



SERVICE FABRICS LIMITED

Annual Report 2020



SERVICE FABRICS LIMITED

**Annual Report
2020**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ANNUAL REPORT
2020

Contents

1.	Vision and Mission Statement	01
2.	Company Information	02
3.	Our Values	03
4.	Notice of Annual General Meeting	04
5.	Chairman Review Report	07
6.	Director's Report	09
7.	Financial Highlights	14
8.	Review Report on the Statements of Compliance in Listed Companies (CCG)	15
9.	Statement of Compliance with Code of Corporate Governance	17
10.	Auditor's Report to the Members	20
11.	Statement of Financial Position	25
12.	Statement of Profit and Loss	26
13.	Statement of Cash Flows	27
14.	Statement of Comprehensive Income	28
15.	Statement of Changes in Equity	29
16.	Notes to the Financial Statements	30
17.	Pattern of Share Holding	48
18.	Proxy Form	49



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

Notes:

Notice is hereby given that Annual General Meeting of Service Fabrics Limited will be held on October 27, 2020 at 10:00 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 26, 2019.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2020 together with the Directors and Auditor's Report thereon.
3. To appoint Auditors for the year ending on 30th June 2021 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.

Islamabad
October 06, 2020

On behalf of the Board

(IRFAN NOOR)
Director



SERVICE FABRICS LIMITED

1. CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the company will be closed from October 20, 2020 to October 27, 2020 (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 Chundrigar Road, Karachi-74000 at the close of business on October 19, 2020 will be treated in time for the purpose of above entitlement to the transferees.

2. PARTICIPATION IN THE ANNUAL GENERAL MEETING ELECTRONICALLY AND APPOINTING PROXIES

- (i) Due to COVID-19, company has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. Those members who are willing to attend and participate in the AGM are requested to register themselves by sending an email alongwith with the following particulars and valid copy of both sides of Computerized National Identity Card (CNIC) at info@servicefabrics.com with subject of "Registration for AGM" not less than 48 hours before the time of the meeting;

Name of Shareholder	CNIC Number	CCD Account / Folio No	Cell Number	Email Address
---------------------	-------------	------------------------	-------------	---------------

AGM will be held through Zoom Application – a video link facility.

- (ii) Members who will be registered, after necessary verification as the above requirement, will be provided a password protected video link by the Company via email. The said link will remain open from 1000 am on the date of AGM till the end of the meeting. Member may send their comments and suggestions relating to the agenda items of the AGM two (2) working days before the AGM at serviceitd@outlook.com Shareholders are requested to mention their full name, CNIC NO and folion / CDC account No. for this purpose.

Members are there fore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

3 CHANGE OF ADDRESS AND OTHER (IF ANY)

Members are requested to notify their change of address, Zakat declaration (CZ-50) and tax exemption certificate (if any) immediately to Company's Share Registrar i.e FD Registrar Services (Pvt) Ltd.

4 Payment of Cash Dividend Electronically (Mandatory)

Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.



SERVICE FABRICS LIMITED

5 CNIC / NTN

Pursuant to the directive of the Securities Exchange Commission of Pakistan (SECP), CNIC of members are mandatorily required to be mentioned on Tax/ Zakat certificate. Members are therefore requested to submit a copy of their valid CNIC (if not already provided) to Company's Share Registrar i.e FD Registrar Services (Pvt) Ltd.

6 UNCLAIMED DIVIDENDS AND BONUS SHARES

Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact Company's Share Registrar M/s FD Registrar Services (Pvt) Ltd to collect/ enquire about their unclaimed dividend or pending shares, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

7 E-VOTING:

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 - 145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

8 VIDEO CONFERENCE PURSUANT TO SECP

Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the information to the Share Registrar Office of the Company i.e. FD Registrar Services (Pvt) Ltd, Office No 1705, 17th Floor, Saima Trade Tower A, I.I Chundrigar Road, Karachi-74000 and email info@cdcpak.com

9 CIRCULATION OF ANNUAL AUDITED ACCOUNTS VIA EMAIL/CD/SUB/DVD OR ANY OTHER MEDIA:

SECP through its SRO 470(1)2016, dated May 31, 2016, has allowed companies to circulate the Annual Reports to its member through CD/DVD/USB at their registered addresses. Any member requiring printed copy of Annual Report 2020 may send a request Pursuant to SECP SRO 787(1)/2014 dated September 08, 2014 and under section 223(6) of the Companies Act 2017, circulation of Annual Report and Notice of AGM has been allowed in electronic format through email.

