



SERVICE FABRICS LIMITED

Annual Report 2019



SERVICE FABRICS LIMITED

**Annual Report
2019**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ANNUAL REPORT
2019

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SERVICE FABRICS LIMITED

VISION

To be a benchmark in the industry, effectively pursuing multiple growth opportunities and maximizing returns to the stakeholders.

MISSION

- To deliver reliable efficient and exceptional products and services to our clients.
- Providing a dynamic and supportive environment to our employees
- To be a responsible corporate entity.



SERVICE FABRICS LIMITED

Company Information

Board of Directors	Mr. Aurangzeb Noor Ms. Mudassara Aurangzeb Mrs. Azmat Akbar Mr. Muhammad Waqas Mr. Irfan Noor Mr. Raja Nauman Jaan Kiani Mr. Ali Anwar	CEO
Board Audit Committee	Mr. Muhammad Waqas Mrs. Azmat Akbar Mr. Ali Anwar	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Raja Nauman Jaan Kiani Mr. Ali Anwar Ms. Mudassara Aurangzeb	Chairman Member Member
Company Secretary Registered Office	Mr. Zahir Shah Office No 17, 1st Floor, Anique Arcade, I-8Markaz, Islamabad. Phone: +92 (51) 4861780 Fax : +92 (51) 4861785	
Auditors	Horwath Hussain Chaudhry & Co.	
Legal Advisor	Ch. Abdul Khaliq	
Share Registrar	F. D. Registrar Services (SMC-Pvt) Limited. 1705, 17th Floor, Saima Trade Tower A, I.I Chundrigar Road Karachi. Phone: (+92-21) 35478192-93, 32271906 Fax : (+92-21) 32621233	



SERVICE FABRICS LIMITED

Our Values

1. The Company's Policy is to conduct business with honesty and integrity and to be ethical in all its dealings showing respect for the interest of those with whom it has relationships.
2. The Company complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. In case of any doubt the employees are expected to seek necessary advice. The Company believes in fair competition and supports appropriate competition laws.
3. The Company does not support any political party nor contribute to the funds of groups whose activities promote party interests.
4. The Company is committed to run its business in an environment that is sound and sustainable. As a good corporate entity, the Company recognizes its social responsibilities and will endeavor to contribute to community activities as a whole.
5. The Company believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.
6. The Company is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias and are merit and excellence oriented. It believes in providing its employees safe and healthy working conditions and in maintaining good channels of communications.
7. The Company expects its employees to abide by certain personal ethics whereby Company information and assets are not used for any personal advantage or gain. Any conflict of interest should be avoided, where it exists it should be disclosed and guidance sought.

The Board of Directors has constituted the 'Board Audit Committee' to ensure Compliance of above principles.



SERVICE FABRICS LIMITED

Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of Service Fabrics Limited will be held on October 26, 2019 at 11:30 am at Office No 17, 1st Floor, Anique Arcade, I-8 Markaz, Islamabad, to transact the following business:-

Ordinary Business:-

1. To conform the minutes of last Annual General Meeting held on October 27, 2018.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2019 together with the Directors and Auditor's Report thereon.
3. To appoint Auditors for the year ending on 30th June 2020 and fix their remuneration. The Board has recommended, as suggested by the Audit Committee, the appointment of M/S Horwath Hussain Chaudhury, Chartered Accountants, the retiring auditors and being eligible, have offered themselves for re-appointment.
4. To consider any other business with the permission of the Chair

Special Business:-

5. To consider and, if deemed fit, pass the following resolution as a special resolution under section 134 of the Companies Act 2017, with or without modification, as recommended by the Directors:-

"Resolved by way of special resolution that the consent and approval of shareholders be obtained for confirmation of disinvestment of 95.5% shares of subsidiary company M/S HK Securities (Pvt) Ltd.

October 5, 2019
Islamabad

On behalf of the Board

(Aurangzeb Noor)
Chief Executive Officer



SERVICE FABRICS LIMITED

Notes:

A. CANDIDATE FOR ELECTION

Every candidate desirous of offering himself / herself for election as a Director, whether he / she is a retiring Director or otherwise, shall file with the Company not later than fourteen (14) days before the date of Annual General Meeting a notice of his / her intention to offer himself / herself for election as a Director of the Company along with the consent to serve as a Director of the Company in the prescribed Form-28 in accordance with the requirements of the Companies Act, 2017 at the registered office of the Company.

B. BOOK CLOSURE & PROXY

i). The Share Transfer Books of the company will be closed from October 20, 2019 to October 26, 2019 (both days inclusive). Transfers received at the Company's Share Registrar Office i.e. FD Registrar Services (Pvt) Ltd, Office No 1705, 17th Floor, Saima Trade Tower A, I.I Chundriger Road, Karachi-74000 at the close of business on October 19, 2018 will be treated in time for the purposed of above entitlement to the transferees.

ii). A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his / her behalf. A proxy need not be a member of the company.

iii). Instrument of appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company not later 48 hours before the time of the Meeting.

iv). CDC Account Holders will have to follow the under-mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

C. FOR ATTENDING THE MEETING:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.



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ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

D.FOR APPOINTING PROXIES:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

E. FINANCIAL STATEMENTS TO BE PLACED ON WEBSITE

In compliance with SECP notification No. 634(I)/2014 dated: July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2018 have been placed on the Company's website: www.servicefabrics.com for the information, download and review of shareholders. From this year onwards, published copies of financial statement and reports will be furnished in Compact Disk form.

F. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.servicefabrics.com and send the said form duly filled in and signed along with copy of his/her/its CNIC/Passport or other such information in the case of a body corporate to the Company's share registrar. This is optional; in case you do not wish to avail this facility please ignore this point. Annual Financial Statements will be sent to you at your registered address, as per normal practice.

G. NOTICE TO SHAREHOLDERS WHO HAVE NOT PROVIDED THEIR CNIC:

The Individual Members who have not yet submitted photocopy of their valid computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company' Share Registrar, M/s. Central Depository



SERVICE FABRICS LIMITED

Company of Pakistan Limited. In case of non-receipt of the copy of valid CNIC, the Company would be constrained under section 243(3) of the Companies Act, 2017 to withhold dividend of such shareholders.

