



SERVICE FABRICS LIMITED

Half Yearly December 2019



# SERVICE FABRICS LIMITED

**Half Yearly Account**  
**December 31, 2019**



## Company Information

Board of Directors	Mr. Haris Ahmed	CEO
	Mr. Chaudhary Kamran Sadiq	
	Mr. Muhammad Amer Saddique	
	Mr. Muhammad Waqas	
	Mr. Irfan Noor	
	Mr. Chaudhary M Javed Siddique	
	Mr. Ali Anwar	
Board Audit Committee	Mr. Muhammad Waqas	Chairman
	Mr. Irfan Noor	Member
	Mr. Ali Anwar	Member
Human Resource & Remuneration Committee	Mr. Chaudhary Javed Siddique	Chairman
	Mr. Ali Anwar	Member
	Mr. M Amer Saddique	Member
Company Secretary	Mr. Zahir Shah	
Registered Office	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	
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# CHAIRMAN REVIEW REPORT

## BUSINESS REVIEW

On behalf of the board of directors of Service Fabrics Limited, we are pleased to submit the Directors review report and the un- audited financial statements of the Company for the half year then on December 31, 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. 1.18 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.

## 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.

## ACKNOWLEDGMENT

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: February 26, 2020  
Islamabad

  
(IRFAN NOOR)  
Chairman



## DIRECTORS' REPORT

During the last half of the year, 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. 1.18 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.

## **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.

#### **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.





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

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

Dated: February 26, 2020  
Islamabad.

**(HARIS AHMED)**  
Chief Executive Officer



## Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **SERVICE FABRICS LIMITED** as at December 31, 2019 and the related unconsolidated condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement cash flow and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as 'the condensed interim financial information') for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved 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.

The figures included in the condensed statement of interim profit and loss for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for half year ended December 31, 2019.

### Scope of Review

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

### Basis for Adverse Conclusion:-

1. The Company has not amortized the long term financing (unsecured and interest free) amounting to Rs. 162.231 million (disclosed in Note 8 to the financial statements) as required by IFRS 9 (Financial Instruments – Recognition and Measurement). Financing from other as on December 31, 2019 amounting to Rs. 157.84 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 of 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 9 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 5.

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 December 31, 2019 as appearing in Note 8 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 December 31, 2019 as appearing in Note 11 to the financial statements;
5. As explained in Note 1.2, the Company has prepared the financial statements on the going concern assumption. However, as on December 31, 2019, the Company has accumulated loss of Rs. 359.76 million (June 30, 2019: Rs. 358.58 million), negative equity of Rs. 202.217 million (June 30, 2019: 201.035 million) and its liabilities exceed its assets by Rs. 46.70million as at the balance sheet date. The Company has incurred net loss of Rs. 1.18 million during the year. Further 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.

**Adverse Conclusion**

Our review indicates that, because of the effect of matters described in preceding paragraph 1 to 5. This unconsolidated condensed interim financial statement does not give true and fair view as of and for the half year ended December 31, 2019 is not prepared in all material respect, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

**Emphasis of Matter**

We draw attention to note 2.6 to the financial statements which describes the matter related to non-preparation of consolidated financial statements. Our opinion is not qualified in respect of this matter.

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

A handwritten signature in black ink, appearing to read 'Shahzad Qazi'.

