



SERVICE FABRICS LIMITED

Half Yearly December 2018



SERVICE FABRICS LIMITED

Half Yearly Account
December 31, 2018



Company Information

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



CHAIRMAN REVIEW REPORT

BUSINESS REVIEW

On behalf of the board of directors of Service Fabrics Limited, we are pleased to submit the Chairman's Review report and the condensed interim unaudited financial statements of the Company for the quarter and half year ended on December 31, 2018.

OVERVIEW

During the period 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. 0.708 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.

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.

(IRFAN NOOR)
Chairman

Dated: February 26, 2019
Islamabad



DIRECTORS' REPORT

Like preceding year 2017-18, during half year and quarter ended December 31, 2018, 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. 0.708 million shown in accompanying financial statements is only because of administrative expenses incurred as no operational activities were carried out during last quarter.

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 accounts. The company remained unable to prepare consolidated financial accounts for the period ended December 31, 2018 due to non-availability of books of accounts.



Last year 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.

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: February 26, 2019
Islamabad.



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

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of SERVICE FABRICS LIMITED as at December 31, 2018 and the related unconsolidated condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement cash flow and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as 'the condensed interim financial information') for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Basis for Adverse Conclusion:-

1. The Company has not amortized the long term financing (unsecured and interest free) amounting to Rs. 162.231 million (disclosed in Note 8 to the financial statements) as required by IAS 39 (Financial Instruments – Recognition and Measurement). Financing from other as on December 31, 2018 amounting to Rs. 157.84 million has been included in long term financing which, in the absence of any written terms and conditions with the lender, should have been shown in current liabilities.
2. In the absence of any agreement or relevant documents, we did not verify the amount of Rs. 10,028,206/- 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.

Further the subsidiary has filed an application to Pakistan Stock Exchange regarding the surrender of TREC (Trading Right Entitlement Certificate) which give rise to significant uncertainty as the ability of the subsidiary to continue operations has going concern in the foreseeable future. However, these financial statements do not contain any provision for diminution of value of investment in the subsidiary company on the basis of its going concern uncertainty. The management has not conducted impairment test as per IAS 36 (Impairment of Assets) on investment in subsidiary amounting to Rs. 15,628,969/- as appearing in Note 5.

3. From the available record, we were unable to verify the amount shown as Financing from Banking Companies of Rs. 4.276 million as on December 31, 2018 as appearing in Note 8 to the financial statements.
4. We were unable to verify the amount shown as Advances from Customers and Others of Rs. 34.215 Million as on December 31, 2018 as appearing in Note 10 to the financial statements;

Adverse Conclusion

Our review indicates that, because of the effect of matters described in preceding paragraph 1 to 4. This unconsolidated condensed interim financial statement as of and for the half year ended December 31, 2018 is not prepared in all material respect, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Emphasis of Matter

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



Other Matter Paragraph

The figures included in the condensed statement of interim profit and loss for the quarters ended December 31, 2017 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for half year ended December 31, 2018.

A handwritten signature in black ink, appearing to read 'Horwath Hussain Chaudhury'.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Date: February 26, 2019
Islamabad