H. WITHHOLDING TAX ON DIVIDENDS:

Pursuant to the provision of the Finance Act, 2018 effective July 1, 2018 the deduction of withholding tax on the amount of Dividend paid by the companies under section 150 of the Income Tax Ordinance, 2001 are as under:

- a.** Filers of Income Tax returns 15%
- b.** Non-filers of Income Tax returns 30%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, in any other case they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 30% instead of 15%. In order to enable the Company to follow the directives of the regulator(s) to determine shareholding ratio of the Joint Account Holder(s) by the Principal shareholder for deduction of withholding tax on dividend. Such shareholders are requested to furnish the ratio of shareholding being the Principal and Joint holders to the registrar of the Company. In the absence of any such notice from the Principal Shareholder, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted as per law accordingly.

I. PAYMENT OF CASH DIVIDEND ELECTRONICALLY (EMANDATE):-

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017. It is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Notice in this regard has already been published by the Company in the newspapers, however, shareholders are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send the duly signed Electronic Mandate Form along with a copy of valid CNIC/NTN to their respective CDG participant / CDC Investor account services.

Title of Bank Account: _____

Bank Account (IBAN) Number: _____

Bank's Name: _____

Branch Name and Address: _____

CNIC Number of the Shareholder: _____

Cell Number of the Shareholder: _____

Landline No. of the Shareholder (if any): _____

Members are requested to submit declaration as per Zakat & Usher Ordinance 1980 for Zakat exemption and to advise change in address, if any.



SERVICE FABRICS LIMITED

CHAIRMAN REVIEW REPORT

BUSINESS REVIEW

On behalf of the board of directors of Service Fabrics Limited, we are pleased to submit the Directors report and the audited financial statements of the Company for the year ended June 30, 2019.

OVERVIEW

During the year under review, directors of the Company have been putting all their efforts to revive the operations by restructuring its entire business particularly through its internal resources. The management is committed to making the company profitable, by acquiring and investing in businesses within in Food, Real Estate, Pharma and Finance sectors. This will allow us to create a diversified group of businesses within one company and thus resulting in profitability and enhancing value for its shareholders.

The loss amounting Rs. 1.30 million shown in accompanying financial statements is only because of administrative expenses incurred during the period as no operational activities were carried out during last year.

Despite of all these facts, the management of the Company is committed to good corporate governance and complying with the best practices. In compliance with the Code of Corporate Governance, the Directors are pleased to state as follows:

The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of accounts of the Company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

CODE OF CONDUCT

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the Board has approved and disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviors. The same has been placed on the Company's Website.



SERVICE FABRICS LIMITED

SAFETY AND ENVIRONMENTS

The company strictly complies with the standards of the safety rules & regulations. It also follows environmental friendly policies.

BUSINESS PLANS & ACHIEVEMENT OF TARGETS

Short medium and long term targets are set by the Board. Management endeavors to achieve those through better planning, concerted efforts and hard work. Each year a comprehensive business plan is chalked out and duly approved by the Board. The management believes that based on orders in hand and expansion in production and marketing facilities, the Company will operate as a "Going Concern" till indefinite period.

COMMUNICATION

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are circulated to them within the time specified in the Companies Act 2017. The Company also has a web site, which contains up to date information on Company's activities and financial reports. Every opportunity is given to the individual shareholders to attend and ask freely the questions about the Company's affairs at the Annual General Meeting.

ACKNOWLEDGEMENT

The Board would like to thank all of their stakeholders and customers and suppliers of the Company for their valuable support and sheer confidence. Such confidence has allowed the Company to perform well in a difficult business environment.

The Board would like to thank executives, staff members and workers of the Company for their commitment, dedication and hard work. We continue to pray to Allah for the continued success of your Company and for the benefit of all stakeholders, and the country in general.

Dated: September 27, 2019
Islamabad



(IRFAN NOOR)
Chairman



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DIRECTORS' REPORT

During the year 2018-19, directors of the Company made their efforts to revive the operations of the company by restructuring its entire business particularly through its internal resources. The loss amounting Rs. 1.30 million shown in accompanying financial statements is only because of administrative expenses incurred during the period as no operational activities were carried out during last year

Company is in the process of acquiring the Operating Plant, Building and Machinery of a FMCG company to initiate its Food division. The cost of the assets was assessed to Rs. 34.14 Million. The Company planned to make the plant operational for Tomato Paste initially, an input for ketchup, pizza sauce, spaghetti sauce, lasagna sauce, curry paste. Future products include fruit spread (Jam), Synthetic vinegar, soya sauce etc. Management has also identified some other means and sources of financing for restructuring. The management is confident that it would turnaround the Company and it will be on the track within shorter possible period.

During the previous period, the books of accounts of company's subsidiary (H. K Securities (Private) Limited) were seized and taken with them by Securities and Exchange Commission of Pakistan (Security Market Division) against seizure memo of records dated March 20, 2017. Securities Exchange Commission of Pakistan (Corporate Supervision Department) was approached to seek relaxation under section 228 (7) of Companies Act 2017 for preparation of annual consolidated account for the period ended June 30, 2019 vide letter No vide letter No SVC/SECP/190901 dated September 19, 2019. The company remained unable to prepare consolidated financial accounts for the period ended June 30, 2019 due to non-availability of books of accounts.

During year 2016-17, Securities and Exchange Commission of Pakistan (SECP) had filed petition with the Honorable High Court, Lahore (Company Jurisdiction) under section 305 and 309 of the Companies Ordinance, 1984 for winding up of the Company. Currently, the petition is pending at Honorable High Court. The management of the company is vigorously defending its plea in court of law to dismiss winding up petition and company is hopeful for favorable decision.

Our mission is to contribute to the growth, sustainability and ultimate stabilization of the economy. We at Service Fabrics Limited, aim to do this through responsible business practices.

Further, the Board also initiated measures to achieve cost efficiencies by optimizing the business processes.

Election of Directors

The Board comprises of one Executive, four non executive and two independent directors. During the period under review none of director joined or left the board.



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Financial Highlights

Operating and Financial data and key ratios of the Company for preceding years is separately given in financial highlights

Name of Director	Board Meetings	Audit Committee Meetings	HR and Remuneration Committee Meetings
Mr. Aurangzeb Noor	04	N/A	02
Mr. Ali Anwar	03	N/A	N/A
Mr. Irfan Noor	03	02	N/A
Mr. Muhammad Waqas	01	01	N/A
Mrs. Mudassara Aurangzeb	04	N/A	N/A
Mr. Raja Nauman Jan Kiani	03	N/A	02
Mrs. Azmat Akbar	03	02	02
Mr. Wajid Razaq	01	N/A	01

Board of Directors Meetings

During the year 2018-19, four meetings of the Board were held. The attendance of the Board members was as follows:-

Those Directors, who have not attended the required number of meetings, have applied for leave of absence which was duly granted by the Board.

