

Report & Un-Audited Accounts for the Half Year Ended June 30, 2018



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Possibilities..



Servis

Service Industries Limited

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Company Information

Board of Directors

Chaudhry Ahmed Javed
(Chairman)

Non-Executive Director

Mr. Omar Saeed
(Chief Executive Officer)

Executive Director

Mr. Arif Saeed
Executive Director

Mr. Hassan Javed
Executive Director

Mr. Riaz Ahmed
Non-Executive Director

Mr. Osman Saifullah Khan
Independent Director

Mr. Rehman Naseem
Independent Director

Mr. Muhammad Amin
Independent Director

Mr. Shahid Hussain Jatoi
Independent Director

Advisor

Ch. Ahmad Saeed

Chief Financial Officer

Mr. Usman Liaquat

Company Secretary

Mr. Waheed Ashraf

Audit Committee

Mr. Muhammad Amin
Chairman

Mr. Riaz Ahmed
Member

Mr. Rehman Naseem
Member

Human Resource and Remuneration Committee

Mr. Osman Saifullah Khan
Chairman

Mr. Arif Saeed
Member

Mr. Riaz Ahmed
Member

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Soneri Bank Limited
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited
Meezan Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
MCB Islamic Bank Limited
United Bank Limited
National Bank Limited
JS Bank Limited

Auditors

M/s. Rahman Sarfaraz
Rahim Iqbal Rafiq
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.
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.
Muridke-Sheikhupura Road, Muridke.

Web Presence

www.servisgroup.com



Directors' Report to the Shareholders

The Directors take pleasure in presenting their report along with the condensed interim financial information of the company for the Half year ended June 30, 2018.

Company performance:

Key Financial Indicators of your company are summarized below:

	Six Months ended June 30			Quarter ended June 30		
	2018	2017	Growth	2018	2017	Growth
	PKR in Millions			PKR in Millions		
Net Sales	11,773	10,214	15%	6,247	5,111	22%
Profit Before Tax	453	542	-16%	166	179	-7%
Profit After Tax	406	424	-4%	147	144	2%
Earnings Per Share (PKR)	33.79	35.29	-4%	12.19	11.94	2%

Your company achieved sales of PKR 11.77 billion during the first half of the year compared to PKR 10.21 billion during corresponding period last year, with steady growth of 15%. Footwear exports and tyre division sales were the most promising areas in terms of revenue growth.

The Footwear export business has also returned better profitability on account of the rupee devaluation. The domestic footwear business continues to face a challenge as the retail markets in the country stay depressed.

The Tyre business showed a healthy growth in sales but due to unprecedented increase in tyre related raw materials price and the currency depreciation, profitability remained under pressure.

The earnings per share stood at PKR 33.79 during the period under review registering a decline of 4% over same period last year due to reason stated above.

Future Outlook

Footwear export sales are expected to continue growing and contribute more to the company's profitability. Driving growth in the retail segment will remain a challenge as we expect the local economy to go through a tough transitional year.

In the Tyre business segment, improvements in productivity have been aggressively targeted and we expect to see the results in 2019.

Acknowledgment

The Directors wish to place on record the efforts of our staff and especially our workers in attaining these results. We remain indebted to all our stakeholders for their continued support.

For and on behalf of the Board


CHAUDHRY AHMED JAVED
Chairman


OMAR SAEED
Chief Executive

Dated: August 27, 2018
Lahore

ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ اس رپورٹ میں کمپنی کی 30 جون 2018 تک کی ششماہی کی مختصر عبوری مالیاتی معلومات پیش کی جارہی ہیں۔

مالیاتی کارکردگی

شرح نمو	ششماہی اختتام 30 جون			شرح نمو	سہ ماہی اختتام 30 جون		
	2018	2017	2018		2018	2017	2018
	روپے لین میں			روپے لین میں			
خالص فروخت	15%	10,214	11,773	22%	5,111	6,247	
منافع قبل ازنگین	-16%	542	453	-7%	179	166	
منافع بعد ازنگین	-4%	424	406	2%	144	147	
فی خیر آمدنی (۴۰)	-4%	35.29	33.79	2%	11.94	12.19	

آپ کی کمپنی نے اس ششماہی میں 11.77 بلین روپے کی فروخت کی جبکہ پچھلے سال اسی مدت میں 10.21 بلین روپے کی فروخت ہوئی جو کہ 15 فیصد مستحکم نمو کو ظاہر کرتا ہے۔ نمو کی وجہ ٹائر کی فروخت اور جوتوں کی برآمدات میں اضافہ ہے۔

جوتوں کی برآمدات سے بھی بہتر منافع حاصل ہوا ہے جس کی وجہ روپے کی قدر میں کمی ہے۔ جبکہ جوتوں کی مقامی منڈی سست روی کا شکار ہے۔ ٹائر کے کاروبار میں صحت مند نمو رہی ہے لیکن خام مال کی قیمتوں میں زبردست اضافے اور روپے کی قدر میں کمی کی وجہ منافع کم رہا ہے۔

اس مدت کے دوران فی خیر آمدنی 33.79 روپے رہی جو کہ پچھلے سال کی اسی مدت کے مقابلے میں 4 فیصد کمی ظاہر کرتا ہے۔

مستقبل پر ایک نظر


جوتوں کی برآمدات میں لگاتار نمو متوقع ہے اور یہ کمپنی کا منافع بڑھانے میں لگاتار معاون رہیں گی۔ جوتوں کی مقامی منڈی میں اس سال نمو انتہائی مشکل نظر آ رہی ہے کیونکہ ملک تبدیلی کے سخت مراحل سے گزر رہا ہے۔

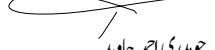
ٹائروں کے کاروبار میں پیداوار بہت بڑھانے کے زبردست اہداف پر کام ہو رہا ہے جسکے نتائج 2019 میں متوقع ہیں۔

اعتراف

ان نتائج کو حاصل کرنے میں ڈائریکٹرز اپنے اسٹاف اور کارکنوں کی کوششوں کو سراہتے ہیں۔

مختار بورڈ


عمیر سعید
چیف ایگزیکٹو


چوہدری احمد جاوید
چیرمین
مورخہ 27، اگست 2018
لاہور

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Service Industries Limited as at 30 June 2018 and the related condensed interim statement of profit or loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these 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 financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial 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 interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures for the quarters ended 30 June 2018 and 30 June 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we don't express a conclusion on these.

The engagement partner on the audit resulting in this independent auditor's report is Rashid Rahman Mir.