**HORWATH HUSSAIN CHAUDHURY & CO.**  
**Chartered Accountants**

**Date: February 26, 2020**  
**Islamabad**



**SERVICE FABRICS LIMITED**  
UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2019

	Note	December 31, 2019 (Un-Audited)	June 30, 2019 (Audited)
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Advance for purchase of operating fixed assets	4	1,000,000	1,000,000
Investment in subsidiary	5	15,628,969	15,628,969
		16,628,969	16,628,969
<b>Current Assets</b>			
Receivable from broker		2,287	2,287
Advance income tax		37,295	37,295
Cash and bank balances	6	353,285	769,793
		392,867	809,375
		<u>17,021,836</u>	<u>17,438,344</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized share capital: 16,000,000 (June 30, 2018: 16,000,000) ordinary shares of Rs. 10 each		160,000,000	160,000,000
Issued, subscribed and paid up capital	7	157,548,000	157,548,000
Accumulated loss		(359,765,174)	(358,583,743)
		(202,217,174)	(201,035,743)
<b>Liabilities</b>			
<b>Non Current Liabilities</b>			
Long term financing	8	162,114,011	162,114,011
Payable to Subsidiary	9	10,028,205	10,028,205
<b>Current Liabilities</b>			
Gratuity payable		324,847	324,847
Loan from director	10	3,538,496	3,048,573
Trade and other payables	11	40,925,260	40,650,260
Unclaimed Dividend		491,058	491,058
Provision for taxation		1,817,133	1,817,133
		47,096,794	46,331,871
<b>Contingencies and Commitments</b>	12	-	-
		<u>17,021,836</u>	<u>17,438,344</u>

The annexed notes form an integral part of the unconsolidated condensed interim financial information (un-audited).

*Haris*  
CHIEF EXECUTIVE

*[Signature]*  
CHIEF FINANCIAL OFFICER

*[Signature]*  
DIRECTOR



**SERVICE FABRICS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**(UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019**

	Note	Half Year Ended		Quarter Ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees		Rupees	
Sales		-	-	-	-
Cost of sales		-	-	-	-
<b>Gross Profit</b>		-	-	-	-
Administrative expenses	13	(1,181,431)	(708,430)	(877,171)	(366,308)
<b>Operating (Loss)</b>		(1,181,431)	(708,430)	(877,171)	(366,308)
Other operating expenses		-	-	-	-
Other income - Dividends		-	-	-	-
		-	-	-	-
<b>(Loss) before Taxation</b>		(1,181,431)	(708,430)	(877,171)	(366,308)
Taxation		-	-	-	-
<b>Net (Loss) for the Period</b>		(1,181,431)	(708,430)	(877,171)	(366,308)
<b>(Loss) per Share - Basic and Diluted</b>		(0.075)	(0.045)	(0.056)	(0.023)

The annexed notes form an integral part of the unconsolidated condensed interim financial information (un-audited).

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**SERVICE FABRICS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHANSIVE INCOME**  
**(UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019**

	Half Year Ended	
	December 31, 2019	December 31, 2018
	----- Rupees -----	
<b>(Loss) before Taxation</b>	(1,181,431)	(708,430)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to the profit or loss</i>	-	-
<i>Items that will not be reclassified subsequently to the profit or loss</i>	-	-
<b>Total Comprehensive (Loss) for the period</b>	<u>(1,181,431)</u>	<u>(708,430)</u>

The annexed notes form an integral part of the unconsolidated condensed interim financial information (un-audited).

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**SERVICE FABRICS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	December 31, 2019 Rupees	December 31, 2018 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	(1,181,431)	(708,430)
Adjustments:		
- Diminution in value of investments carried at fair value through profit and loss	-	-
- Other income - Dividends	-	-
<b>Cash flows in/(out) before working capital changes</b>	(1,181,431)	(708,430)
Increase in liabilities:		
- Trade and other payables	275,000	-
- Receivable from broker		
Increase in assets:		
- Loans and advances	-	
- Recievable from broker	-	5,239
- Advance income tax	-	-
<b>Net Cash Generated from Operating Activities</b>	(906,431)	(703,191)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment in subsidiary	-	-
Dividend received	-	-
Investment in equity instruments	-	-
<b>Net Cash Used in Investing Activities</b>	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	
Director Loan	489,923	(2,064,000)
Payable to subsidiary	-	2,214,103
Long term financing	-	117,000
<b>Net Cash Generated from Financing Activities</b>	489,922	267,102
<b>Net Increase/(decrease) in Cash and Cash Equivalents</b>	(416,509)	(436,089)
Cash and cash equivalents at the beginning of the period	769,794	1,396,588
<b>Cash and Cash Equivalents at the End of the Period</b>	353,285	960,499

The annexed notes form an integral part of the unconsolidated condensed interim financial information (un-audited).