Pattern of Shareholding and Shares Traded

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trading in the shares of the Company was carried out by the Directors, the Chief Executive Officer and the Company Secretary and their spouses and minor children during the year under review.

Earning / Loss Per share

Loss per share for the year ended 30 June 2019 was Rs. (0.08) as compared to Loss per Share of Rs. (0.16) of the last year.



SERVICE FABRICS LIMITED

AUDITORS

The Audit Committee and the Board of Directors have recommended re-appointment of M/S Horwath Hussain Chaudhry & Co. Chartered Accountants as the Auditor for the year 2019-2020.

COMMENTS ON AUDITOR'S REPORT

a) GOING CONCERN

Company is in process of acquisition of FMCG Company's operating Plant, Building and Machinery to setup a business division in FMCG. The Company plans to make the plant operational for Tomato Paste initially, an input for ketchup, pizza sauce, spaghetti sauce, lasagna sauce, curry paste. Future products include fruit spread (Jam), Synthetic vinegar, soya sauce etc. Management has also identified some other means and sources of financing for restructuring. The management is confident that it would turnaround the Company and it will be on the track within shorter possible period. Management is of the view that after revival of operations, company will fully functional and going concern entity.

b) LOAN AMORTIZATION

The loan has not been amortized at cost under IAS 39 because of following reasons:-

i) Company had sold it looms back in year 2002 and since then it is striving to continue its business. Company's administrative expenses are being paid by directors. Management of the company considers the loan as "Interest Free and Repayable on Demand". The same is not needed to be amortized according to IAS 39 as per "TR-32 issued on "Accounting on Director Loan". The contents of paragraph 3.4.3 of TR-32 are produced as under:

"In the absence of any written or other evidence characterizing the financing as a loan or a capital contribution, the substance is likely to be regarded as an on-demand loan. The accounting is the same as for a contractual director's loan that is interest-free / low interest and repayable on demand". The contents from para for "Contractual Director's Loan that are interest free and repayable on demand" are produced as under:-

3.2.2 A loan to an entity that is due on demand is a financial instrument. Upon initial recognition, a loan that is due on demand is not discounted, as it has no term and can be demanded at any time. It is recognized at full amount receivable- its face value. Although the loan is made at a non-market rate of interest and is a financing transaction, because the director can demand payment at any time, discounting from the first date when the amount could be required to be paid has no impact.



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c) FINANCING FROM BANKING COMPANIES

Loan from banking companies were not confirmed by respective banks due to change in management of the banks time to time. Company intends to pay loan liability of banking company in coming years.

d) ADVANCES FROM CUSTOMERS

These "Advances from Customers" were booked in accounts till year 2008, and none of the customer approached company afterwards. Company is in the process to identify the concerned customers so that the balances can be settled with them on availability of funds.

e) PAYABLE TO SUBSIDIARY COMPANY

Subsidiary company has made an agreement for sale of ISE Towers REIT Management (ISETRMCL) shares to M/S General Investment & Securities (Pvt) Ltd on August 09, 2017 through an agreement. The same can be verified from company legal documents. Further, the subsidiary company has made an application to Pakistan stock exchange Limited for surrender of Trading Right Entitlement Certificate (TREC) and intends to sell blocked 60% equity shares with CDC after surrendering of TREC.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

The Company has complied with all the requirements of the code of Corporate Governance by the listing regulations.

Accordingly the Directors are pleased to confirm the following:

- i. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 2017. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgment.
- iv. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- v. The system of Internal Control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. There has been no material departure from the best practices of Corporate Governance, as required by the listing regulations.



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viii. The key operating and financial data for the last six years is annexed in the financial highlights.

AUDIT COMMITTEE

Audit Committee was established by the Board to assist the directors in discharging their responsibilities, Corporate Governance, Financial Reporting and Corporate Control. The Committee consists of three members. Two members are non-executive directors and one member who is Chairman of the Committee is an Independent director.

The Board Audit Committee is responsible for reviewing reports of the company's financial results, audit and adherence to standards of the system of management controls. The Committee reviews the procedures, ensures their independence with respect to the services performed for the Company and makes recommendations to the Board of Directors.

The Audit Committee held five meetings during the year under review, each before the Board of Directors meeting to review the financial statements, internal audit reports and compliance of the Corporate Governance requirements. These meetings included meeting with external auditors before and after completion of audit and other statutory meetings as required by the Code of Corporate Governance.

The present constitution of the Committee is as under:

Mr. Muhammad Waqas	Chairman
Mr. Ali Anwar	Member
Mrs. Azmat Akbar	Member

NUMBER OF EMPLOYEES

The numbers of employees as on 30 June 2019 were 02 compared to 02 of last year.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to selection, evaluation, compensation and career planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies and procedures and their periodic review. The Committee consists of three members. Two members of the Committee are non-executive and one is Independent director.

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions as disclosed in the notes to the accounts.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended 30 June 2019 have been duly complied with. A statement to this effect is annexed with the report.



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WEB PRESENCE

Company's periodic financial statements for the current financial year including annual reports for the last three years are available on the Company's website www.servicefabrics.com for information of the investors.

On behalf of Board of Directors of the company, I am thankful to all worthy shareholders and staff members of the company for their untiring efforts for the betterment of the company.