SERVICE FABRICS LIMITED

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2018

| | Note | December 31, 2018 (Un-Audited) | June 30, 2018 (Audited) |
|---|------|--------------------------------------|-------------------------------|
| ASSETS | | | |
| Non Current Assets | | | |
| Advance for purchase of operating fixed assets | 4 | 1,000,000 | 1,000,000 |
| Investment in subsidiary | 5 | 15,628,969 | 15,628,969 |
| | | 16,628,969 | 16,628,969 |
| Current Assets | | | |
| Receivable from broker | | - | 5,239 |
| Advance income tax | | 37,295 | 37,295 |
| Cash and bank balances | 6 | 960,499 | 1,396,586 |
| | | 997,794 | 1,439,120 |
| | | <u>17,626,763</u> | <u>18,068,089</u> |
| EQUITY AND LIABILITIES | | | |
| Share Capital and Reserves | | | |
| Authorized share capital: | | | |
| 16,000,000 (June 30, 2018: 16,000,000) ordinary shares of Rs. 10 each | | 160,000,000 | 160,000,000 |
| Issued, subscribed and paid up capital | 7 | 157,548,000 | 157,548,000 |
| Accumulated loss | | <u>(357,991,380)</u> | <u>(357,282,950)</u> |
| | | (200,443,380) | (199,734,950) |
| Liabilities | | | |
| Non Current Liabilities | | | |
| Long term financing | 8 | 162,231,011 | 162,114,011 |
| Payable to Subsidiary | | 10,028,206 | 7,814,102 |
| Current Liabilities | | | |
| Gratuity payable | | 324,847 | 324,847 |
| Loan from director | 9 | 2,657,628 | 4,721,628 |
| Trade and other payables | 10 | 40,520,260 | 40,520,260 |
| Unclaimed Dividend | | 491,058 | 491,058 |
| Provision for taxation | | 1,817,133 | 1,817,133 |
| | | 45,810,926 | 47,874,926 |
| Contingencies and Commitments | | | |
| | 11 | - | - |
| | | <u>17,626,763</u> | <u>18,068,089</u> |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



SERVICE FABRICS LIMITED

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UN-AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

| | Note | Half Year Ended | | Quarter Ended | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | December 31, 2018 | December 31, 2017 | December 31, 2018 | December 31, 2017 |
| | | Rupees | | Rupees | |
| Sales | | - | - | - | - |
| Cost of sales | | - | - | - | - |
| Gross Profit | | | - | | - |
| Administrative expenses | 12 | (708,430) | (1,328,871) | 366,308 | (864,480) |
| Operating Loss | | (708,430.0) | (1,328,871) | (363,356) | (864,480) |
| Other operating expenses | | - | - | - | - |
| Other income - Dividends | | - | - | - | - |
| | | - | - | - | - |
| Loss before Taxation | | (708,430) | (1,328,871) | (363,356) | (864,480) |
| Taxation | | | | | - |
| Net Loss for the Period | | (708,430) | (1,328,871) | (363,356) | (864,480) |
| Loss per Share - Basic and Diluted | | (0.045) | (0.084) | (0.023) | (0.055) |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



SERVICE FABRICS LIMITED

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

| | Half Year Ended | |
|---|----------------------|----------------------|
| | December 31, 2018 | December 31, 2017 |
| | ----- Rupees ----- | |
| Loss before Taxation | (708,430) | (1,328,871) |
| Other comprehensive income | | |
| <i>Items that may be reclassified subsequently to the profit or loss</i> | - | - |
| <i>Items that will not be reclassified subsequently to the profit or loss</i> | - | - |
| Total Comprehensive Loss for the period | <u>(708,430)</u> | <u>(1,328,871)</u> |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



SERVICE FABRICS LIMITED
UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

| | December 31, 2018 Rupees | December 31, 2017 Rupees |
|--|--------------------------------|--------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (708,430) | (1,328,871) |
| Adjustments: | | |
| - Diminution in value of investments carried at fair value through profit and loss | - | - |
| - Other income - Dividends | - | - |
| Cash flows before working capital changes | (708,430) | (1,328,871) |
| Increase in liabilities: | | |
| - Trade and other payables | - | 34,640 |
| - Receivable from broker | | |
| Increase in assets: | | |
| - Loans and advances | - | |
| - Recievable from broker | 5,239 | 2,897 |
| - Advance income tax | - | (4,650) |
| Net Cash Generated from Operating Activities | (703,191) | (1,295,984) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investment in subsidiary | - | - |
| Dividend received | - | - |
| Investment in equity instruments | - | - |
| Net Cash Used in Investing Activities | - | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | - | |
| Director Loan | (2,064,000) | (4,235,311) |
| Payable to subsidiary | 2,214,104 | - |
| Long term financing | 117,000 | 6,814,102 |
| Net Cash Generated from Financing Activities | 267,103 | 2,578,790 |
| Net Increase in Cash and Cash Equivalents | (436,088) | 1,282,806 |
| Cash and cash equivalents at the beginning of the period | 1,396,587 | 373,895 |
| Cash and Cash Equivalents at the End of the Period | <u>960,499</u> | <u>1,656,701</u> |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