Condensed Financial Statements

Condensed Interim Balance Sheet (Unaudited)

As at June 30, 2018

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital 100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10/- each:	1,000,000	1,000,000
Paid up share capital	120,288	120,288
Reserves	4,767,285	4,626,473
	4,887,573	4,746,761
Non-current liabilities		
Long term financing	2,942,016	2,431,930
Long term deposits	3,443	5,258
Deferred liabilities	534,151	536,410
	3,479,610	2,973,598
Current liabilities		
Trade and other payables	3,364,137	2,901,932
Unclaimed Dividend	32,991	27,774
Interest and mark-up accrued	120,749	108,065
Short term borrowings	5,432,631	4,520,732
Current portion of long term financing	571,989	451,642
Provision of taxation	221,209	154,366
	9,743,706	8,164,511
	18,110,889	15,884,870
Contingencies and commitments	5	

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



Chaudhry Ahmed Javed
(Chairman)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
ASSETS		
Non-current assets		
Property, plant and equipment	6,742,239	5,957,312
Intangible assets	149	929
Long term investments	545,006	521,663
Long term loans	18,830	17,762
Long term deposits	103,538	99,393
	7,409,762	6,597,059
Current assets		
Stores, spares and loose tools	122,683	122,467
Stock in trade	4,663,179	3,917,187
Trade debts	2,703,664	2,797,402
Loans and advances	471,165	295,456
Trade deposits and prepayments	147,879	131,883
Other receivables	69,523	55,496
Tax refunds due from government	2,399,825	1,888,736
Cash and Bank Balances	123,209	79,184
	10,701,127	9,287,811
	18,110,889	15,884,870



Omar Saeed
(Chief Executive)




Usman Liaqat
(Chief Financial Officer)


Condensed Interim Profit and Loss Account (Unaudited)

For the period ended June 30, 2018

	Note	Six months ended		Three months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
(Rupees in thousand)					
Sales - net	8	11,772,825	10,214,186	6,247,106	5,110,890
Cost of sales	9	9,878,717	8,470,286	5,355,636	4,328,146
Gross profit		1,894,108	1,743,900	891,470	782,744
Operating expenses					
Distribution cost		718,929	665,237	366,026	371,815
Administrative expenses		556,866	518,086	274,164	246,877
Other operating expenses		86,203	76,578	36,718	9,545
		1,361,998	1,259,901	676,908	628,237
Operating profit before other income		532,110	483,999	214,562	154,507
Other income		165,826	195,176	84,985	108,681
Operating profit		697,936	679,175	299,547	263,188
Finance cost		245,346	137,274	133,652	84,266
Profit before taxation		452,590	541,901	165,895	178,922
Taxation		46,184	117,452	19,310	35,286
Profit after taxation		406,406	424,449	146,585	143,636
Earnings per share basic and diluted (Rupees)		33.79	35.29	12.19	11.94

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


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)


Condensed Interim Statement of Comprehensive Income (Unaudited)

For the period ended June 30, 2018

	Six months ended		Three months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
(Rupees in thousand)				
Profit after taxation for the period	406,406	424,449	146,585	143,636
Other Comprehensive Income				
Items that may reclassify to profit and loss account				
(Loss)/ gain on investments	(960)	(21,734)	(7,720)	(21,734)
Add: Adjustment for amount transferred to profit and loss account	-	-	-	-
Items that may not reclassify to profit and loss account	-	-	-	-
Total comprehensive income for the period	405,446	402,715	138,865	121,902

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


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)

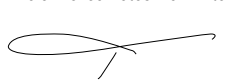

Usman Liaqat
(Chief Financial Officer)


Condensed Interim Cash Flow Statement (Unaudited)


For the period ended June 30, 2018

	Six months ended	
	June 30, 2018	June 30, 2017
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	452,590	541,901
Adjustments for non-cash charges and other items:		
Depreciation and amortization	284,154	225,101
Employee benefit plans	26,271	21,981
Ijarah rentals	39,933	36,238
Finance cost	245,346	137,274
Provision for workers' profit participation fund	23,625	25,267
Provision for workers' welfare fund	2,498	(8,711)
Provision for slow moving stocks	(11,582)	22,257
Provision for doubtful debts	16,734	10,529
Share of profit from Speed (Private) Limited	(40,374)	(30,000)
Loss / (Profit) on sale of property, plant and equipment	34	18,745
Operating profit before working capital changes	1,039,229	1,000,582
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	3,927	225
Stock in trade	(738,541)	(1,179,441)
Trade debts	77,004	(585,814)
Advances, deposits, prepayments and other receivables	(205,732)	(501,792)
Tax refunds, due from / to government	(350,914)	(208,795)
	(1,214,256)	(2,475,617)
(decrease) / Increase in current liabilities		
Trade and other payables	431,289	336,234
Cash generated from / (used in) operations	256,262	(1,138,801)
Finance cost paid	(232,662)	(116,919)
Ijarah rentals paid	(39,933)	(36,238)
Income taxes paid	(159,986)	(160,039)
Staff retirement benefits paid	(7,869)	(15,297)
W.P.P.F. receipt	-	2,873
Net cash generated from / (used in) operating activities	(184,188)	(1,464,421)
Cash flow from investing activities		
Capital expenditure	(1,069,219)	(937,190)
Proceeds from sale of property, plant and equipment	884	2,272
Long term investments	960	(61,824)
Dividend received from associated company	16,071	16,071
Short term investments	-	103,745
Long term loans	(1,068)	(869)
Long term deposits	(4,145)	(15,876)
Net cash (used in) investing activities	(1,056,517)	(893,671)
Cash flow from financing activities		
Long term deposits	1,815	-
Short term borrowings - net	911,899	1,613,162
Long term financing	630,433	1,152,762
Dividend paid	(259,417)	(295,289)
Net cash (used in) financing activities	1,284,730	2,470,635
Net (decrease) / increase in cash and cash equivalents	44,025	112,543
Cash and cash equivalents at the beginning of the period	79,184	224,887
Cash and cash equivalents at the end of the period	123,209	337,430

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


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)


Usman Liaquat
(Chief Financial Officer)


Condensed Interim Statement of Changes in Equity (Unaudited)

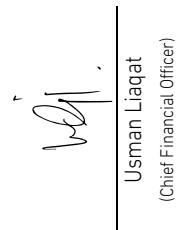
For the period ended June 30, 2018

	(Rupees in thousand)			
	Share capital	Capital reserves	Revenue reserves	Total
	Share premium	General reserves	Un-appropriated profit	
Balance as at Dec. 31, 2016	120,288	21,217	1,558,208	2,581,497
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	(300,720)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	402,715
Balance as at June 30, 2017	120,288	21,217	1,558,208	2,683,492
Balance as at December 31, 2017	120,288	102,730	1,558,208	4,485,935
Final dividend for the year ended December 31, 2017 @ Rs. 22 per share	-	-	-	(264,634)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	405,446
Balance as at June 30, 2018	120,288	102,730	1,558,208	4,887,573

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


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)


Usman Liaquat
(Chief Financial Officer)

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

1. The Company and its operations

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

Information on significant investments of the Company is disclosed in note 7.