For and on Behalf of the Board

(AURANGZEB NOOR)
Chief Executive Officer

Dated: September 27, 2019
Islamabad



SERVICE FABRICS LIMITED

Financial Highlights

	2013	2014	2015	2016	2017	2018	2019
PROFITABILITY RATIOS							
Profit/(Loss) before taxation	(88,000)	(104,340)	327,596	(6,932,017)	(2,400,867)	(2,536,487)	(1,300,793)
Profit/(Loss) after taxation	(88,000)	(104,340)	327,596	(7,045,142)	(2,400,867)	(2,536,487)	(1,300,793)
Earning per share(Rs.)	(0.01)	(0.01)	0.02	(0.45)	(0.20)	-0.16	(0.08)
LIQUIDITY RATIOS							
Liabilities as a % of total Assets	4,695	4,749	1,809,820	12	13	12	20
Equity as a % of total assets	4,002	4,002	1,544,588	9	9	11.00	11.52



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBER OF SERVICE FABRICS LIMITED

Review Report on the Statements of Compliance in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Service Fabrics Limited for the year ended June 30, 2019 in accordance with the requirement of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instance(s) of non-compliance with the requirement(s) of the Regulations was /were observed which is/are not stated in the Statement of Compliance:

- a) There is no representation of minority shareholders on the board of Directors.
- b) The mechanism for annual evaluation of the board's on performance has not been put in place.
- c) Grievance handling and whistleblowing mechanism are not in place.
- d) There is no annual review of overall business risks conducted by board
- e) Company Secretary and Chief Financial Officer should not be same person.



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Based on our review, except for the above instance(s) of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Regulations as reflected in the note/paragraph reference where it/these is/are stated in the Statement of Compliance:

Serial number	Description
1	As Form A and 29 was not available to us so did not ensure the number and name of the board of directors.
9	During the year no orientation courses were arranged for its directors to apprise them of their duties and responsibilities. The board has ensured arrangement of orientation courses for its directors to apprise them of their duties and responsibilities by the end of June 30, 2019.
8	There is no policy and transparent procedures for remuneration of directors.
12	Nomination Committee and Risk management are not formed by the board.
15	During the year under review the company did not have any internal audit function.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
Shahzad Qazi (FCA)

Place: Islamabad
Date September 27, 2019



SERVICE FABRICS LIMITED

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS. 2017.

NAME OF COMPANY: Service Fabrics Limited.

Year ended: June 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 07 as per the following:

a. Male: **05**

b. Female: **02**

2. The composition of board is as follows:

a) Independent Directors

Mr. Muhammad Waqas

Mr. Raja Nauman Jan Kiani

Mrs. Azmat Akbar

b) Other Non-executive Director

Mr. Irfan Noor

Mr. Ali Anwar

Mrs. Mudassara Aurangzeb

c) Executive Directors

Mr. Aurangzeb Noor

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.



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8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Director's Training Program for the following:

None of the Directors got training during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

1. Mr. Muhammad Waqas
2. Mrs. Azmat Akbar
3. Mr. Ali Anwaar

b) HR and Remuneration Committee (Name of members and Chairman)

1. Mr. Raja Nauman Jan Kiani
2. Mrs. Mudassara Aurangzeb
3. Mr. Ali Anwaar

c) Nomination Committee (if applicable) (Name of members and Chairman)

The board has not formed Nomination Committee.

d) Risk Management Committee (if applicable) (Name of members and Chairman)

The board has not formed Risk Management Committee.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- a) Audit Committee - 04
- b) HR and Remuneration Committee – 01
- c) Nomination Committee (if applicable) - Nil
- d) Risk Management Committee (if applicable) - Nil



SERVICE FABRICS LIMITED

15. The board has set up and effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

(Irfan Noor)
Chairman



SERVICE FABRICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVICE FABRICS LIMITED

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statement of **SERVICE FABRICS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matters discussed in in the basis for adverse opinion paragraph the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit



SERVICE FABRICS LIMITED

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion and we give our adverse opinion on the basis of followings.

1. The Company has not amortized the long-term financing (unsecured and interest free) amounting to Rs. 162.114 million (disclosed in Note 9 to the financial statements) as required by IAS 39 (Financial Instruments – Recognition and Measurement). Financing from other as on June 30, 2019 amounting to Rs. 157.548 million has been included in long term financing which, in the absence of any written terms and conditions with the lender, should have been shown in current liabilities.
2. In the absence of any agreement or relevant documents, we did not verify the amount Rs. 10,028,205/- received by the company on behalf of its subsidiary company HK Securities (Private) Limited against sale of subsidiary company's shares of ISE Towers REIT management as disclosed in note 10 to the annexed financial statement.

Further the subsidiary has filed an application to Pakistan Stock Exchange regarding the surrender of TREC (Trading Right Entitlement Certificate) which give rise to significant uncertainty as the ability of the subsidiary to continue operations has going concern in the foreseeable future. However, these financial statements do not contain any provision for diminution of value of investment in the subsidiary company on the basis of its going concern uncertainty. The management has not conducted impairment test as per IAS 36 (Impairment of Assets) on investment in subsidiary amounting to Rs. 15,628,969 as appearing in Note 6.

3. From the available record, we were unable to verify the amount shown as Financing from Banking Companies of Rs. 4.276 million as on June 30, 2019 as appearing in Note 9 to the financial statements.
4. We were unable to verify the amount shown as Advances from Customers and Others of Rs. 34.215 Million as on June 30, 2019 as appearing in Note 12 to the financial statements;



SERVICE FABRICS LIMITED

Material Uncertainty relating to Going Concern (if applicable)

As explained in Note 1.2, the Company has prepared the financial statements on the going concern assumption. However, as on June 30, 2019, the Company has accumulated loss of Rs. 358.583 million (2018: Rs. 357.282 million), negative equity of Rs. 201.035 million (2018: 199.734 million) and its liabilities exceed its assets by Rs. 45.54 million (2018: Rs. 46.44 million) as at the balance sheet date. The Company has incurred net loss of Rs. 1.300 million during the year. Further, as explained in Note 14.1, the Securities and Exchange Commission of Pakistan had also filed a petition of the winding up of the Company.

In view of the above matters, the going concern assumption used in the preparation of the financial information is not appropriate. The Company may not be able to realize its assets and settle its liabilities in the normal course of business and, consequently, necessary adjustments as to the recorded assets amounts and classification of liabilities have not been made in the financial information.