SERVICE FABRICS LIMITED

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

| | Share Capital | Accumulated Loss | Total |
|---|------------------|---------------------|---------------|
| | Rupees | Rupees | Rupees |
| Balance as on June 30, 2017 | 157,548,000 | (354,746,463) | (197,198,463) |
| Total comprehensive loss for the six months period ended December 31, 2017 | - | (1,328,871) | (1,328,871) |
| Balance as on December 31, 2017 | 157,548,000 | (356,075,334) | (198,527,334) |
| Balance as on June 30, 2018 | 157,548,000 | (357,282,950) | (199,734,950) |
| Total comprehensive loss for the six months period ended December 31, 2018 | - | (708,430) | (708,430) |
| Balance as on December 31, 2018 | 157,548,000 | (357,991,380) | (200,443,380) |

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



SERVICE FABRICS LIMITED

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Note 1

The Company and its Operations

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

Note 2

Basis of Preparation

- 2.1 This condensed interim financial information of the Company for the half year ended December 31, 2018 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Act 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.
- 2.2 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2018. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2018 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from un-audited condensed interim financial information for the half year ended December 31, 2017.
- 2.3 This condensed interim financial information is unaudited; however, a limited scope review has been performed by the external auditors as required by the Code of Corporate Governance.
- 2.4 The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2018.
- 2.5 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.
- 2.6 During preceding periods, the books of accounts of company's subsidiary (H.K Securities (Private) Limited) has been seized and taken with them by Securities and Exchange Commission of Pakistan (Security Market Division) against seizure memo of records dated March 20, 2017. The company has approached SECP (Corporate Supervision Deptt) to seek relaxation under section 228 (7) of Companies Act 2017 for preparation of annual consolidated account for the period December 31, 2018 vide letter No SVC/SECP/190201 dated February 12, 2019 on stated grounds.
- 2.7 **Going concern assumption**

The Company has incurred net loss of Rs.708,430 (December 31, 2017: Rs. 1,328,871) during the period ended December 31, 2018 while the accumulated loss stands at Rs. 357,991,380 (June 30, 2018: Rs. 357,282,950) as at the balance sheet date and its current liabilities exceed its current assets by Rs. 44,813,132 (June 30, 2018: Rs. 46,435,806) as at the balance sheet date. These factors raise doubts about the Company being a going concern and therefore, it may be not able to realize its assets and discharge its liabilities in the normal course of business.

The Directors have injected interest free, unsecured loans and are committed to support the liquidity requirements of the Company. This condensed interim financial information, consequently, does not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3

Significant Accounting Policies

The Company's accounting and financial risk management policies and methods of computation of this unconsolidated condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2018.



SERVICE FABRICS LIMITED

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

Note 4

Advance for Purchase of Operating Fixed Assets

4.1 During the 2015-16, the Company entered into a contract for purchase of operating assets of Getti Agro (Private) Limited. The value of assets agreed between the two parties as per the valuer report by an independent evaluator "M/s. International Design Group" is Rs. 34,140,400.

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

Note 5

Investment in Subsidiary

During financial year 2015-16, the Company purchased 95.5% shares of H.K. Securities (Private) Limited against consideration of Rs. 15,628,969 @ 5.456 per share. This transaction was undertaken on December 04, 2015.

