



SERVICE FABRICS LIMITED



SERVICE FABRICS LIMITED

**3rd Quarter Ended
March 31, 2019**



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 Mr. Irfan Noor Mr. Ali Anwar	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Raja Nauman Jaan Kiani Mr. Ali Anwar Mrs. Azmat Akbar	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

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 nine month ended on March 31, 2019.

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. 0.287 million shown in accompanying financial statements is only because of administrative expenses incurred during the last quarter as no operational activities were carried out during period.

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: April 29, 2019
Islamabad



SERVICE FABRICS LIMITED

DIRECTOR'S REPORT

Like preceding years, the 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. 0.287 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 March 31, 2019 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



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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: April 29, 2019
Islamabad.



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UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2019

	Note	March 31, 2019 (Un-Audited) Rupees	June 30, 2018 (Audited) Rupees
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			
Advance income tax		-	5,239
Receivable from broker		37,295	37,295
Advance income tax	6	871,686	1,396,586
Cash and bank balances		908,981	1,439,120
		<u>17,537,950</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		<u>160,000,000</u>	<u>160,000,000</u>
Issued, subscribed and paid up capital	7	157,548,000	157,548,000
Accumulated loss		<u>(358,278,694)</u>	<u>(357,282,950)</u>
		(200,730,694)	(199,734,950)
Liabilities			
Non Current Liabilities			
Long term financing	8	162,367,011	162,114,011
Payable to subsidiary		10,028,206	7,814,102
Current Liabilities			
Gratuity payable		324,847	324,847
Short Term Loan and Financing	9	2,690,129	4,721,628
Trade and other payables	10	40,550,260	40,520,260
Unclaimed dividend		491,058	491,058
Provision for taxation		1,817,133	1,817,133
		45,873,427	47,874,926
Contingencies and Commitments	11	-	-
		<u>17,537,950</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



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UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UN-AUDITED)
FOR THE NINE MONTH AND 3RD QUARTER ENDED MARCH 31, 2019

		Nine Month Ended		Quarter Ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Note	Rupees			
Sales		-	-	-	-
Cost of sales		-	-	-	-
Gross Profit		-	-	-	-
Administrative expenses	12	(995,744)	(2,121,690)	(287,313)	(792,819)
Operating Loss		(995,744)	(2,121,690)	(287,313)	(792,819)
Other operating expenses		-	-	-	-
Other income - Dividends		-	-	-	-
		-	-	-	-
Loss before Taxation		(995,744)	(2,121,690)	(287,313)	(792,819)
Taxation		-	-	-	-
Net Loss for the Period		(995,744)	(2,121,690)	(287,313)	(792,819)
Loss per Share - Basic and Diluted		(0.063)	(0.135)	(0.018)	(0.050)

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Chief Executive

Chief Financial Officer

Director



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UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTH AND 3RD QUARTER ENDED MARCH 31, 2019

	Nine Month Ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees			
Loss before Taxation	(995,744)	(2,121,690)	(287,313)	(792,819)
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>(995,744)</u>	<u>(2,121,690)</u>	<u>(287,313)</u>	<u>(792,819)</u>

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

Chief Executive

Chief Financial Officer

Director



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UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTH AND 3RD QUARTER ENDED MARCH 31, 2019

	March 31, 2019 Rupees	March 31, 2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(995,744)	(2,121,690)
Adjustments:		
- Other income - Dividends	-	-
Cash flows before working capital changes	(995,744)	(2,121,690)
Increase in current liabilities:		
- Trade and other payables	30,000	129,640
- Recievable from broker	5,239	2,895
- Advance income tax	-	(4,650)
Net Cash (Used in) / Generated from Operating Activities	(960,505)	(1,993,805)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in equity instruments	-	-
Net Cash Used in Investing Activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Short Term Loan and Financing	(2,031,499)	(647,310)
Long Term Financing	2,467,104	3,814,102
Net Cash Generated from Financing Activities	435,605	3,166,792
Net Increase in Cash and Cash Equivalents	(524,900)	1,172,987
Cash and cash equivalents at the beginning of the period	1,396,586	373,895
Cash and Cash Equivalents at the End of the Period	<u>871,686</u>	<u>1,546,882</u>

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

Chief Executive

Chief Financial Officer

Director



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UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE NINE MONTH AND 3RD QUARTER ENDED MARCH 31, 2019

	Share Capital Rupees	Accumulated Loss Rupees	Total Rupees
Balance as on June 30, 2017	157,548,000	(354,746,463)	(197,198,463)
Total comprehensive loss for the 09 months period ended March 31, 2018	-	(2,121,690)	(2,121,690)
Balance as on March 31, 2018	157,548,000	(356,868,153)	(199,320,153)
Balance as on June 30, 2018	157,548,000	(357,282,950)	(199,734,950)
Total comprehensive loss for the nine months period ended March 31, 2019	-	(995,744)	(995,744)
Balance as on March 31, 2019	157,548,000	(358,278,694)	(200,730,694)