2. Basis of preparation and statement of compliance

- 2.1 These condensed financial statements for the half year ended June 30, 2018 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". These condensed financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017. These do not include all of the information required for the full set of annual financial statements and the condensed interim financial statements should be read in conjunction with the annual financial statements of the company for the year ended 31 December 2017.

As per the requirements of circular No. 23/2017 dated October 4, 2017 issued by Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes after December 31, 2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017.

- 2.2 These 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 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.

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

3. Accounting policies

Accounting policies adopted for the preparation of these condensed Interim 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 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 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, 2017.

4. Provisions for income tax, Workers' Profit Participation Fund and Workers' Welfare Fund have been made on the basis of six months' profit. These are subject to change on final results.

5. Contingencies and commitments

Contingencies

- 5.1 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.
- 5.2 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI sent a recovery notice for the same amount. The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.
- 5.3 The DCIR, LTU initiated a case against the Company after post Sales Tax refund audit in which demand of Rupees 27.92 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.65 million. The Company had further filed an appeal before Tribunal against said points.
- 5.4 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back charges to the tune of 172.7 million. The Company filed an appeal with IRAT against the decision of CIR (Appeals) which is pending for hearing. The management of the Company is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

- 5.5** The DCIR, LTU initiated income tax audit for the year 2014 in which a demand of Rupees 123 million was created. The Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.
- 5.6** The Company preferred an appeal against FBR in Honorable Lahore High Court for show cause notice of post sales tax refund audit for various tax periods. The writ petition has been accepted. As of reporting date Rupees 13 million is payable on this account but the management of Company is confident that payment will not be required.
- 5.7** The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 38.71 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Company preferred an appeal before ATIR as its appeal before CIR (Appeals) was unsuccessful. The Company expects a favourable outcome of the appeal based on advice of tax counsel.
- 5.8** The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has claimed input sales tax paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made in these financial statements.
- 5.9** The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company and has allowed the Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Company has claimed input sales tax on such goods in its respective monthly sales tax returns. An amount of Rupees 3.82 million being the provision is made in these financial statements.
- 5.10** The DCIR, LTU initiated income tax cases of tax years 2006 and 2008. A demand of 12.7 million and 68.4 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company has filed appeal with IRAT which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

Commitments

- 5.11** Guarantees issued through banks Rs. 1,857.95 million (Dec-2017 : Rs. 1,882 million).

- 5.12** Irrevocable letters of credit Rs. 838.50 million (Dec-2017 : Rs. 1,370.16 million).

- 5.13** The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

Note	(Unaudited)	(Audited)
	June 30, 2018	December 31, 2017
(Rupees in thousand)		
Not later than one year	67,037	75,144
Later than one year but not later than five years	95,223	121,914
Later than five years	-	-
	162,260	197,058

6. Property, plant and equipment

Operating fixed assets	6.1	5,270,477	4,739,012
Capital work in progress		1,471,762	1,218,300
		6,742,239	5,957,312

6.1 Operating fixed assets

Opening written down value		4,739,012	4,116,625
Add: Additions during the period	6.2	815,757	1,115,918
		5,554,769	5,232,543
Less: Disposals during the period (at book value)	6.2	918	32,630
		5,553,851	5,199,913
Less: Depreciation charged during the period		283,374	460,901
		5,270,477	4,739,012

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

	Additions		Disposals - NBV	
	Unaudited	Audited	Unaudited	Audited
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
(Rupees in thousand)				
Land	-	-	-	-
Building on freehold land	105,471	358,169	-	9,426
Plant and machinery	613,670	547,440	335	8,649
Furniture, fixture and fittings	2,973	9,651	-	-
Vehicles	672	12,191	184	885
Service equipments	41,356	132,617	398	10,990
Leasehold improvements	51,615	55,850	-	2,680
	815,757	1,115,918	918	32,630

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

	Note	(Unaudited) June 30, 2018 (Rupees in thousand)	(Audited) December 31, 2017 (Rupees in thousand)
7. Long term investment			
These represent long term investments in:			
Related parties	7.1	516,366	492,063
Other	7.2	28,640	29,600
		545,006	521,663
7.1 Investment in Related Parties:			
7.1.1 Investment in Subsidiary			
Service Industries Capital (Private) Limited-SICPL		218,681	218,681
7.1.2 Investment in associate:			
Speed (Private) Limited	7.1.2.1	297,205	272,902
7.1.3 Investment in Joint Venture:			
S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	240
		516,366	492,063
7.1.2.1 Investment in Associate			
Cost of investment			
160,709 fully paid ordinary shares of Rs. 100/- each		190,949	190,949
Share of post acquisition reserve			
As at the beginning of the year		81,953	56,745
Share of profit during the year		40,374	49,314
Distributions received during the year		(16,071)	(24,106)
		106,256	81,953
		297,205	272,902
7.2 Other - Available for sale			
TRG Pakistan Limited			
1,000,000 fully paid ordinary shares (2017- 1,000,000 fully paid ordinary shares)		29,600	29,600
Fair value adjustment		(960)	-
		28,640	29,600

Note	Six months ended		Three months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Rupees in thousand)			
8. Sales - net				
Sales of footwear - net				
Export	2,954,159	2,142,684	1,512,561	1,020,873
Local	2,303,542	2,953,174	1,188,227	1,486,102
	5,257,701	5,095,858	2,700,788	2,506,975
Sales of tyre division - net				
Export	432,661	278,449	199,667	182,238
Local	6,077,393	4,838,486	3,342,620	2,420,306
	6,510,054	5,116,935	3,542,287	2,602,544
Sales of technical rubber products - net				
Export	-	-	-	-
Local	5,070	1,393	4,031	1,371
	5,070	1,393	4,031	1,371
	11,772,825	10,214,186	6,247,106	5,110,890
9. Cost of sales				
Raw material consumed	9.1	5,904,622	5,308,008	3,143,076
Salaries, wages and benefits		1,400,598	1,342,506	711,594
Stores and spares consumed		127,027	114,782	84,603
Packing material consumed		330,527	333,842	179,157
Fuel and power		359,429	351,727	183,740
Insurance		9,711	8,793	5,365
Depreciation		253,788	197,226	127,530
Travelling and conveyance		9,260	6,491	4,076
Repair and maintenance		73,873	64,966	36,251
Entertainment		1,875	1,429	1,119
Provision for slow moving and obsolete items		(11,582)	22,257	991
Other manufacturing charges		62,277	63,322	27,751
		8,521,405	7,815,349	4,505,253
Work in process				
Opening stock		294,958	288,944	358,412
Closing stock		(479,474)	(357,006)	(479,474)
		(184,516)	(68,062)	(121,062)
Cost of goods manufactured		8,336,889	7,747,287	4,384,191
Finished goods				
Opening stock		2,208,141	1,375,329	2,251,966
Purchases during the period		1,119,703	1,100,621	505,495
Closing stock		(1,786,016)	(1,752,951)	(1,786,016)
		1,541,828	722,999	971,445
		9,878,717	8,470,286	5,355,636
9.1 Raw material consumed				
Opening stock		1,315,442	963,419	1,277,583
Purchases during the period		6,051,442	5,707,116	3,327,755
Closing stock		(1,462,262)	(1,362,527)	(1,462,262)
		5,904,622	5,308,008	3,143,076