Note 6

Cash and Bank Balances

| | December 31, 2018 | June 30, 2018 |
|----------------|------------------------|---------------------|
| | (Un-audited) Rupees | (Audited) Rupees |
| Cash in hand | 957,426 | 1,396,437 |
| Cash with bank | 3,073 | 149 |
| | <u>960,499</u> | <u>1,396,586</u> |

Note 7

Issued, Subscribed and Paid Up Capital

| December 31, 2018 | June 30 2018 | | December 31, 2018 | June 30 2018 |
|----------------------|-------------------|---|----------------------|--------------------|
| (Un-audited) | (Audited) | | (Un-audited) | (Audited) |
| No. of shares | | | Rupees | Rupees |
| 15,504,800 | 15,504,800 | Ordinary shares of Rs. 10 each | 155,048,000 | 155,048,000 |
| | | Ordinary shares of Rs. 10 each issued for | | |
| | | consideration other than cash | 2,500,000 | 2,500,000 |
| <u>250,000</u> | <u>250,000</u> | | <u>157,548,000</u> | <u>157,548,000</u> |
| <u>15,754,800</u> | <u>15,754,800</u> | | | |

Note 8

Long Term Financing

| | | December 31, 2018 | June 30 2018 |
|---|------|------------------------|---------------------|
| | Note | (Un-audited) Rupees | (Audited) Rupees |
| Financing from banking companies - Secured | | | |
| National Bank of Pakistan | | | |
| - Cash finance | 8.1 | 786,997 | 786,997 |
| - Demand finance | 8.2 | 1,448,703 | 1,448,703 |
| - Mark up freeze account | 8.3 | 2,041,000 | 2,041,000 |
| | | <u>4,276,700</u> | <u>4,276,700</u> |
| Payable to HK Securities | 8.4 | 10,028,206 | 7,814,102 |
| Financing from related party | 8.5 | <u>157,954,311</u> | <u>157,837,311</u> |
| | | <u>162,231,011</u> | <u>169,928,113</u> |



- 8.1 This represents remaining liability of restructured cash finance facility. The said restructuring / rescheduling was carried out by the bank in the year 2005. Out of which Rs. 1 Million was paid by the company during the year 2017-18.

The restructured finances are secured against:

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

- 8.2 Demand finance was created by National Bank of Pakistan during restructuring / rescheduling of financing facilities as noted under Note 8.1. The restructured finance is due for payment and is secured against securities as disclosed in Note 8.1. The outstanding amount includes mark up payable of Rs. 1,448,703 (2018: Rs. 1,448,703).

SERVICE FABRICS LIMITED

Notes to and forming part of the Unconsolidated Condensed Interim Financial Information (Un-audited)
Note 8, Long Term Financing - Contd...

- 8.3 Accrued markup of Rs. 5,041 million on short term facilities was frozen by National Bank of Pakistan as a result of rescheduling / restructuring of outstanding liabilities as mentioned in Note 8.1. Out of which Rs. 3 Million were paid by company during preceding year. Balance of mark up shall be waived after the payment of all other liabilities of the bank as per agreed schedule.
- 8.4 This represents 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 and Exchange Commission of Pakistan vide its Order dated December 17, 2017 has refused HK Securities (Pvt) Ltd (Subsidiary company) to grant / renewal of licence as securities broker due to non compliant with the provisions of the Regulations read with Securities Act 2015. SECP has directed PSX and NCCPL in this regard to suspended the trading terminal of HK Securities (Pvt) Ltd and proceed further under the applicable regulatory Framework.
- 8.5 This represents unsecured and interest free loan originally obtained from retiring directors who later novated the said loan in favour of M/s. Noor Capital (Private) Limited. During the preceding period company entered into an agreement with M/S Noor Capital (Pvt) Ltd and M/S Drekkar Kingsway limited on September 07, 2017 through which an amount of Rs. 53 Million has been further transferred to M/S Drekkar Kingsway Limited. Repayment terms of both loans have not been finalized.

