		<u>2,790</u>	<u>2,286</u>
		1,476,714	1,450,548
Less: Depreciation charged during the period/ year		<u>74,539</u>	<u>130,244</u>
		<u>1,402,175</u>	<u>1,320,304</u>

**6.2 Following is the detail of additions
during the period/ year**

Building on freehold land	20,963	43,389
Plant & machinery	104,611	349,676
Furniture, fixture & fittings	-	965
Vehicles	21,910	16,738
Service equipments	11,716	110,834
Lease hold improvements	-	10,512
	<u>159,200</u>	<u>532,114</u>

7. CONTINGENCIES AND COMMITMENTS

- 7.1 Guarantees issued through banks Rs. 87.88 million (December 31,2010 : Rs. 85.60 million).
- 7.2 Irrevocable letters of credit Rs. 378.44 million (December 31,2010 : Rs. 314.93 million).
- 7.3 The Company is contingently liable for the custom duty demand amounting to Rs.17.99 million, sales tax demand amounting to Rs. 10.92 million, sales tax and income tax demand of Rs. 18.6 million and 4.1 million respectively and PESSI demand amounting of Rs. 5.76 million (as explained in detail in the preceding annual published accounts).

	Six months ended		Three months ended	
Note	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
	(Rupees in thousand)			

8. SALES

Sale of Footwear (Net)

Export	1,260,208	856,036	611,588	366,826
Local	2,432,450	2,135,127	1,264,637	1,153,465
	<u>3,692,658</u>	2,991,163	<u>1,876,225</u>	1,520,291

**NOTES TO THE CONDENSED INTERIM ACCOUNTS
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

Note	Six months ended		Three months ended	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
			(Rupees in thousand)	
Sale of Tyres & Tubes (Net)				
Export	127,954	99,895	61,371	42,714
Local	1,891,500	1,514,394	1,116,221	864,444
	2,019,454	1,614,289	1,177,592	907,158
Others (Net)				
Local	32,403	15,540	16,537	7,202
	5,744,515	4,620,992	3,070,354	2,434,651

9. COST OF SALES

Raw material consumed	9.1 3,976,310	2,937,344	2,170,496	1,564,602
Salaries, wages & benefits	545,810	445,237	275,053	229,650
Stores & spares consumed	83,891	91,650	48,018	55,693
Packing material consumed	228,055	184,349	123,360	100,247
Fuel and power	223,342	225,043	119,332	110,000
Insurance	4,060	3,949	2,050	2,083
Depreciation	63,922	47,530	33,259	26,324
Travelling and conveyance	2,257	3,174	1,398	1,476
Repair and maintenance	40,656	40,685	18,613	24,815
Entertainment	993	120	556	49
Provision of slow moving and obsolete item	-	(6,769)	-	(6,769)
Other manufacturing charges	140,905	118,054	93,362	64,835
	5,310,201	4,090,366	2,885,497	2,173,005
Work in process:-				
Opening stock	182,686	123,136	262,540	178,057
Closing stock	(387,868)	(220,431)	(387,868)	(220,431)
	(205,181)	(97,295)	(125,328)	(42,374)
Cost of goods manufactured	5,105,019	3,993,071	2,760,169	2,130,631
Finished goods:-				
Opening stock	359,240	308,442	475,739	369,966
Closing stock	(557,522)	(422,267)	(557,522)	(422,267)
	(198,282)	(113,825)	(81,783)	(52,301)
	4,906,737	3,879,246	2,678,386	2,078,330
9.1 Raw material consumed:				
Stock-Opening	705,584	739,878	696,239	601,699
Purchases	4,388,238	3,003,871	2,591,769	1,769,308
Stock-Closing	(1,117,512)	(806,405)	(1,117,512)	(806,405)
	3,976,310	2,937,344	2,170,496	1,564,602

**NOTES TO THE CONDENSED INTERIM ACCOUNTS
FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)**

10. SEGMENT REPORTING

(Rupees in thousand)

	Footwear		Tyre Division		Other operations		Total	Total
	6 months ended June 30, 2011	6 months ended June 20, 2010	6 months ended June 30, 2011	6 months ended June 20, 2010	6 months ended June 30, 2011	6 months ended June 20, 2010	6 months ended June 30, 2011	6 months ended June 20, 2010
External sales	3,692,658	2,991,163	2,019,454	1,614,289	32,403	15,540	5,744,515	4,620,992
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	3,692,657	2,991,163	2,019,454	1,614,289	32,403	15,540	5,744,515	4,620,992
Profit/ (loss) before tax and unallocated expenses	551,172	416,587	68,066	115,838	(123)	(1,693)	619,115	530,732
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(82,456)	(67,885)
Other operating expenses	-	-	-	-	-	-	(169,916)	(120,361)
Other operating income	-	-	-	-	-	-	8,042	7,269
Taxation	-	-	-	-	-	-	(91,640)	(116,178)
Profit after taxation	-	-	-	-	-	-	283,145	233,577

NOTES TO THE CONDENSED INTERIM ACCOUNTS FOR THE HALF YEAR ENDED JUNE 30, 2011 (UN-AUDITED)

11. TRANSACTIONS WITH RELATED PARTIES

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 party are shown as follows;

Party name	Relationship	(Un-audited) Jun. 30, 2011 (Rupees in thousand)	(Audited) Dec. 31, 2010
Service Sales Corporation (Pvt) Ltd.	Associated Trade debts	820,887	650,033
SAB Polymer Industries (Pvt) Limited	Related Party Trade debts	4,122	4,067
		Six months ended	
		Jun. 30, 2011	Jun. 30, 2010
		(Rupees in thousand)	
Associated			
Sales		2,217,787	1,820,682
Services		3,000	3,000
Others		3,223	3,912
Related party			
Sales		2,541	1,566
Post employment benefit plan			
Provident fund	Contribution	27,397	21,595
Gratuity fund	Contribution	6,620	5,835
Pension fund	Contribution	57	82

12. AUTHORIZATION DATE

These financial statements were authorised for issue by the Board of directors as on August 26, 2011.

Ahmad Javed
Chairman

Omar Saeed
Chief Executive