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

10. Segment reporting

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2017	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2017
External sales	5,257,701	5,095,858	6,510,054	5,116,935	5,070	1,393	11,772,825	10,214,186
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	5,257,701	5,095,858	6,510,054	5,116,935	5,070	1,393	11,772,825	10,214,186
Profit/ (loss) before tax and unallocated expenses	495,442	597,246	544,271	389,869	(8,615)	(6,070)	1,031,099	981,045
Unallocated corporate expenses								
Finance cost	-	-	-	-	-	-	(227,730)	(118,309)
Other operating expenses	-	-	-	-	-	-	(393,880)	(341,432)
Other operating income	-	-	-	-	-	-	43,101	20,597
Taxation	-	-	-	-	-	-	(46,184)	(117,452)
Profit after taxation							406,406	424,449
10.1 Reconciliation of segment profit								
Total profit for reportable segments							1,031,099	981,045
Unallocated expenses							(578,509)	(439,144)
Profit before tax							452,590	541,901

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

(Rupees in thousand)

	Footwear		Tyre		Technical Rubber Products		Total	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
10.2 Reconciliation of segment								
Total assets for reportable segments	6,051,738	5,769,296	9,444,551	7,949,945	54,110	46,964	15,550,399	13,766,205
Unallocated assets	-	-	-	-	-	-	2,560,490	2,118,664
Total assets as per balance sheet							18,110,889	15,884,870
Segment liabilities	-	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-	-	13,223,316	11,138,109
Total liabilities as per balance sheet							13,223,316	11,138,109

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

11. Fair value measurement of financial instruments.

On-balance sheet financial instruments	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
----- Rupees -----							
30 June 2018 - (Un-audited)		28,640	-	-	-	28,640	-
Financial assets measured at fair value		28,640	-	-	-	28,640	-
Financial assets not measured at fair value	11.1						
Long term loans		-	18,830	-	18,830	-	-
Long Term deposit		-	103,538	-	103,538	-	-
Trade debts		-	2,648,390	-	2,648,390	-	-
Loans and advances		-	42,194	-	42,194	-	-
Trade Deposits		-	77,172	-	77,172	-	-
Other Receivables		-	69,523	-	69,523	-	-
Cash and Bank Balances		-	123,209	-	123,209	-	-
		-	3,082,857	-	3,082,857	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
Financial liabilities not measured at fair value	11.1						
Long term Financing		-	-	3,514,005	3,514,005	-	-
Long term deposits		-	-	3,443	3,443	-	-
Interest and Mauk-up accrued		-	-	120,749	120,749	-	-
Short term borrowings		-	-	5,432,631	5,432,631	-	-
Trade and other payables		-	-	3,364,137	3,364,137	-	-
		-	-	12,434,965	12,434,965	-	-

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

On-balance sheet financial instruments	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
----- Rupees -----							
31 Dec 2017		29,600	-	-	-	29,600	-
Financial assets measured at fair value		29,600	-	-	-	29,600	-
Financial assets not measured at fair value	11.1						
Long term loans		-	17,762	-	17,762	-	-
Long Term deposit		-	99,393	-	99,393	-	-
Trade debts		-	2,836,634	-	2,836,634	-	-
Loans and advances		-	25,325	-	25,325	-	-
Trade Deposits		-	59,791	-	59,791	-	-
Other Receivables		-	55,496	-	55,496	-	-
Cash and Bank Balances		-	79,184	-	79,184	-	-
		-	3,173,585	-	3,173,585	-	-
Financial liabilities measured at fair value		-	-	-	-	-	-
Financial liabilities not measured at fair value	11.1						
Long term Financing		-	-	2,883,572	2,883,572	-	-
Long term deposits		-	-	5,258	5,258	-	-
Interest and Mauk-up accrued		-	-	108,065	108,065	-	-
Short term borrowings		-	-	4,520,732	4,520,732	-	-
Trade and other payables		-	-	2,901,932	2,901,932	-	-
		-	-	10,419,559	10,419,559	-	-

11.1 The management considers the carrying amount of all financial assets and liabilities not measured according to the fair value hierarchy at the end of the reporting period to approximate their fair value as at the reporting date.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

12. Related party transactions

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

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions for the period ended June 30, 2018	June 30, 2018 Closing balance		December 31, 2017 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	291,475	-	273,382	-
	Advances	-	10,874	-	10,874	-
	Expenses	-	2,503	-	2,503	-
	Others	3,782	-	-	-	3,782
Subsidiary	Investment	152	218,681	-	218,681	-
	Advances	-	-	-	-	-
	Expenses	-	172	-	20	-
Retirement Benefits	Contribution	90,401	-	175,044	-	156,083

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

13. Events after the balance sheet date

The Board of Directors in its meeting held on August, 27, 2018 has proposed an interim cash dividend of Rs. Nil per share (December 31, 2017: final cash dividend of Rs. 22 per share).

14. The Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at December 31, 2017.

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

15. Authorization date

This financial information was approved and authorized for issue by the Board of Directors as on August, 27, 2018.

16. General

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



Chaudhry Ahmed Javed
(Chairman)



Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Consolidated Condensed Financial Statements

Group Directors' Report to the Shareholders

The Directors take pleasure in presenting their Report along with the Group Condensed interim Financial Information of the Service Industries Limited (SIL) for the Half Year ended June 30, 2018.

The SIL Group comprises of Service Industries Limited and Service Industries Capital (Private) Limited (SICPL), wholly owned subsidiary.

Service Industries Limited

The Director Report providing a commentary on the performance of Service Industries Limited for the Half Year ended June 30, 2018 has been presented separately.

Service Industries Capital (Private) Limited

SICPL is a wholly owned subsidiary of the SIL and the main object of the subsidiary is to invest in new ventures, shares and securities listed or otherwise, in Pakistan or elsewhere in the world. SICPL invested an aggregate amount of PKR 62.8million in a subsidiary namely Service Shoe Lanka (Private) Limited and PKR 151.6 million in an associated company namely Speed (Private Limited).