In compliance with the above shareholders are requested to give their consent to our Shares Registrar, FD Registrar Services (Pvt) Ltd, Office No 1705, 17th Floor, Saima Trade Tower A, I.I Chundrigar Road, Karachi-74000 to update our record

10 PLACEMENT OF FINANCIAL ACCOUNTS ON WEBSITE

Pursuant to the notification of the SECP S.R.O. 1196(1)/2019 dated October 03, 2019, the financial statements of the Company have been placed on the Company's website at www.servicefabrics.com



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, 2020.

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.2.16 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 28, 2020
Islamabad



(IRFAN NOOR)
Chairman



SERVICE FABRICS LIMITED

DIRECTORS' REPORT

During the year 2019-20, 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. 2.16 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, 2020 vide letter No vide letter No SVC/SECP/200901 dated September 15, 2020. The company remained unable to prepare consolidated financial accounts for the period ended June 30, 2020 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.

Financial Highlights

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

Board of Directors Meetings

During the year 2019-20, four meetings of the Board were held. The attendance of the Board members was as follows:-



SERVICE FABRICS LIMITED

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

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 2020 was Rs. (0.14) as compared to Loss per Share of Rs. (0.08) of the last year.

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 2020-2021.

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.



SERVICE FABRICS LIMITED

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.



SERVICE FABRICS LIMITED

- 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.

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
Mr. Azmat Akbar	Member

NUMBER OF EMPLOYEES

The numbers of employees as on 30 June 2020 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 carrier 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.



SERVICE FABRICS LIMITED

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 2020 have been duly complied with. A statement to this effect is annexed with the report.

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 28, 2020
Islamabad



SERVICE FABRICS LIMITED

Financial Highlights

	2014	2015	2016	2017	2018	2019	2020
PROFITABILITY RATIOS							
Profit/(Loss) before taxation	(104,340)	327,596	(6,932,017)	(2,400,867)	(2,536,487)	(1,300,793)	(2,165,719)
Profit/(Loss) after taxation	(104,340)	327,596	(7,045,142)	(2,400,867)	(2,536,487)	(1,300,793)	(2,165,719)
Earning per share(Rs.)	(0.01)	0.02	(0.45)	(0.20)	-0.16	(0.08)	(0.14)
LIQUIDITY RATIOS							
Liabilities as a % of total Assets	4,749	1,809,820	12	13	12	20	13
Equity as a % of total assets	4,002	1,544,588	9	9	-11	-11.52	-8



SERVICE FABRICS LIMITED

Review Report to the Member on the Statements of Compliance with the listed Companies (Corporate Governance) Regulation, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 prepared by the Board of Directors of Service Fabrics Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulation 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. 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.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

- a) There is no representation of minority shareholders on the board of directors.
- b) Grievance handling and whistleblowing mechanism are not in place.
- c) Annual review of overall business risks has not been conducted by the board.
- d) Nomination Committee and Risk Committee has not been formed neither the explanation in regard to the functions being performed by these committee has been provided.
- e) The company has not disclosed its significant policies on website.

Based on our review, except for the instances 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 requirement contained in regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the note/paragraph reference where these are stated in the Statement of Compliance:



SERVICE FABRICS LIMITED

Sr. No.	Description
1,2 and 12	As Form A and 29 were not available to us so we did not ensure the number and name of the board of directors and also details regarding the members of Audit and Human Resource committee has not provided to ensure that either a member is financially literate as defined by the regulations. Further, independence of directors could not be ensured as per requirements of section 166 of Company Act, 2017.
2	As form A and 29 were not available thus composition of directors could not be ensured.
4	Company's code of conduct provided is not appropriate and formal policies has not been designed and disseminated.
5	The board has not developed the overall corporate strategy and significant policies of the company and necessary steps has not been taken to ensure that complete record of particulars of the significant policies is maintained.
8	There is no policy and transparent procedures for the remuneration of directors as per requirement of regulation 16 and 17.
9	During the year no orientation courses were arranged for its directors to apprise them of their duties and responsibilities as per requirement of regulation 18 and 19.
10	The appropriate appointment of chief finance officer and head of internal audit has not been done by board of director, as their qualification has not been considered as per regulation 23 of these regulations, further their remuneration and terms and condition of employment, has not been designed in absence of which we could not ensure the transparency of appointment of these personals.
12	As form A and 29 were not provided, we are unable to verify the details regarding the members of Audit and Human Resource committee and could not ensure that either a member is financially literate as defined by the regulations. We are unable to ensure the appointment of chairman of audit and human resource committee as per requirement of regulation 27 of these regulations. Further, it has been noted that the audit committee has not performed their functions and responsibilities as per requirement of regulation 27 sub-section 4 of these regulations.
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 28, 2020



SERVICE FABRICS LIMITED

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

NAME OF COMPANY: SERVICE FABRICS LIMITED.
YEAR ENDING : JUNE 30, 2020

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**

The company has not provided form A and 29.

2. The composition of the Board is as follows:

- (i) Independent directors
Mr. Muhammad Waqas
Mr. Raja Nauman Jan Kiyani
Mrs. Azmat Akbar
- (ii) Non-executive directors
Mrs. Irfan Noor
Mr. Ali Anwar
Mrs Mudassara Aurangzeb
- (iii) Executive directors
Mr. Aurangzeb Noor
- (iv) Female directors
Mrs. Azmat Akbar
Mrs Mudassara Aurangzeb

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

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;

**Appropriate code of conduct has not been prepared nor the appropriate steps were taken to disseminate it throughout the company.*

5. The Board has developed a vision/mission statement, *overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

The board has not developed the overall corporate strategy and significant policies of the company.



SERVICE FABRICS LIMITED

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

The Board do not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations
9. The Board has arranged Directors' *Training program for the members of board of directors;

No Director has attained Directors' Training Certificates during the year.
10. The Board has approved appointment of chief financial officer, 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. Chief financial officer and chief executive officer 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. Muhammad Waqas (Chairman)
 2. Mrs Azmat Akbar (Member)
 3. Ali Anwar (Member)
 - b) HR and Remuneration Committee (if applicable) (Name of members and Chairman)
 1. Raja Nauman Jan kiayani (Chairman)
 2. Mudassara Aurangzeb (Member)
 3. Ali Anwar (Member)
 - c) Nomination Committee has not been formed.
 - d) Risk Management Committee has not been formed.
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; N/A
 - d) Risk Management Committee; N/A



SERVICE FABRICS LIMITED

15. The Board *has set up an 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;
- *The Board has not set up an effective internal audit function/ or has not 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
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; and
18. We confirm that all other requirements of 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, 2020 and the statement of profit or loss account, statement of comprehensive income, statement of changes in equity and 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 the basis for adverse opinion paragraph, the statement of financial position, statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part do not conform with the accounting and reporting standards as applicable in Pakistan and do not 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 affairs of the Company as at June 30, 2020 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

1. The Company has not amortized the un-secured and interest free long-term financing of Rs. 162.114 million (Note 9 to the financial statements), as required by IFRS 9 (Financial Instruments).
2. Financing from other as on June 30, 2020 amounting to Rs. 157.837 million (Note 9 to the financial statements) 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.
3. 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 (Note 10 to the financial statements).

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 tested for impairment/expected credit loss as per IFRS 9 on investment in subsidiary of Rs. 15,628,969 (Note 6 to the financial statements).



SERVICE FABRICS LIMITED

4. 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, 2020 (Note 9 to the financial statements).
5. We were unable to verify the amount shown as Advances from Customers and Others of Rs. 34.215 Million as on June 30, 2020 (Note 12 to the financial statements);
6. As explained in Note 1.2, the Company has prepared the financial statements on the going concern assumption. However, as on June 30, 2020, the Company has accumulated loss of Rs. 360.749 million (2019: Rs. 358.584 million), negative equity of Rs. 203.201 million (2019: 201.036 million) and its liabilities exceed its assets by Rs. 47.688 million (2019: Rs. 45.522 million) as at the balance sheet date. The Company has incurred net loss of Rs. 2.166 million during the year. Further, as explained in Note 14.1, the Securities and Exchange Commission of Pakistan has also filed a petition of the winding up of the Company. In view of these 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.