**CHIEF EXECUTIVE**

**CHIEF FINANCIAL OFFICER**

**DIRECTOR**





**SERVICE FABRICS LIMITED**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**(UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
<b>Balance as on June 30, 2018</b>	157,548,000	(357,282,950)	(199,734,950)
Total comprehensive (loss) for the six months period ended December 31, 2018	-	(708,430)	(708,430)
<b>Balance as on December 31, 2018</b>	<u>157,548,000</u>	<u>(357,991,380)</u>	<u>(200,443,380)</u>
<b>Balance as on June 30, 2019</b>	157,548,000	(358,583,743)	(201,035,743)
Total comprehensive (loss) for the six months period ended December 31, 2019	-	(1,181,431)	(1,181,431)
<b>Balance as on December 31, 2019</b>	<u>157,548,000</u>	<u>(359,765,174)</u>	<u>(202,217,174)</u>

The annexed notes form an integral part of the unconsolidated condensed interim financial information (un-audited).

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**SERVICE FABRICS LIMITED**  
**NOTES TO AND FORMING PART OF UNCONSOLIDATED CONDENSED**  
**INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

FOR THE HALF YEAR ENDED DECEMBER 31, 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. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at Office No 17, 1st 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 The Company has accumulated loss of Rs. 359.76 million (June 30,2019: Rs. 358.58 million), negative equity of Rs. 202.217 million (June 30,2019: 201.035 million) and its liabilities exceed its assets by Rs. 46.70 million as at the balance sheet date. The Company has incurred net loss of Rs. 1.18 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.

**Note 2**  
**Basis of Preparation**

- 2.1 This condensed interim financial information of the Company for the half year ended December 31, 2019 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.
- 2.2 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2019 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited condensed interim financial information for the half year ended December 31, 2018.
- 2.3 This condensed interim financial information is unaudited; however, a limited scope review has been performed by the external auditors as required by the Code of Corporate Governance.
- 2.4 The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. 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 for the year ended June 30, 2019.
- 2.5 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.

**SERVICE FABRICS LIMITED**

*Notes to and forming part of the Unconsolidated Condensed Interim Financial Information (Un-audited)*

- 2.6** During the Proceeding period, the books of accounts of company's subsidiary (H.K Securities (Private) Limited) has been 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 half yearly consolidated account for the period ended December 31, 2019 vide letter No SVC/SECP/200201 dated February 18, 2020 on stated grounds.

## Note 3

**Significant Accounting Policies**

The Company's accounting and financial risk management policies and methods of computation of this unconsolidated condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2019.

## Note 4

**Advance for Purchase of Operating Fixed Assets**

- 4.1** During the 2015-16, 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. 34,140,400.
- 4.2** For this transaction, Rs. 1 million were paid directly by directors to M/s Getti Agro (Private) Limited.

## Note 5

**Investment in Subsidiary**

During financial year 2015-16, 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 on December 04, 2015.

## Note 6

**Cash and Bank Balances**

	December 31, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
Cash in hand	353,234	769,742
Cash with bank	51	51
	<u>353,285</u>	<u>769,793</u>



## Note 7

## Issued, Subscribed and Paid Up Capital

December 31, 2019 (Un-audited)	June 30 2019 (Audited)		December 31, 2019 (Un-audited)	June 30 2019 (Audited)
No. of shares			Rupees	Rupees
15,504,800	15,504,800	Ordinary shares of Rs. 10 each	155,048,000	155,048,000
250,000	250,000	Ordinary shares of Rs. 10 each issued for 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>

## Note 8

## Long Term Financing

	Note	December 31, 2019 (Un-audited)	June 30 2019 (Audited)
		Rupees	Rupees
<b>Financing from banking companies - Secured</b>			
National Bank of Pakistan			
- Cash finance	8.1	786,997	786,997
- Demand finance	8.2	1,448,703	1,448,703
- Mark up freeze account	8.3	2,041,000	2,041,000
		<u>4,276,700</u>	<u>4,276,700</u>
<b>Financing from related party</b>	8.4		
<b>Financing from others</b>			
Noor Capital Pvt Ltd	8.4.1	104,837,311	104,837,311
Drekkar Kingsway Limited		53,000,000	53,000,000
		<u>157,837,311</u>	<u>157,837,311</u>
	8.4	<u>162,114,011</u>	<u>162,114,011</u>
Balance Brought forwarded		157,837,311	157,837,311
Less			
Transferred to M/S Noor Capital (Pvt) Ltd	8.4	(53,000,000)	(53,000,000)
Balance carried forward	8.4.1	<u>104,837,311</u>	<u>104,837,311</u>

- 8.1** This represents remaining liability of restructured cash finance facility. The said restructuring / rescheduling was carried out by the bank in the year 2005 for total amount of Rs. 10.617 million.