گروپ کی ڈائریکٹرز رپورٹ برائے حصص یافتگان

ڈائریکٹرز کمپنی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اس رپورٹ میں سروس انڈسٹریز لمیٹڈ (SIL) کی 30 جون 2018 تک گروپ کی ششماہی مختصر عبوری مالیاتی معلومات پیش کی جارہی ہے۔

SIL گروپ، سروس انڈسٹریز لمیٹڈ اور سروس انڈسٹریز کپٹیل (پرائیویٹ) لمیٹڈ (SICPL) جو کہ ایک مکمل ملکیتی ماتحت ادارہ ہے مشتمل ہے۔

سروس انڈسٹریز لمیٹڈ

30 جون 2018 کو ختم ہونے والے دورانیے کے لیے سروس انڈسٹریز لمیٹڈ کی کارکردگی پر ڈائریکٹرز رپورٹ، علیحدہ سے پیش کی گئی ہے۔

سروس انڈسٹریز کپٹیل پرائیویٹ لمیٹڈ

SIL، SICPL کا ایک مکمل ملکیتی ماتحت ادارہ ہے اور اس ماتحت ادارے کا بنیادی مقصد پاکستان میں یا دنیا میں کہیں بھی، نئے کاروبار اور حصص میں سرمایہ کاری کرنا ہے۔ SICPL نے اپنے ایک ماتحت ادارے سروس شوونکا پرائیویٹ لمیٹڈ میں 62.8 ملین روپے کی سرمایہ کاری کی اور ایک متعلقہ کمپنی سپیڈ پرائیویٹ لمیٹڈ میں 151.6 ملین روپے کی سرمایہ کاری کی۔

For and on behalf of the Board



CHAUDHRY AHMED JAVED
Chairman

Dated: August 27, 2018
Lahore



OMAR SAEED
Chief Executive



چوہدری احمد جاوید
چیئر مین

مورخہ 27، اگست 2018
لاہور

منجانب بورڈ



عمر سعید
چیئر ایگزیکٹو

Condensed Consolidated Interim Balance Sheet (Unaudited)

As at June 30, 2018

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital 100,000,000 (2017: 100,000,000)		
ordinary shares of Rs. 10/- each:	1,000,000	1,000,000
Paid up share capital	120,288	120,288
Reserves	4,749,380	4,613,014
Attributable to owners of the holding company	4,869,668	4,733,302
Non-controlling interest	(7,154)	10,662
	4,862,514	4,743,964
Non-current liabilities		
Long term financing	2,942,016	2,431,930
Long term deposits	3,443	5,258
Deferred liabilities	534,151	536,596
	3,479,610	2,973,784
Current liabilities		
Trade and other payables	3,438,305	2,936,692
Unclaimed Dividend	32,991	27,774
Interest and mark-up accrued	120,749	108,065
Short term borrowings	5,517,082	4,589,272
Current portion of long term financing	571,989	451,642
Provision of taxation	225,396	154,366
	9,906,513	8,267,817
	18,248,637	15,985,565

Contingencies and commitments

6

The annexed notes from 1 to 17 form an integral part of this condensed consolidated interim financial statements.



Chaudhry Ahmed Javed
(Chairman)

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
ASSETS		
Non-current assets		
Property, plant and equipment	6,853,085	6,060,867
Intangible assets	41,366	39,546
Long term investments	494,610	455,648
Long term loans	18,830	17,762
Long term deposits	103,538	99,393
	7,511,429	6,673,216
Current assets		
Stores, spares and loose tools	122,683	122,467
Stock in trade	4,724,349	3,973,831
Trade debts	2,711,168	2,741,731
Loans and advances	487,720	305,841
Trade deposits and prepayments	150,853	137,700
Other receivables	11,971	56,848
Tax refunds due from government	2,402,157	1,889,483
Cash and bank balances	126,309	84,448
	10,737,208	9,312,349
	18,248,637	15,985,565



Omar Saeed
(Chief Executive)




Usman Liaquat
(Chief Financial Officer)

Condensed Consolidated Interim Profit and Loss Account (Unaudited)

For the period ended June 30, 2018

	Note	Six months ended		Three months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
(Rupees in thousand)					
Sales - net	9	11,867,937	10,214,186	6,281,276	5,110,890
Cost of sales	10	9,981,913	8,470,286	5,398,213	4,328,146
Gross profit		1,886,024	1,743,900	883,063	782,744
Operating expenses					
Distribution cost		722,851	665,237	368,672	371,815
Administrative expenses		575,509	518,252	284,266	247,043
Other operating expenses		86,188	76,688	36,710	9,655
		1,384,548	1,260,177	689,648	628,513
Operating profit before other income		501,475	483,723	193,414	154,231
Other operating income		192,078	195,233	100,047	108,738
Operating profit		693,554	678,956	293,461	262,969
Finance cost		261,955	137,274	148,896	84,266
Profit before taxation		431,598	541,682	144,565	178,703
Taxation		50,186	117,452	4,204	35,286
Profit after taxation		381,412	424,230	140,361	143,417
Attributable to:					
Owners of the holding company		400,120	424,230	155,308	143,417
Non-controlling interest		(18,708)	-	(14,947)	-
		381,412	424,230	140,361	143,417
Earnings per share basic and diluted (Rupees)		31.71	35.27	11.67	11.92

The annexed notes from 1 to 17 form an integral part of this condensed consolidated interim financial statements.


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)


Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the period ended June 30, 2018

	Six months ended		Three months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
(Rupees in thousand)				
Profit after taxation for the period	381,412	424,230	140,361	143,417
Other Comprehensive Income				
Items that may reclassify to profit and loss account				
Gain/(Loss) on investments-net of Tax	(960)	(21,734)	(7,720)	(21,734)
Exchange difference on translation of foreign subsidiary	501	-	202	-
Exchange difference on translation of goodwill	2,231	-	1,339	-
Items that may not reclassify to profit and loss account	-	-	-	-
	1,772	(21,734)	(6,179)	(21,734)
Total comprehensive income for the period	383,184	402,496	134,182	121,683
Owners of the holding company	401,000	402,496	148,593	121,683
Non-controlling interest	(17,816)	-	(14,411)	-
	383,184	402,496	134,182	121,683

The annexed notes from 1 to 17 form an integral part of this condensed consolidated interim financial statements.


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)



Usman Liaqat
(Chief Financial Officer)

Condensed Consolidated Interim Cash Flow Statements (Unaudited)