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 evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

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. Except for the matters described in the basis for adverse opinion section, we have determined that there are no other key audit matters to communicate in our report.

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 report but does not include the financial statements and our auditor's report thereon.



SERVICE FABRICS LIMITED

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 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.

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:



SERVICE FABRICS LIMITED

- 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.
- 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, except for the effect of matters discussed in basis for adverse opinion section, we further report that in our opinion:



SERVICE FABRICS LIMITED

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) 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.

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Date: September 28, 2020
Islamabad



SERVICE FABRICS LIMITED

SERVICE FABRICS LIMITED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
PROPERTY AND ASSETS			
Non Current Assets			
Advance for purchase of long term assets	6	1,000,000	1,000,000
Investment in subsidiary	7	15,628,969	15,628,969
		16,628,969	16,628,969
Current Assets			
Receivable from broker		-	2,287
Advance income tax		37,295	37,295
Cash and bank balance	8	220,607	769,793
		257,902	809,375
		16,886,871	17,438,344
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised share capital: 16,000,000 (2019: 16,000,000) ordinary shares of Rs. 10 each		160,000,000	160,000,000
Issued, subscribed and paid up capital	9	157,548,000	157,548,000
Accumulated loss		(360,749,462)	(358,583,743)
		(203,201,462)	(201,035,743)
Non - Current Liabilities			
Long term financing	10	162,114,011	162,114,011
Payable to Subsidiary	11	10,028,205	10,028,205
		172,142,216	172,142,216
Current Liabilities			
Gratuity payable		324,847	324,847
Loan from director	12	4,012,396	3,048,573
Trade and other payables	13	41,300,684	40,650,260
Unclaimed Dividend		491,058	491,058
Provision for taxation	14	1,817,133	1,817,133
		47,946,118	46,331,871
Contingencies and Commitments			
	15	-	-
		16,886,871	17,438,344

The annexed notes from 1 to 27 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, 2020

	Note	2020 Rupees	2019 Rupees
Sales		-	-
Cost of sales		-	-
		-	-
Administrative expenses		(2,040,719)	(1,200,793)
Operating Loss	16	(2,040,719)	(1,200,793)
Other operating expenses		(125,000)	(100,000)
	17	(125,000)	(100,000)
(Loss) before Tax		(2,165,719)	(1,300,793)
Taxation		-	-
(Loss) after Tax		(2,165,719)	(1,300,793)
(Loss) per Share - Basic and Dilutive	18	(0.14)	(0.08)

The annexed notes from 1 to 27 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director



SERVICE FABRICS LIMITED

STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(2,165,719)	(1,300,793)
Cash flows before working capital changes	(2,165,719)	(1,300,793)
Increase in assets:		
- Advances	-	-
- Receivable from broker	2,287	2,952
Increase in liabilities:		
- Trade and other payables	650,424	130,000
Cash Used in Operatins	(1,513,008)	(1,167,841)
Income tax paid	-	-
Net Cash Used in Operating Activities	(1,513,008)	(1,167,841)
CASH FLOW FROM INVESTING ACTIVITIES		
	-	-
Net Cash Used in Investing Activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Payable to subsidiary	-	2,214,103
Loan from director	963,823	(1,673,055)
Dividend Paid	-	-
Net Cash Generated from Financing Activities	963,823	541,048
Net Decrease in Cash and Cash Equivalents	(549,185)	(626,793)
Cash and cash equivalents at the beginning of the year	769,793	1,396,586
Cash and Cash Equivalents at the End of the Year	220,607	769,793

The annexed notes from 1 to 27 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, 2020

	2020 Rupees	2019 Rupees
(Loss) / Profit before Taxation	(2,165,719)	(1,300,793)
<i>Other comprehensive income</i>		
Items that may be subsequently reclassified in profit or loss	-	-
Items that will not be subsequently reclassified in to profit or loss	-	-
Other comprehensive income	-	-
Total Comprehensive (Loss) for the year	(2,165,719)	(1,300,793)

The annexed notes from 1 to 27 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, 2020

	Share Capital Rupees	Accumulated (Loss) Rupees	Total Rupees
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)
Total comprehensive (loss) for the year	-	(2,165,719)	(2,165,719)
Balance as on June 30, 2020	157,548,000	(360,749,462)	(203,201,462)

The annexed notes from 1 to 27 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, 2020

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

1.2 Going concern assumption

The Company has accumulated loss of Rs. 360.749 million (2019: Rs. 358.584 million), negative equity of Rs. 203.201 million (2019: 201.035 million) and its liabilities exceed its assets by Rs. 47.688 million as at the balance sheet date. The Company has incurred net loss of Rs. 2.166 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.