Emphasis of Matter

We draw attention to note 2.1.2 to the financial statements which describe the matter related to non-preparation of consolidated financial statements. Our opinion is not qualified in respect of this matter.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



SERVICE FABRICS LIMITED

Following are the Key audit matter(s)

S. No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>During the year, the Company has first time adopted IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers).</p> <p>As part of this first-time adoption and transition to the requirements, the management performed an analysis to identify differences between the previous and the current applicable standards and as a result certain amendment relating to presentation and disclosures were made in the accompanying financial statements.</p> <p>Any change in presentation or classification of items has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.</p> <p>In view of the amendments and various new disclosures prepared and presented in the financial statements, we considered this as a key audit matter.</p>	<p>We reviewed and understood the requirements of IFRS 9 and IFRS 15. Our audit procedures included the following:</p> <p>Reviewed the management's process to identify the additional disclosure requirements and related revisions (if any) as a result of first-time adoption of IFRS 9 and IFRS 15;</p> <p>Obtained understanding of the recorded trade receivables by discussing with the management and making inquiries on the entire accounting process associated with the recording of trade receivables;</p> <p>Reviewed recording of provisions on the basis of expected credit loss on trade debts and contract assets as per the requirements of IFRS 9;</p> <p>Obtained relevant underlying supporting documents for ensuring that management has complied with the revenue recognition criteria as introduced by IFRS 15; and</p>



SERVICE FABRICS LIMITED

		Obtained relevant underlying supporting documentation on test basis for the additional disclosures and assessed their appropriateness for the sufficient audit evidence.
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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report 2019 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal



SERVICE FABRICS LIMITED

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



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Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



SERVICE FABRICS LIMITED

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) except for the effects of the matters stated above proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the matters stated above the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat was not deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) by the company.

The engagement partner on the audit resulting in this independent auditor's report is Shahzad Qazi (FCA).

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Date: September 27, 2019
Islamabad



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

		2019	2018
	Note	Rupees	Rupees
PROPERTY AND ASSETS			
Non Current Assets			
Advance for purchase of long term assets	5	1,000,000	1,000,000
Investment in subsidiary	6	15,628,969	15,628,969
		16,628,969	16,628,969
Current Assets			
Receivable from broker		2,287	5,239
Advance income tax		37,295	37,295
Cash and bank balance	7	769,793	1,396,586
		809,375	1,439,120
		17,438,344	18,068,089
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised share capital:			
16,000,000 (2018: 16,000,000) ordinary shares of Rs. 10 each		160,000,000	160,000,000
Issued, subscribed and paid up capital	8	157,548,000	157,548,000
Accumulated loss		(358,583,743)	(357,282,950)
		(201,035,743)	(199,734,950)
Non - Current Liabilities			
Long term financing	9	162,114,011	162,114,011
Payable to Subsidiary	10	10,028,205	7,814,102
		172,142,216	169,928,113
Current Liabilities			
Gratuity payable		324,847	324,847
Loan from director	11	3,048,573	4,721,628
Trade and other payables	12	40,650,260	40,520,260
Unclaimed Dividend		491,058	491,058
Provision for taxation	13	1,817,133	1,817,133
		46,331,871	47,874,926
Contingencies and Commitments			
	14	-	-
		17,438,344	18,068,089

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

Chief Executive

Chief Financial Officer

Director



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales		-	-
Cost of sales		-	-
Administrative expenses	15	(1,200,793)	(2,436,487)
Operating Loss		(1,200,793)	(2,436,487)
Other operating expenses	16	(100,000)	(100,000)
		(100,000)	(100,000)
(Loss) before Tax		(1,300,793)	(2,536,487)
Taxation		-	-
(Loss) after Tax		(1,300,793)	(2,536,487)
(Loss) per Share - Basic and Dilutive	17	(0.08)	(0.16)

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


Chief Executive


Chief Financial Officer


Director



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,300,793)	(2,536,487)
Cash flows before working capital changes	<u>(1,300,793)</u>	<u>(2,536,487)</u>
Increase in assets:		
- Advances	-	-
- Receivable from broker	2,952	2,896
Increase in liabilities:		
- Trade and other payables	<u>130,000</u>	<u>14,640</u>
Cash Used in Operatins	(1,167,841)	(2,518,951)
Income tax paid	-	(4,650)
Net Cash Used in Operating Activities	<u>(1,167,841)</u>	<u>(2,523,601)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
	<u>-</u>	<u>-</u>
Net Cash Used in Investing Activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	-	(4,000,000)
Payable to subsidiary	2,214,103	7,814,102
Loan from director	(1,673,055)	(267,810)
Dividend Paid	<u>-</u>	<u>-</u>
Net Cash Generated from Financing Activities	<u>541,048</u>	<u>3,546,292</u>
Net Decrease in Cash and Cash Equivalents	(626,793)	1,022,691
Cash and cash equivalents at the beginning of the year	1,396,586	373,895
Cash and Cash Equivalents at the End of the Year	<u><u>769,793</u></u>	<u><u>1,396,586</u></u>

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

Chief Executive

Chief Financial Officer

Director



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	Rupees
(Loss) / Profit before Taxation	(1,300,793)	(2,536,487)
<i>Other comprehensive income</i>		
Other comprehensive income	-	-
Total Comprehensive (Loss) for the year	<u><u>(1,300,793)</u></u>	<u><u>(2,536,487)</u></u>

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

Chief Executive

Chief Financial Officer

Director



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Share Capital Rupees	Accumulated (Loss) Rupees	Total Rupees
Balance as on June 30, 2017	157,548,000	(354,746,463)	(197,198,463)
Total comprehensive (loss) for the year	-	(2,536,487)	(2,536,487)
Balance as on June 30, 2018	157,548,000	(357,282,950)	(199,734,950)
Total comprehensive (loss) for the year	-	(1,300,793)	(1,300,793)
Balance as on June 30, 2019	157,548,000	(358,583,743)	(201,035,743)

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

Chief Executive

Chief Financial Officer

Director



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Note 1

The Company and its Operations

1.1 Service Fabrics Limited (the Company) was incorporated in Pakistan on December 01, 1987 as a Public Limited Company under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017). The shares of the Company are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at Office No. 17, First Floor, Anique Arcade, I-8 Markaz, Islamabad. Principal business of the Company was manufacturing and selling of fabrics. The Company has ceased its operating activities since October 2004.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 358.583 million (2018: Rs. 357.282 million), negative equity of Rs. 201.035 million (2018: 199.734 million) and its liabilities exceed its assets by Rs. 45.54 million as at the balance sheet date. The Company has incurred net loss of Rs. 1.300 million during the year. Furthermore, the Company has ceased its operating activities since October 01, 2004 and sold its entire property, plant and equipment. These factors raise doubts about the Company being a going concern and therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Directors have made arrangements for interest free, unsecured loans from third party. Keeping in view these factors, the going concern assumption is considered appropriate and therefore, these financial statements have been prepared on going concern basis.