For the period ended June 30, 2018

	Six months ended	
	June 30, 2018	June 30, 2017
	(Rupees in thousand)	
Cash flow from operating activities		
Profit before taxation	431,598	541,682
Adjustments for non-cash charges and other items		
Depreciation and amortization	289,760	225,101
Employee benefit plans	26,271	21,981
Ijarah rentals	39,933	36,238
Finance cost	261,955	137,274
Provision for workers' profit participation fund	23,625	25,267
Provision for workers' welfare fund	2,498	(8,711)
Provision for slow moving stocks	(11,582)	22,257
Provision for doubtful debts	16,734	10,529
Share of profit from Speed (Private) Limited	(66,313)	(30,000)
Loss / (Profit) on sale of property, plant and equipment	34	18,745
Operating profit before working capital changes	1,014,513	1,000,363
Changes in working capital		
(increase) / decrease in current assets		
Stores, spares and loose tools	3,927	225
Stock in trade	(743,066)	(1,179,441)
Trade debts	13,829	(585,814)
Advances, deposits, prepayments and other receivables	(150,154)	(561,375)
Tax refunds, due from / to government	(352,499)	(208,795)
	(1,227,963)	(2,535,200)
(decrease)/Increase in current liabilities		
Trade and other payables	475,212	336,234
Cash generated from operations	261,762	(1,198,603)
Finance cost paid	(249,271)	(116,919)
Ijarah rentals paid	(39,933)	(36,238)
Income taxes paid	(159,986)	(160,039)
Staff retirement benefits paid	(7,869)	(15,297)
W.P.P.F. receipt	-	2,873
Net cash generated from operating activities	(195,297)	(1,524,223)
Cash flow from investing activities		
Capital expenditure	(1,084,715)	(937,190)
Proceeds from sale of property, plant and equipment	884	2,272
Long term investments	960	(61,824)
Dividend received from Speed (Private) Limited	26,391	16,071
Short term investments	-	103,745
Long term loans	(1,068)	(869)
Long term deposits	(4,145)	(15,876)
Net cash (used in) investing activities	(1,061,693)	(893,671)
Cash flow from financing activities		
Long term deposits	(1,815)	-
Short term borrowings - net	927,810	1,613,162
Exchange differences on translation of investments in foreign subsidiary	1,840	-
Long term financing	630,433	1,152,762
Dividend paid	(259,417)	(295,289)
Net cash (used in) financing activities	1,298,851	2,470,635
Net (decrease) / increase in cash and cash equivalents	41,861	52,741
Cash and cash equivalents at the beginning of the period	84,448	288,245
Cash and cash equivalents at the end of the period	126,309	340,986

The annexed notes from 1 to 17 form an integral part of this condensed consolidated interim financial statements.


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)

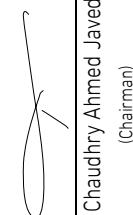

Usman Liaquat
(Chief Financial Officer)

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

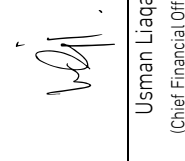
For the period ended June 30, 2018

	Rupees in thousand							
	Capital reserves			Revenue reserves		Attributable to owners of the holding company	Non-controlling interest	Total
	Paid up share capital	Capital gain	Share premium	Exchange translation reserve	General reserves			
Balance as at December 31, 2016	120,288	102,730	21,217	-	1,558,208	2,580,421	4,382,864	4,382,864
Final dividend for the year ended December 31, 2016 @ Rs. 25 per share	-	-	-	-	-	(300,720)	(300,720)	(300,720)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	402,496	402,496	402,496
Balance as at June 30, 2017	120,288	102,730	21,217	-	1,558,208	2,682,197	4,484,640	4,484,640
Balance as at December 31, 2017	120,288	102,730	21,217	3,093	1,558,208	2,927,766	4,733,302	4,743,964
Final dividend for the year ended December 31, 2017 @ Rs. 22 per share	-	-	-	-	-	(264,634)	(264,634)	(264,634)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	1,840	-	399,160	(17,816)	383,184
Balance as at June 30, 2018	120,288	102,730	21,217	4,933	1,558,208	3,062,292	4,869,668	4,862,514

The annexed notes from 1 to 17 form an integral part of this condensed consolidated interim financial statements.


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)


Usman Liaquat
(Chief Financial Officer)

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

1. The Company and its operations

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

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

The group consists of:

- Service Industries Limited - the holding company;
- Service Industries Capital (Private) Limited - Holding of 100%;
- Service Shoes Lanka (Private) Limited - Holding of 60% by Service Industries Capital (Private) Limited;

Service Industries Capital (Private) Limited

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

Service Shoes Lanka (Private) Limited

Service Shoes Lanka (Private) Limited is a Private Limited Liability Company incorporated on July 16th, 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.

2. Basis of consolidation

Subsidiaries

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

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

All business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed

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

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

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

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

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

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

Associates

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

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

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

3. Basis of preparation

This condensed financial statements for the half year ended June 30, 2018 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". This

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

condensed financial statements are unaudited and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

As per the requirements of circular No. 23/2017 dated October 4, 2017 issued by Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes after December 31, 2017 shall prepare financial statements in accordance with the provisions of the Companies Act, 2017.

4. Accounting policies

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

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended December 31, 2017.

5. Provisions for income tax, workers' profit participation fund and workers' welfare fund have been made on the basis of three months profit. These are subject to change on final results.

6. Contingencies and commitments

Contingencies

6.1 The Additional Collector (Adjudication) of Pakistan Customs Computerized System, Karachi initiated case against the Company for failure to pay leviable sales tax and income tax of Rs. 18.6 million and Rs. 4.1 million respectively at import of tyre cord fabrics during the period w.e.f. August 2007 to July 2008 by wrongly claiming sales tax zero rating in terms of S.R.O 509 (1)/2007 dated 09-06-2007. The case has been remanded back by the Appellate Tribunal Inland Revenue, Lahore to the Commissioner Inland Revenue (Appeals-I), Lahore, which is still pending. According to the Company's legal counsel, the Company has a good arguable case and there is likelihood that the same will be decided in its favour.

6.2 The Deputy Director of Pakistan Employees Social Security Institute (PESSI), Gujrat initiated three cases against the Company. In the first case the alleged amount recoverable by the PESSI is Rs. 4.80 million covering the period from January 1987 to September 1992 on account of short payment of contributions. In the second case, Rs. 1.98 million is to be recoverable by the Company from PESSI on account of wrongly paid contributions covering the period from July 1992 to September 1993. Both cases have been decided against the Company by the Director General Recovery PESSI, Lahore. At appeal level these cases are set aside and pending before Director General Recovery PESSI, Lahore. In the third case, Rs. 77.6 million is recoverable by PESSI. The case had been decided in the favour of the Company in the year 2013 but the case is re-opened in the year 2014. The Company has filed an appeal before Social Security Court, Lahore, during the pendency of the matter PESSI sent a recovery notice for the same amount.

The Company has filed a writ petition before Lahore High Court, Lahore. As per legal counsel of the Company, the Company has strong legal grounds for its success.

6.3 The DCIR, LTU initiated a case against the Company after post Sales Tax refund audit in which demand of Rupees 27.92 million was raised. The Company filed an appeal before CIR (Appeals) in which the demand was cancelled except two points having impact of Rupees 2.65 million. The Company had further filed an appeal before ATIR against said points.

6.4 The DCIR, LTU initiated sales tax audit for the year 2013-2014 in which demand of Rupees 182.70 million was created. The Company filed appeal with CIR (Appeals) who confirmed the demand of Rupees 10 million and remanded back charges to the tune of 172.7 million. The Company filed an appeal with IRAT against the decision of CIR (Appeals) which is pending for hearing. The management of the Company is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

6.5 The DCIR, LTU initiated income tax audit for the year 2014 in which a demand of Rupees 123 million was created. The Company preferred an appeal before CIR (Appeals) which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

6.6 The Company preferred an appeal against FBR in Honorable Lahore High Court for show cause notice of post sales tax refund audit for various tax periods. The writ petition has been accepted. As of reporting date Rupees 13 million is payable on this account but the management of Company is confident that payment will not be required.