These financial statements are the separate financial statements of the company in which investment in subsidiary company is accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

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, 2020 vide letter No SVC/SECP/200901 dated September 15, 2020 on stated grounds.

2.2 Basis of measurement

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



SERVICE FABRICS LIMITED

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, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

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.

-IFRS 16 'Leases' The Company has adopted IFRS 16 'Leases' with effect from July 1, 2019. IFRS 16 "Leases" has replaced IAS 17 "Leases", the former lease accounting standard, and has become effective from annual accounting periods beginning on or after January 1, 2019. Under the new standard, almost all leases which meet the criteria described in the standard will be recognized on the statement of financial position with only exceptions of short term and low value leases. Under IFRS 16, an asset (the right to use the leased item) is recognized along with corresponding financial liability to pay rentals at the present value of future lease payments over the lease term, discounted with the specific incremental borrowing rate

The Company's lease portfolio includes lease contracts which are extendable through mutual agreement between counter parties or cancellable by both parties immediately or on a short notice. Accordingly, the Company has concluded that where the lease term of contracts is short-term in nature i.e. with a lease term of twelve months or less at the commencement date, right of use assets is not recognized and payments made in respect of these leases are expensed in the statement of profit or loss.

The Company has adopted IFRS 16 using the modified retrospective approach and the Company has assessed that the adoption of IFRS 16 does not have any material financial impact on these financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company



SERVICE FABRICS LIMITED

-Amendments to IAS 19: Plan Amendment, Curtailment or Settlement The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The Interpretation is not expected have a significant impact on the Company's financial statements

-Amendments to IFRS 9: Prepayment Features with Negative Compensation

'Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the Company's financial statements.

-Amendments to IAS 28: Long-term interests in associates and joint ventures The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact

- Amendments to IFRS 3 Business Combinations The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the Company's financial statements.

- Amendments to IFRS 11 Joint Arrangements An entity that participates in, but does not have joint control of a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.



SERVICE FABRICS LIMITED

- Amendments to IAS 12 Income Taxes The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

- Amendments to IAS 23 Borrowing Costs The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

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.

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

The following new standards and interpretations are not effective for the financial year beginning on January 1, 20X9 and have not been early adopted by the Company.

	Effective date
-Definition of a Business - Amendments to IFRS 3	January 1, 2020
-Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020
-Definition of Material - Amendments to IAS 1 and IAS 8	January 1, 2020
-IFRS 17 Insurance Contracts	January 1, 2022

The above standards and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application.

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.



SERVICE FABRICS LIMITED

Note 4

Summary 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 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



SERVICE FABRICS LIMITED

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.

4.5 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.

4.6 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of Income and expenditure and other comprehensive income.

i) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- a) amortized cost where the effective interest rate method will apply;
- b) fair value through profit or loss;
- c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will either be recorded in statement of expenditure and income and other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition



SERVICE FABRICS LIMITED

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of expenditure and income and other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of expenditure and income and other comprehensive income and presented in other income/ (charges). Impairment losses are presented as separate line item in the statement of income and expenditure and other comprehensive income

c) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of expenditure and income and other comprehensive income and presented net within other income/ (charges) in the period in which it arises.

De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement; and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.



SERVICE FABRICS LIMITED

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model

- Deposits and short term prepayments
- Trade debts
- Cash and bank balances
- Loans and advances
- Other receivables

Simplified approach for advances, deposits and other receivables

The Company recognises life time ECL on advances, deposits and other receivables, using the simplified approach. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Advances, deposits and other receivables are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Recognition of loss allowance

The Company recognizes an impairment gain or loss in the statement of expenditure and income and other comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

As explained in note 4 to these financial statements, previously, impairment (loss allowance) was measured under incurred loss model of IAS 39.