Note 2

Basis of Preparation

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 During the preceding period, the books of accounts of company's subsidiary (H. K Securities (Private) Limited) were seized and taken with them by Securities and Exchange Commission of Pakistan (Security Market Division) against seizure memo of records dated March 20, 2017. The company has approached SECP (Corporate Supervision Deptt) to seek relaxation under section 228 (7) of Companies Act 2017 for preparation of annual consolidated account for the period ended June 30, 2018 vide letter No SVC/SECP/180801 dated August 20, 2018 on stated grounds.



SERVICE FABRICS LIMITED

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, amortization of intangible assets, provisions for doubtful receivables, provisions for defined benefit plans, slow moving and obsolete inventory and taxation. However,

Note 3

Changes in Accounting Standards, Interpretations and Pronouncements

3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following key amendments to standards are relevant that became effective during the year. These amendments are not likely to have any impact on the Company's financial statement.

Amendments to IFRS 13 'Fair Value Measurement' that aim to improve consistency and reduce complexity by providing a precise definition of fair value. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard is not likely to have an impact on the Company's financial statements.

3.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

There were certain amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.



SERVICE FABRICS LIMITED

3.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) is introduced during the year that aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all the leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3.4 Standards, interpretations and amendments to approved accounting standards that are neither relevant and nor yet effective

There were no new standards or amendments to existing standards and interpretations that are neither relevant nor yet effective.

Note 4

Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years otherwise stated.

4.1 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its employees whose period of service with the Company is one year or more. Liability is provided annually on the basis of the last drawn salary and the length of service of the employee in accordance with the Company's rules.

4.2 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.4 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.



SERVICE FABRICS LIMITED

4.5 Investments

Subsidiary

In its unconsolidated financial statements, investments in subsidiary company is measured at cost.

Other investments

Investments are initially recognized at cost, comprising the consideration paid and cost of transaction except in the case of investment at fair value through profit or loss where transaction costs are charged to the profit and loss account when incurred. For listed securities, closing quotations of stock exchanges on the last working day of the accounting year are considered for determining the fair value, while for unquoted securities, cost is considered as the fair value of securities.

The classification is made on the basis of intended purpose for holding such investments. These are measured at the balance sheet date as under:

Available for sale

These are stated at fair value and changes in carrying value are recognized in equity until the investment is sold or determined to be impaired at which time the accumulated gain or loss previously recognized in equity is included in the profit and loss account.

At fair value through profit and loss

These are securities which are acquired for the purpose of generating profit from short-term fluctuations in market price or dealer's margin, securities in a portfolio in which a pattern of short term profit taking exists or derivatives other than those held as hedging instruments.

Held to maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment loss is charged to the profit and loss account.

4.6 Taxation

Current

The charge for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. All tax credits and tax rebates have been taken into account in calculating this charge.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that potential taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.



SERVICE FABRICS LIMITED

4.7 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when the liability is extinguished. Any gain or loss on subsequent remeasurement / derecognition is charged to income.

A financial asset and financial liability is offset and the amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.8 Revenue recognition

Dividend income is recognized when the right to receive dividends is established.

Note 5

Advance for Purchase of Long Term Assets

5.1 During the preceding year, the Company entered into a contract for purchase of operating assets of Getti Agro (Private) Limited. The value of assets agreed between the two parties as per the valuer report by an independent evaluator "M/s. International Design Group" is Rs.

5.2 For this transaction, Rs. 1 million were paid directly by directors to M/s Getti Agro (Private) Limited.

Note 6

Investment in Subsidiary

In previous year, the Company purchased 95.5% shares of H.K. Securities (Private) Limited against consideration of Rs. 15,628,969 @ 5.456 per share. This transaction was undertaken as on December 04, 2015. Purchase consideration was paid by Noor Capital (Private) Limited on behalf of the Company.

Note 7

Cash and Bank Balances

	2019	2018
	Rupees	Rupees
Cash in hand	769,742	1,396,437
Cash at bank	51	149
	<u>769,793</u>	<u>1,396,586</u>

Note 8

Issued, Subscribed and fully paid up capital

2019	2018		2019	2018
No. of shares			Rupees	Rupees
15,504,800	15,504,800	Ordinary shares of Rs. 10 each	155,048,000	155,048,000
		Ordinary shares of Rs. 10 each issued for		
250,000	250,000	consideration other than cash	2,500,000	2,500,000
<u>15,754,800</u>	<u>15,754,800</u>		<u>157,548,000</u>	<u>157,548,000</u>



SERVICE FABRICS LIMITED

8.1 No shares have been issued, redeemed or cancelled during the year.

Note 9

Long Term Financing

		2019	2018
	Note	Rupees	Rupees
Financing from banking companies - Secured			
National Bank of Pakistan			
- Cash finance	9.1	786,997	786,997
- Demand finance	9.2	1,448,703	1,448,703
- Mark up freeze account	9.3	2,041,000	2,041,000
		<u>4,276,700</u>	<u>4,276,700</u>
Financing from related parties	9.4		-
Financing from others			
- Noor Capital (Pvt) Ltd	9.4.1	104,837,311	104,837,311
- Drekkar Kingsway Ltd		53,000,000	53,000,000
	9.4	<u>157,837,311</u>	<u>157,837,311</u>
		<u>162,114,011</u>	<u>162,114,011</u>
9.4.1 Balance Brought forward		<u>157,837,311</u>	<u>157,837,311</u>
Less			
Transferred to M/S Noor Capital (Pvt) Ltd	9.4	(53,000,000)	(53,000,000)
Balance carried forward	9.4.1	<u>104,837,311</u>	<u>104,837,311</u>

9.1 This represents remaining liability of restructured cash finance facility. The said restructuring / rescheduling was carried out by the bank in the year 2005. Out of which Rs. 1 Million has been paid by the company during the year.

The restructured finances are secured against:

- Personal guarantees of directors.
- Residential properties of directors.
- First charge on current assets of the Company registered with the Securities and Exchange Commission of Pakistan (SECP).
- Additional equitable mortgage charge on property, plant and equipment of M/s Prime Diaries Limited, ranking pari passu with ICP and NBP to be created and registered with the SECP.
- General irrecoverable power of attorney in favor of the bank duly executed and registered with the Registrar in respect of above property.