Note 9

Loan from director

| | Note | December 31, 2018 (Un-audited) Rupees | June 30, 2018 (Audited) Rupees |
|--------------------------------|------|--|---|
| Loan from director - unsecured | 9.1 | <u>2,657,628</u> | <u>4,721,628</u> |
| | | <u>2,657,628</u> | <u>4,721,628</u> |

- 9.1 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 10

Trade and Other payables

| | December 31, 2018 | June 30, 2018 |
|-----------------------------------|------------------------|---------------------|
| | (Un-audited) Rupees | (Audited) Rupees |
| Sundry creditors | 4,750,413 | 4,750,413 |
| Accrued liabilities | 245,000 | 225,000 |
| Advance from customers and others | 34,215,182 | 34,215,182 |
| Zakat payable | 301,072 | 301,072 |
| Income tax payable | 1,008,593 | 1,008,593 |
| | <u>40,520,260</u> | <u>40,500,260</u> |

Note 11

Contingencies and Commitments

11.1 During the 2015-16, the Securities and Exchange Commission of Pakistan (SECP) has filed petition with the Honourable High Court, Lahore (Company Jurisdiction) under section 305 and 309 of the Companies Ordinance, 1984 for winding up of the Company. The petition has been filed on the grounds that the Company has ceased its operations, disposed off its entire property, plant and equipment, very low cash and bank balances, outstanding liabilities of Rs. 184 million and inability to pay its debts etc. Since the management is confident that the case will be decided in its favour, these financial statements have been drawn up in accordance with going concern basis.

11.2 As at the balance sheet date, the Company has commitment to purchase operating fixed assets of Getti Agro (Private) Limited amounting to Rs. 33.14 million (June 30, 2018: Rs. 33.14 million).

SERVICE FABRICS LIMITED

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

Note 12

Administrative Expenses

| | December 31, 2,018 | December 31, 2017 |
|---|-----------------------|----------------------|
| | Rupees | Rupees |
| Legal and professional charges | 6,770 | 422,720 |
| Accommodation expense | 17,934 | 30,066 |
| Computer and Internet | 8,500 | - |
| Medication for Staff | 6,254 | 49,447 |
| Rent, rate & taxes | - | 78,000 |
| Bank Service Charges | 5,254 | 2,931 |
| Foods and Meals | 241,623 | 41,370 |
| Travelling and conveyance | 84,699 | 33,890 |
| Postage and courier | 3,850 | 5,890 |
| Printing and stationery | 3,483 | 55,170 |
| Advertisement expense | 116,230 | 25,000 |
| Commission | - | 273,456 |
| Listing fee of Karachi and Lahore Stock Exchanges | - | 168,911 |
| Salaries expense | 120,000 | 120,000 |
| Fuel expenses | - | - |
| Office Supplies | 1,767 | - |
| Repairs and Maintenance | 30,000 | - |
| Utilities | 62,066 | - |
| Other expenses | - | 22,020 |
| | <u>708,430</u> | <u>1,328,871</u> |



Note 13

Transaction with Related Parties

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

| | December 31, 2018 | December 31, 2017 |
|--------------------------------------|----------------------|----------------------|
| Dividend paid to directors | | - |
| Payable to subsidiary | (10,028,206) | |
| Loan (repaid) / received to director | 2,064,000 | (4,235,311) |

Balances outstanding as at December 31

| | 2018 Rupees | 2017 Rupees |
|-----------------------------------|--------------------|--------------------|
| Loan from director | 2,657,628 | 754,127 |
| Investment in Subsidiary | 15,628,969 | 15,628,969 |
| Payable to HK Securites (Pvt) Ltd | 10,028,206 | 7,814,102 |
| Loan from related party | <u>157,954,311</u> | <u>157,837,311</u> |

Note 14

Authorization of Financial Information

This unconsolidated condensed interim financial information(un-audited) is authorized for issuance on February 26, 2019 by the Board of Directors of the Company.

Note 15

General

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



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