(ii) Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss; and
- other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:



SERVICE FABRICS LIMITED

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss

b) Amortised cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of income and expenditure and other comprehensive income, when the liabilities are derecognized as well as through effective interest rate amortization process.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income and expenditure and other comprehensive income.

(iii) Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party

4.7 Revenue recognition

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

4.8 Leases

Right of use of Assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.



SERVICE FABRICS LIMITED

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in interest-bearing loans.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable before July 1, 2019

Determining whether an arrangement contains a lease: At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.



SERVICE FABRICS LIMITED

Lease assets: Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Lease payments: Payments made over operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

4.9 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.10 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.

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 Getli 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.

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

Note 6

Investment in Subsidiary

During 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 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	2019
	Rupees	Rupees
Cash in hand	220,527	769,742
Cash at bank	80	51
	<u>220,607</u>	<u>769,793</u>

Note 8

Issued, Subscribed and fully paid up capital

2020	2019		2020	2019
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	2,500,000	2,500,000
		consideration other than cash	<u>2,500,000</u>	<u>2,500,000</u>
<u>15,754,800</u>	<u>15,754,800</u>		<u>157,548,000</u>	<u>157,548,000</u>

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



SERVICE FABRICS LIMITED

Note 9

Long Term Financing

	Note	2020 Rupees	2019 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			
Financing from others			
- Noor Capital (Private) Limited	9.4.1	104,837,311	104,837,311
- Drekkar Kingsway Limited		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>

9.1 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 preceeding 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 (2019: 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 preceeding 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 favor of M/s. Noor Capital (Private) Limited. During the preceding 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.

	Note	2020 Rupees	2019 Rupees
9.4.1 Balance Brought forward		157,837,311	157,837,311
Less			
Transferred to M/S Noor Capital (Pvt) Ltd	9.4	(53,000,000)	(53,000,000)
Balance carried forward		<u>104,837,311</u>	<u>104,837,311</u>



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 Management shares (ISETRMCL) received to subsidiary in pursuance of corporatization and demutualization of ISETRMCL 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 (Private) Limited and proceed further under the applicable regulatory Frame work.

Note 11

Loan from Directors	Note	2020 Rupees	2019 Rupees
Opening Balance		3,048,573	4,721,628
Received / Paid during year		963,823	(1,673,055)
Closing Balance	11.1	4,012,396	3,048,573

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	2020 Rupees	2019 Rupees
Sundry creditors	4,750,413	4,750,413
Accrued liabilities	1,002,224	375,000
Advances from customers and others	34,215,182	34,215,182
Zakat payable	301,072	301,072
Withholding tax payable	1,031,793	1,008,593
	41,300,684	40,650,260

Note 13

Provision for Taxation	2020 Rupees	2019 Rupees
Provision for taxation	1,817,133	1,817,133

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 (2019: 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.



SERVICE FABRICS LIMITED

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.

Note 15

Administrative Expenses	2020	2019
	Rupees	Rupees
Legal and professional charges	1,361,405	7,405
Salaries	236,724	390,000
Entertainment	82,448	377,284
Accommodation	20,927	28,950
Printing and stationery	23,420	38,803
Computer Accessories	-	658
Postage and courier	730	6,080
Advertisement	58,000	116,230
Communication	-	5,228
Travelling and conveyance	197,765	93,799
Bank charges	2,357	5,324
Utilities	-	62,066
Office supplies	19,072	42,636
Medication to staff	27,881	26,330
	<u>2,040,719</u>	<u>1,200,793</u>

Note 16

Other Operating Expenses	2020	2019
	Rupees	Rupees
Auditors' remuneration	<u>125,000</u>	<u>100,000</u>
	<u>125,000</u>	<u>100,000</u>



SERVICE FABRICS LIMITED

Note 17

(Loss) / Earnings Per Share	2020	2019
	Rupees	
Net (loss)/profit for the year attributable to ordinary shareholders	(2,165,719)	(1,300,793)
	Number	
Weighted average number of ordinary shares	15,754,800	15,754,800
Earning per share - Basic	(0.14)	(0.08)