9.2 Demand finance was created by National Bank of Pakistan during restructuring / rescheduling of financing facilities as noted under Note 9.1. The restructured finance is due for payment and is secured against securities as disclosed in Note 9.1. The outstanding amount includes mark up payable of Rs. 1,448,703 (2018: Rs. 1,448,703).

9.3 Accrued markup of Rs. 5.041 million on short term facilities has been frozen by National Bank of Pakistan as a result of rescheduling / restructuring of outstanding liabilities as mentioned in Note 9.1. Out of which Rs. 3 Million were paid by company during the year. Balance of mark up shall be waived after the payment of all other liabilities of the bank as per agreed schedule.

9.4 This represents unsecured and interest free loan originally obtained from retiring directors who later novated the said loan in favour of M/s. Noor Capital (Private) Limited. During the reporting period company has entered into an agreement with M/S Noor Capital (Pvt) Ltd and M/S Drekkar Kingsway limited on September 07, 2017 through which an amount of Rs. 53 Million has been further transferred to M/S Drekkar Kingsway Limited. Repayment terms of both loans have not yet been finalized.



SERVICE FABRICS LIMITED

Note 10

Payable to Subsidiary

This represents partial payment received on behalf of subsidiary company against sale of 3,034,603 ISE Towers REIT Mangement shares (ISETRMCL) received to subsidiary in pursuance of corporatization and demutualization of ISETRMC in accordance with the requirement of the Stock Exchanges under Corporatization, Demutualization and Integration Act, 2012. Subsidiary company made an agreement for sale of these shares to M/S General Investment & Securities (Pvt) Ltd on August 09, 2017. On August 15, 2017 Subsidiary company has made an application to Pakistan stock exchange Limited for surrender of Trading Right Entitlement Certificate (TREC) and intends to sell blocked 60% equity shares with CDC after surrendering of TREC.

Securities Exchange Commission of Pakistan vide its Order dated December 17, 2017 has refused HK Securities(Pvt) Ltd (Subsidiary company) to grant / renewal of licence as securities broker due to non compliant with the provisions of the Regulations read with Securities Act. SECP has directed PSX and NCCPL in this regard to suspend the trading terminal of Invest Form (Pvt) Ltd and proceed further under the applicable regulatory Frame work.

Note 11

Loan from Directors

	2019	2018
	Rupees	Rupees
Opening Balance	4,721,628	4,989,438
Paid during year	(1,673,055)	(267,810)
Closing Balance	11.1 3,048,573	4,721,628

11.1 This represents unsecured and interest free loan from director. Repayment terms of loan have not been finalized yet. The company has classified the loan as repayable on demand pursuant to provisions of Technical Release-32 (TR-32) "Accounting Directors' Loan" issued by the Institute of Chartered Accountants of Pakistan.

Note 12

Trade and Other Payables

	2019	2018
	Rupees	Rupees
Sundry creditors	4,750,413	4,750,413
Accrued liabilities	375,000	245,000
Advances from customers and others	34,215,182	34,215,182
Zakat payable	301,072	301,072
Witholding tax payable	1,008,593	1,008,593
	40,650,260	40,520,260



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Note 13

Provision for Taxation

	2019	2018
	Rupees	Rupees
Provision for taxation	<u>1,817,133</u>	<u>1,817,133</u>

13.1 During the financial year, no sale and other income has been reported. Provision for taxation has not been recorded.

13.2 Deferred taxation

As at the balance sheet date, the Company has net deferred tax asset of Rs. 33.993 million (2018: Rs. 33.993 million). In view of continuing losses and impairment of going concern assumption, the recoverability of deferred tax asset is not certain. The Company, therefore, has not accounted for deferred tax asset in these financial statements.

Note 14

Contingencies and Commitments

14.1 In previous year, the Securities and Exchange Commission of Pakistan (SECP) has filed petition with the Honourable High Court, Lahore (Company Jurisdiction) under section 305 and 309 of the Companies Ordinance, 1984 for winding up of the Company. The petition has been filed on the grounds that the Company has ceased its operations, disposed off its entire property, plant and equipment, very low cash and bank balances, outstanding liabilities of Rs. 184 million and inability to pay its debts etc. Since the management is confident that the case will be decided in their favour, therefore the financial statements have been drawn up in accordance with going concern basis.

14.2 As at the balance sheet date, the Company has commitment to purchase operating assets of Getti Agro (Private) Limited amounting to Rs. 33 million.

14.3 Securities and Exchange Commission of Pakistan has passed an order vide Letter No 1(33) SMD /PRPD/ PSX/ISE/2017 dated 13 December 2017 through which penalty amounting Rupees Five Million has been imposed on HK Securities (Pvt) Ltd (Subsidiary Company) as subsidiary Company contravened provision of Companies Act 2017, Brokers Regulations and Rule Book of PSX. The Subsidiary company has filed an appeal against order on January 12, 2018 which is pending before Applet Tribunal of SECP.



SERVICE FABRICS LIMITED

Note 15

Administrative Expenses

	2019	2018
	Rupees	Rupees
Legal and professional charges	7,405	1,311,675
Salaries	390,000	249,934
Commission	-	273,456
Entertainment	377,284	125,053
Accommodation	28,950	52,337
Printing and stationery	38,803	104,170
Computer Accessories	658	-
Postage and courier	6,080	10,150
Advertisement	116,230	25,000
Rent Exp.	-	78,000
Communication	5,228	4,720
Travelling and conveyance	93,799	84,602
Bank charges	5,324	4,001
Utilities	62,066	13,004
Office supplies	42,636	100,385
Medication to staff	26,330	-
	<u>1,200,793</u>	<u>2,436,487</u>

Note 16

Other Operating Expenses

	2019	2018
	Rupees	Rupees
Auditors' remuneration	<u>100,000</u>	<u>100,000</u>
	<u>100,000</u>	<u>100,000</u>



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED

Notes to and Forming Part of the Financial Statements

Note 17

(Loss) / Earnings Per Share

		2019	2018
Net (loss)/profit for the year attributable to ordinary shareholders	Rupees	(1,300,793)	(2,536,487)
Weighted average number of ordinary shares	Number	15,754,800	15,754,800
Earning per share - Basic		<u>(0.08)</u>	<u>(0.16)</u>

Earnings per share - Diluted

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments.

Note 18

Chief Executives' and Directors' Remuneration

No remuneration, allowances, benefits, meeting fee etc. were paid to chief executive and directors of the Company.