The restructured finances are secured against:

- Personal guarantees of previous directors.
  - Residential properties of previous 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 favour of the bank duly executed and registered with the Registrar in respect of above property.



- 8.2 Demand finance amounting to Rs. 1.953 million was created by National Bank of Pakistan during restructuring / rescheduling of financing facilities as noted under Note 8.1. The restructured finance is due for payment and is secured against securities as disclosed in Note 8.1. The outstanding amount includes mark up payable of Rs. 1, 448,703 (2019: Rs. 1,448,703).
- 8.3 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 8.1. Out of which Rs. 3 Million were paid by company during last year. Balance mark up shall be waived after the payment of all other liabilities of the bank as per agreed schedule.
- 8.4 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 been finalized.

## Note 9

**Payable to Subsidiary**

- 9.1 This represents partial payment received on behalf of subsidiary company against sale of 3,034,603 ISE Towers REIT Management 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.
- 9.2 Securities and 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 2015. SECP has directed PSX and NCCPL in this regard to suspended the trading terminal of HK Securities (Pvt) Ltd and proceed further under the applicable regulatory Frame work.

## Note 10

**Loan from director**

		<b>December 31, 2019</b>	<b>June 30, 2019</b>
	<b>Note</b>	<b>(Un-audited) Rupees</b>	<b>(Audited) Rupees</b>
Loan from director - unsecured	10.1	<u>3,538,496</u>	<u>3,048,573</u>
		<u>3,538,496</u>	<u>3,048,573</u>

- 10.1 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 11

**Trade and Other payables**

	<b>December 31, 2019</b>	<b>June 30, 2019</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	Rupees	Rupees
Sundry creditors	4,750,413	4,750,413
Accrued liabilities	650,000	375,000
Advance from customers and others	34,215,182	34,215,182
Zakat payable	301,072	301,072
Income tax payable	1,008,593	1,008,593
	<u>40,925,260</u>	<u>40,650,260</u>

## Note 12

**Contingencies and Commitments**

**12.1** During the 2015-16, 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 its favour, these financial statements have been drawn up in accordance with going concern basis.

**12.2** As at the balance sheet date, the Company has commitment to purchase operating fixed assets of Getti Agro (Private) Limited amounting to Rs. 33.14 million.

## Note 13

**Administrative Expenses**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
	Rupees	Rupees
Legal and professional charges	484,270	6,770
Accommodation expense	20,927	17,934
Computer and Internet	-	8,500
Medication for Staff	12,469	6,254
Bank Service Charges	-	5,254
Foods and Meals	196,748	241,623
Travelling and conveyance	193,795	84,699
Postage and courier	730	3,850
Printing and stationery	23,420	3,483
Advertisement expense	-	116,230
Salaries expense	180,000	120,000
Office Supplies	19,072	1,767
Repairs and Maintenance	-	30,000
Utilities	-	62,066
Audit fee expense	50,000	-
	<u>1,181,431</u>	<u>708,430</u>

## Note 14

**Transaction with Related Parties**

Related parties comprise related group companies, associated companies, directors and key management personnel. Transactions with related parties and associated companies are as under:



	December 31, 2019	December 31, 2018
Payable to subsidiary	-	10,028,205
Loan (repaid) / received to director	386,923	2,064,000

**Balances outstanding as at December 31**

	2019 Rupees	2019 Rupees
Loan from director	3,538,496	2,657,628
Investment in Subsidiary	15,628,969	15,628,969
Payable to HK Securites (Pvt) Ltd	10,028,205	10,028,205
Loan from related party	<u>157,837,311</u>	<u>157,837,311</u>

Note 15

**Number of Employees**

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

Note 16

**Authorization of Financial Information**

This unconsolidated condensed interim financial information(un-audited) is authorized for issuance on 26 Februray 2020 by the Board of Directors of the Company.

Note 17

**General**

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



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