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 and year end	2020	2019
			Rupees	
HK Securities (Pvt) Ltd	Subsidiary Company holds share 95.5% (2019: 95.5%)	Investment in subsidiary	15,628,989	15,628,989
		Payable at Year end	10,028,205	10,028,205
Aurangzeb Noor	Chief Executive Officer / CEO	Loan received / repaid	963,823	(1,673,055)
		Payable at year end	4,012,396	3,048,573

Note 20

Financial Instruments

	Amortized cost		Fair value through profit or loss		Fair value through profit or Other Comprehensive Income	
	2020	2019	2020	2019	2020	2019
	(Rupees)					

Financial Assets

Receivable from broker	-	2,287	-	-	-	-
Advance income tax	37,295	37,295	-	-	-	-
	37,295	39,582	-	-	-	-

	Amortized cost		Fair value through profit or loss		Fair value through profit or Other Comprehensive Income	
	2020	2019	2020	2019	2020	2019
	(Rupees)					

Financial Liabilities

Gratuity payable	324,847	324,847	-	-	-	-
Loan from director	4,012,396	3,048,573	-	-	-	-
Trade and other payables	41,300,684	40,650,260	-	-	-	-
Unclaimed Dividend	491,058	491,058	-	-	-	-
	46,128,985	44,514,738	-	-	-	-



SERVICE FABRICS LIMITED

	Amortized cost		Fair value through profit or loss		Fair value through profit or Other Comprehensive Income	
	2020	2019	2020	2019	2020	2019

(Rupees)

Financial Assets

Receivable from broker	-	2,287	-	-	-	-
Advance income tax	37,295	37,295	-	-	-	-
	<u>37,295</u>	<u>39,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Amortized cost		Fair value through profit or loss		Fair value through profit or Other Comprehensive Income	
	2020	2019	2020	2019	2020	2019

(Rupees)

Financial Liabilities

Gratuity payable	324,847	324,847	-	-	-	-
Loan from director	4,012,396	3,048,573	-	-	-	-
Trade and other payables	41,300,684	40,650,260	-	-	-	-
Unclaimed Dividend	491,058	491,058	-	-	-	-
	<u>46,128,985</u>	<u>44,514,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 21

Financial Risk Management

21.1 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

(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.



SERVICE FABRICS LIMITED

(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:

	2020	2019
	Rupees in thousand	
Bank balances	80	51
	<u>80</u>	<u>51</u>

(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.

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
Rupees in thousand.....					

Contractual maturities of financial liabilities as at June 30, 2020:

Financing and loans	162,114	162,114	4,277	-	-	157,837
Trade and other payables	5,753	5,753	5,753	-	-	-
	<u>167,867</u>	<u>167,867</u>	<u>10,030</u>	<u>-</u>	<u>-</u>	<u>157,837</u>

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
Rupees in thousand.....					

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

Financing and loans	162,114	162,114	4,277	-	4,277	157,837
Trade and other payables	5,753	5,753	5,753	-	-	-
	<u>167,867</u>	<u>167,867</u>	<u>10,030</u>	<u>-</u>	<u>4,277</u>	<u>157,837</u>

21.2 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



SERVICE FABRICS LIMITED

Note 22

Number of Employees

Employees as at June 30,
Average no. of employees

2020	2019
<u>2</u>	<u>2</u>
<u>2</u>	<u>2</u>

Note 23

Provident Fund Related Disclosures

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

Note 24

COVID 19 Pandemic

During the year, the World Health Organization declared the Novel strain of Corona virus (Covid-19) a global pandemic and recommended containment and mitigation measures worldwide. The Federal and Provincial governments of Pakistan also took various measures, including imposition of lockdown, from the end of March 2020 to contain the spread of Covid-19. This caused an overall economic slowdown and varying degree of disruption to various businesses.

The management of the company is closely monitoring the situation and its impact on the organization's operation.

However, management is of the view that COVID-19 pandemic has not impacted materially the financial position, performance and operation of the company, as the company already ceases its operation and winding up petition has been filed by Securities and Exchange Commission of Pakistan (SECP) with the Honourable High Court, Lahore against the Company.

Note 25

Authorization of Financial Statements

These financial statements have been authorized for issuance by the Board of Directors of the Company on _____.

Note 26

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, 2020

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, 2020

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 _____ 2020.

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