6.7 The DCIR, LTU initiated a case of withholding tax audit for tax year 2011 in which a demand of Rupees 38.71 million under Section 161 and 205 of The Income Tax Ordinance, 2001 was created. The Company preferred an appeal before ATIR as its appeal before CIR (Appeals) was unsuccessful. The Company expects a favourable outcome of the appeal based on advice of tax counsel.

6.8 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of first proviso to sub-clause (x) of clause (4) of SRO 491(1)/2016 dated 30 June 2016 issued under sections 3 and 4 read with sections 8 and 71 of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(I)/2011 dated 31 December 2011 adjustment of input sales tax on packing material of all sorts has been disallowed. The Honourable Lahore High Court has issued stay order in favour of the Company. Consequently, the Company has claimed input sales tax paid on packing material in its respective monthly sales tax returns. The management, based on advice of the legal counsel, is confident of favorable outcome of its appeal. An amount of Rupees 41.18 million being the provision is made these financial statements.

6.9 The Company has challenged, before Honourable Lahore High Court, Lahore, the vires of clauses (h) and (i) to sub-section (1) of section 8 of the Sales Tax Act, 1990 whereby claim of input sales tax in respect of building materials, electrical and gas appliances, pipes, fittings, wires, cables and ordinary electrical fittings and sanitary fittings have been disallowed. The

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

Honourable Lahore High Court has issued stay order in favour of the Company and has allowed the Company to claim input sales tax paid on such goods in its monthly sales tax returns. Consequently, the Company has claimed input sales tax on such goods in its respective monthly sales tax returns. An amount of Rupees 3.82 million being the provision is made these financial statements.

- 6.10 The DCIR, LTU initiated income tax cases of tax years 2006 and 2008. A demand of 12.7 million and 68.4 million respectively were created by amending returns. Appeals were preferred with CIR(A) which were dismissed against the Company without discussing the merits of the cases. The Company has filed appeal with IRAT which is pending for hearing. The management is confident that decision will be in favor of the Company, hence, no provision has been made in these financial statements.

Commitments

- 6.11 Guarantees issued through banks Rs. 1,857.95 million (Dec-2017 : Rs. 1,882 million).
- 6.12 Irrevocable letters of credit Rs. 838.50 million (Dec-2017 : Rs. 1,370.16 million).
- 6.13 The amount of future ijarah rentals for ijarah financing and the period in which these payments will become due are as follows:

		(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Note	(Rupees in thousand)	
Not later than one year		67,037	75,144
Later than one year but not later than five years		95,223	121,914
Later than five years		-	-
		162,260	197,058

7. Property, plant and equipment

Operating fixed assets	7.1	5,381,323	4,842,097
Capital work in progress		1,471,762	1,218,770
		6,853,085	6,060,867

7.1 Operating fixed assets

Opening written down value		4,842,097	4,116,625
Add: Additions during the period/ year	7.2	822,197	1,223,843
		5,664,294	5,340,468
Less: Disposals during the period (at book value)	7.2	918	32,630
		5,663,377	5,307,838
Less: Depreciation charged during the period/ year		288,910	465,556
Exchange / other adjustment during the period		(6,856)	185
		5,381,323	4,842,097

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

	Additions		Disposals - NBV	
	Unaudited June 30, 2018	Audited December 31, 2017	Unaudited June 30, 2018	Audited December 31, 2017
	(Rupees in thousand)			
Land	-	-	-	-
Building on freehold land	106,664	406,270	-	9,426
Plant and machinery	615,846	587,526	335	8,649
Furniture, fixture and fittings	3,237	10,835	-	-
Vehicles	672	19,277	184	885
Service equipments	44,163	144,085	398	10,990
Leasehold improvements	51,615	55,850	-	2,680
	822,197	1,223,843	918	32,630

		(Unaudited) June 30, 2018	(Audited) December 31, 2017
	Note	(Rupees in thousand)	

8. Long term investment

These represent long term investments in:

Related parties	8.1	465,970	426,048
Other	8.2	28,640	29,600
		494,610	455,648

8.1 Investment in Related Parties:

8.1.1 Investment in associate:

Speed (Private) Limited	8.1.1.1	465,490	425,568
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8.1.2 Investment in Joint Venture:

S2 Power Limited (24,000 fully paid shares of Rs.10/- each)		240	240
S2 Hydro Limited (24,000 fully paid shares of Rs.10/- each)		240	240
		465,970	426,048

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

	(Unaudited) June 30, 2018	(Audited) December 31, 2017
Note	(Rupees in thousand)	
8.1.1.1 Speed (Private) Limited - Associated company		
Cost of investment - SIL		
160,709 fully paid ordinary shares of Rs. 100/- each	190,949	190,949
Cost of investment-SICPL		
30,200 fully paid shares of Rs. 2,044.40 each (2016: Nil)	58,721	58,721
73,000 fully paid ordinary shares of Rs. 1,272 each (2016: Nil)	92,856	92,856
Share of post acquisition reserve		
As at the beginning of the period/ year	83,042	56,745
Share of profit during the period	66,313	51,913
Distributions received during the period	(26,391)	(25,616)
	122,964	83,042
	465,490	425,568
8.2 Other - Available for sale		
TRG Pakistan Limited		
1,000,000 fully paid ordinary shares (2017- 1,000,000 fully paid ordinary shares)	29,600	29,600
Fair value adjustment	(960)	-
	28,640	29,600

Note	Six months ended		Three months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(Rupees in thousand)			
9. Sales - net				
Sales of footwear - net				
Export	3,045,302	2,142,684	1,545,369	1,020,873
Local	2,307,511	2,953,174	1,189,590	1,486,102
	5,352,813	5,095,858	2,734,959	2,506,975
Sales of tyre division - net				
Export	432,661	278,449	199,666	182,238
Local	6,077,393	4,838,486	3,342,620	2,420,306
	6,510,054	5,116,935	3,542,286	2,602,544
Sales of technical rubber products - net				
Export	-	-	-	-
Local	5,070	1,393	4,031	1,371
	5,070	1,393	4,031	1,371
	11,867,937	10,214,186	6,281,276	5,110,890