Note 19

Transactions with Related Parties

The associated undertaking / related parties comprise of associated companies, key management personnel. Transactions carried out with associated undertakings / related parties during the year are as follows :-

Name of the related party	Relationship and percentage	Transactions during the year	2019	2018
HK Securites (Pvt) Ltd	Subsidiary Company holds share 95.5% (2018: 95.5%)	Investment in subsidiary	15,628,969	15,628,969
		Payable at Year end	10,028,205	7,814,102
Aurangzeb Noor	Chief Executive Officer / CEO	Repayment of loan	(1,673,055)	(267,810)
		Payable at year	3,048,573	4,721,628



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED

Notes to and Forming Part of the Financial Statements

Note 20

Financial Risk Management

20.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. As there are no foreign receivables / payables of the Company, it is not exposed to currency risk.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant long-term interest-bearing assets / liabilities.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019	2018
	Rupees in thousand	
Advance for purchase of long term assets	-	-
Receivable from broker	-	-
Bank balances	51	149
	<u>51</u>	<u>149</u>



SERVICE FABRICS LIMITED

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2019:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
					Rupees in thousand.....
Financing and loans	162,114	162,114	4,277	-	-	157,837
Trade and other payables	5,125	5,125	5,125	-	-	-
	<u>167,239</u>	<u>167,239</u>	<u>9,402</u>	<u>-</u>	<u>-</u>	<u>157,837</u>

Contractual maturities of financial liabilities as at June 30, 2017:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
					Rupees in thousand.....
Financing and loans	16,614	16,614	4,277	-	-	12,337
Trade and other payables	5,057	5,057	5,057	-	-	-
	<u>21,671</u>	<u>21,671</u>	<u>9,334</u>	<u>-</u>	<u>-</u>	<u>12,337</u>

20.2 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 21

Number of Employees

	2019	2018
Employees as at June 30,	<u>2</u>	<u>2</u>

Note 22

Provident Fund Related Disclosures

The Company does not maintain any provident fund for its employees.

Note 23

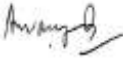
Authorization of Financial Statements

These financial statements have been authorized for issuance by the Board of Directors of the Company on September 27, 2019.

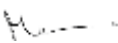
Note 24

General

Figures have been rounded off to the nearest rupee.


Chief Executive


Chief Financial Officer


Director



SERVICE FABRICS LIMITED

F. D Registrar Services (SMC-Pvt) Limited

Service Fabrics Limited

Pattern Of Share Holding - Form "34"

Shareholders Statistics As At June 30, 2019

Number Of Share Holders	Share Holding From	To	Total Shares Held
731	1	- 100	58,779
1699	101	- 500	637,651
390	501	- 1000	312,534
605	1001	- 5000	1,490,809
163	5001	- 10000	1,247,145
55	10001	- 15000	678,622
30	15001	- 20000	560,811
22	20001	- 25000	492,657
11	25001	- 30000	314,500
10	30001	- 35000	330,400
18	35001	- 40000	691,973
11	40001	- 45000	471,900
7	45001	- 50000	345,500
3	50001	- 55000	159,000
2	55001	- 60000	112,500
2	60001	- 65000	126,000
6	65001	- 70000	410,500
1	70001	- 75000	73,000
2	75001	- 80000	159,500
3	80001	- 85000	245,500
1	85001	- 90000	90,000
1	90001	- 95000	92,000
2	95001	- 100000	198,000
3	105001	- 110000	322,000
2	110001	- 115000	230,000
2	125001	- 130000	256,500
1	140001	- 145000	142,000
1	145001	- 150000	150,000
2	160001	- 165000	325,700
1	165001	- 170000	167,500
1	185001	- 190000	189,440
1	205001	- 210000	206,500
1	210001	- 215000	211,140
1	215001	- 220000	216,432
2	235001	- 240000	478,880
1	240001	- 245000	243,675
1	245001	- 250000	250,000
1	250001	- 255000	251,000
1	275001	- 280000	278,100
1	495001	- 500000	500,000
1	685001	- 690000	687,504
1	1345001	- 1350000	1,349,148
3800			15,754,800



SERVICE FABRICS LIMITED

Service Fabrics Limited

Details Of Pattern Of Shareholdings As On June 30, 2019

S. No.	Categories Shareholders	Shares Held
1	Directors, CEO, Their Spouses And Minor Childern	7,459
1	Ms. Mudassara Aurangzeb	1,900
2	Mr. Aurangzeb Noor	2,135
3	Mr. Azmat Akbar	700
4	Mr. Irfan Noor	500
5	Mr. Ali Anwar	1,224
6	Mr. Muhammad Waqas	500
7	Raja Nauman Jan Kiani	500
5	Individuals	13,266,100
7	Banks, DFIS, NBFIS, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds And Others	2,481,241
Total		15,754,800

Shareholders Holding Ten Percent Or More In The Company

NIL



SERVICE FABRICS LIMITED

FORM OF PROXY

The Company Secretary,
SERVICE FABRICS LIMITED
17, First Floor, Anique Arcade,
I – 8 Markaz,
ISLAMABAD

I/We _____ of _____
_____ being a member (s) of Service Fabrics Limited and
holder of _____ ordinary shares as per Share Register Folio No. _____
(in case of Central Depository System Account Holder A/C no. _____)
hereby appoint Mr./ Ms. _____ of _____
(of failing him / her) Mr. / Ms. _____ of _____
as a proxy of vote on my / our behalf at the Annual General Meeting of the Company to be held
on Date: _____ at _____ Islamabad.
Signed this _____ day of _____ 2019.

WITNESS

Signature _____
Name _____
Address _____

Note:

1. A member entitled to attend and vote at the meeting may appoint any other person as his / her proxy to attend and vote instead of him / her. A Corporation being a member of the Company may appoint as its proxy any person authorized by the Directors of Corporation.
2. Proxies in order to be valid must be received at the company's Registered Office not less than 48 hours before the meeting duly stamped, signed and witnessed.
3. In case of Central Depository System Account Holder, an attested copy of identity card should be attached to this Proxy Form.



If Undelivered Please Return to:

SERVICE FABRICS LIMITED

Office No 17, 1st Floor, Anique Arcade, I-8 Markaz, Islamabad.

Phone: +92 (51) 4861780 | Fax: +92 (51) 4861785