10. Cost of sales

Raw material consumed	10.1	5,953,545	5,308,008	3,163,989	2,657,321
Salaries, wages and benefits		1,427,820	1,342,506	726,027	668,623
Stores and spares consumed		127,101	114,782	84,633	67,622
Packing material consumed		334,034	333,842	180,934	160,695
Fuel and power		360,855	351,727	184,479	174,228
Insurance		9,711	8,793	5,365	5,190
Depreciation		256,730	197,226	129,021	100,503
Travelling and conveyance		9,260	6,491	4,076	3,373
Repair and maintenance		74,941	64,966	36,814	33,282
Entertainment		1,875	1,429	1,120	808
Provision for slow moving and obsolete items		(11,582)	22,257	991	20,171
Other manufacturing charges		70,007	63,322	31,281	29,282
		8,614,298	7,815,349	4,548,731	3,921,098
Work in process					
Opening stock		311,171	288,944	367,610	322,028
Closing stock		(489,751)	(357,006)	(489,751)	(357,006)
		(178,580)	(68,062)	(122,141)	(34,978)
Cost of goods manufactured		8,435,717	7,747,287	4,426,590	3,886,120
Finished goods					
Opening stock		2,224,361	1,375,329	2,265,497	1,572,060
Purchases during the period		1,119,315	1,100,621	503,607	622,917
Closing stock		(1,797,480)	(1,752,951)	(1,797,480)	(1,752,951)
		1,546,196	722,999	971,624	442,026
		9,981,913	8,470,286	5,398,213	4,328,146
10.1 Raw material consumed					
Opening stock		1,337,845	963,419	1,296,298	1,245,875
Purchases during the period		6,117,087	5,707,116	3,369,078	2,773,973
Closing stock		(1,501,387)	(1,362,527)	(1,501,387)	(1,362,527)
		5,953,545	5,308,008	3,163,989	2,657,321

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

11. Segment reporting

	(Rupees in thousand)						
	Footwear		Tyre		Technical Rubber Products		Total
	six months ended June 30, 2018	six months ended June 30, 2017	six months ended June 30, 2018	six months ended June 30, 2017	six months ended June 30, 2018	six months ended June 30, 2017	Total six months ended June 30, 2018
External sales	5,352,813	5,095,858	6,510,054	5,116,935	5,070	1,393	11,867,937
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	5,352,813	5,095,858	6,510,054	5,116,935	5,070	1,393	11,867,937
Profit/(Loss) before tax and unallocated expenses	474,450	597,246	544,271	389,869	(8,615)	(6,070)	1,010,107
Unallocated corporate expenses							
Finance cost	-	-	-	-	-	-	(227,730)
Other operating expenses	-	-	-	-	-	-	(393,880)
Other operating income	-	-	-	-	-	-	43,101
Taxation	-	-	-	-	-	-	(50,186)
Profit after taxation	-	-	-	-	-	-	381,412
11.1 Reconciliation of segment profit							
Total profit for reportable segments							1,010,107
Unallocated expenses							(578,509)
Profit before tax							431,598

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

	(Rupees in thousand)						
	Footwear		Tyre		Technical Rubber Products		Total
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	Total June 30, 2018
11.2 Reconciliation of segment Assets & Liabilities							
Total assets for reportable segments	6,051,738	5,769,296	9,444,551	7,949,945	54,110	46,964	15,550,399
Unallocated assets							2,698,238
Total assets as per balance sheet							18,248,637
Segment liabilities	-	-	-	-	-	-	-
Unallocated liabilities							13,386,123
Total liabilities as per balance sheet							13,386,123

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

12. Fair value measurement of financial instruments.

On-balance sheet financial instruments	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
30 June 2018- (Un-audited)							
Financial assets measured at fair value		28,640	-	-	-	28,640	-
		28,640	-	-	-	28,640	-
Financial assets not measured at fair value							
Long term loans	12.1	-	18,830	-	18,830	-	-
Long Term deposit		-	103,538	-	103,538	-	-
Trade debts		-	2,766,442	-	2,766,442	-	-
Loans and advances		-	42,194	-	42,194	-	-
Trade Deposits		-	77,172	-	77,172	-	-
Other Receivables		-	11,971	-	11,971	-	-
Cash and Bank Balances		-	126,309	-	126,309	-	-
		-	3,146,456	-	3,146,456	-	-
Financial liabilities measured at fair value							
		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term Financing	12.1	-	-	3,514,005	3,514,005	-	-
Long term deposits		-	-	3,443	3,443	-	-
Interest and Mauk-up accrued		-	-	120,749	120,749	-	-
Short term borrowings		-	-	5,517,082	5,517,082	-	-
Trade and other payables		-	-	3,438,305	3,438,305	-	-
		-	-	12,593,585	12,593,585	-	-

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

On-balance sheet financial instruments	Note	Carrying Amount			Fair Value		
		Available for Sale	Loans and receivable	Other financial liabilities	Total	Level 1	Level 2
31 Dec 2017							
Financial assets measured at fair value		29,600	-	-	-	29,600	-
		29,600	-	-	-	29,600	-
Financial assets not measured at fair value							
Long term loans	12.1	-	17,762	-	17,762	-	-
Long Term deposit		-	99,393	-	99,393	-	-
Trade debts		-	2,780,963	-	2,780,963	-	-
Loans and advances		-	25,881	-	25,881	-	-
Trade Deposits		-	59,820	-	59,820	-	-
Other Receivables		-	56,848	-	56,848	-	-
Cash and Bank Balances		-	84,448	-	84,448	-	-
		-	3,125,115	-	3,125,115	-	-
Financial liabilities measured at fair value							
		-	-	-	-	-	-
		-	-	-	-	-	-
Financial liabilities not measured at fair value							
Long term Financing	12.1	-	-	2,883,572	2,883,572	-	-
Long term deposits		-	-	5,258	5,258	-	-
Interest and Mauk-up accrued		-	-	108,065	108,065	-	-
Short term borrowings		-	-	4,589,272	4,589,272	-	-
Trade and other payables		-	-	2,751,389	2,751,389	-	-
		-	-	10,337,556	10,337,556	-	-

12.1 The management considers the carrying amount of all financial assets and liabilities not measured according to the fair value hierarchy at the end of the reporting period to approximate their fair value as at the reporting date.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the period ended June 30, 2018

13. Related party transactions

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

(Rupees in thousand)

Relationship with Company	Nature of transactions	Transactions for the period ended June 30, 2018	June 30, 2018 Closing balance		December 31, 2017 Closing balance	
			Debit	Credit	Debit	Credit
Associates	Investment	-	465,970		426,048	
	Advances	-	10,874		10,874	
	Expenses	-	2,503		2,503	
	Others	3,782				3,782
Retirement Benefits	Contribution	90,401		175,044		156,083

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

14. Events after the balance sheet date

The Board of Directors in its meeting held on August, 27, 2018 has proposed an interim cash dividend of Rs. Nil per share (December 31, 2017: final cash dividend of Rs. 22 per share).

15. 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, 2017.

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


16. Authorization date

This financial information was approved and authorized for issue by the Board of Directors as on August, 27, 2018.

17. General

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

Notes


Chaudhry Ahmed Javed
(Chairman)


Omar Saeed
(Chief Executive)


Usman Liaqat
(Chief Financial Officer)