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

Chief Executive

Chief Financial Officer

Director



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

FOR THE NINE MONTH AND 3RD QUARTER ENDED MARCH 31, 2019

Note 1

The Company and its Operations

- 1.1 Service Fabrics Limited (the Company) was incorporated in Pakistan on December 01, 1987 as a Public Limited Company under the Companies Ordinance, 1984 (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 nine months ended March 31, 2019 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies 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 unaudited condensed interim financial information for the nine months ended March 31, 2018.
- 2.3 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.
- 2.4 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.

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

- 2.5 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 March 31, 2019 vide letter No SVC/SECP/190401 dated April 26, 2019 on stated grounds.

2.6 Going concern assumption

The Company has incurred net loss of Rs. 995,744/- (March 31, 2018: Rs. 2,121,690/-) during the period ended March 31, 2019 while the accumulated loss stands at Rs. 358,278,694 (March 31, 2018: Rs. (356,868,153)) as at the balance sheet date and its current liabilities exceed its current assets by Rs. 44,964,446 (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.



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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

	March 31, 2019 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
Cash in hand	868,905	1,396,437
Cash with bank	2,781	149
	<u>871,686</u>	<u>1,396,586</u>

Note 7

Issued, Subscribed and Paid Up Capital

March 31, 2019 (Un-audited) No. of shares	June 30 2018 (Audited)		March 31, 2019 (Un-audited) Rupees	June 30 2018 (Audited) Rupees
15,504,800	15,504,800	Ordinary shares of Rs. 10 each	155,048,000	155,048,000
250,000	250,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	2,500,000	2,500,000
<u>15,754,800</u>	<u>15,754,800</u>		<u>157,548,000</u>	<u>157,548,000</u>

Note 8

Long Term Financing

	Note	March 31, 2019 (Un-audited) Rupees	June 30 2018 (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 parties	8.5	158,090,311	157,837,311
		<u>172,395,217</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 F (SECP).
- Additional equitable mortgage charge on property, plant and equipment of M/s Prime Diaries Limited, ranking pari passu with ICP and NBP to be created and registered with the SECP. General irrecoverable power of attorney in favour of the bank duly executed and registered with the Registrar in respect of above property.

8.2 Demand finance 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 does not include mark up payable of Rs. 1,448,703 (2018: Rs. 1,448,703).



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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 preceeding 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 ISETRMC in accordance with the requirement of the Stock Exchanges under Corporatization, Demutualization and Integration Act, 2012. Subsidiary company made an agreement for sale of these shares to M/S General Investment & Securities (Pvt) Ltd on August 09, 2017. On August 15, 2017 Subsidiary company has made an application to Pakistan stock exchange Limited for surrender of Trading Right Entitlement Certificate (TREC) and intends to sell blocked 60% equity shares with CDC after surrendering of TREC. Securities and Exchange Commission of Pakistan vide its Order dated December 17, 2017 has refused HK Securities (Pvt) Ltd (Subsidiary company) to grant / renewal of licence as securities broker due to non compliant with the provisions of the Regulations read with Securities Act 2015. SECP has directed PSX and NCCPL in this regard to suspended the trading terminal of HK Securities (Pvt) Ltd and proceed further under the applicable regulatory Frame work.
- 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 preceeding 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

Short Term Loan and Financing

		March 31, 2019 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
Loan from director - unsecured	9.1	2,690,129	4,721,628
		<u>2,690,129</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

	March 31, 2019 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
Sundry creditors	4,750,413	4,750,413
Accrued liabilities	275,000	245,000
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>40,550,260</u>	<u>40,520,260</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).



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

Note 12

Administrative Expenses

	March 31, 2019	March 31, 2018
	Rupees	Rupees
Legal and professional charges	-	885,735
Commission	-	273,456
Accommodation expense	17,934	47,687
Computer and internet expenses	8,500	-
Travelling and conveyance	92,799	33,890
Avertisement	116,230	25,000
Meals and entertainment	329,145	52,283
Postage and courier	6,080	7,740
Printing and stationery	29,144	80,170
Repair and maintenance	30,000	-
Listing fee of Karachi and Lahore Stock Exchanges	6,770	246,828
Salaries expense	270,000	195,000
Other expenses	1,827	121,507
Utilities	62,066	-
Medication For Staff	19,960	71,393
Rent	-	78,000
Bank Service Charges	5,289	3,001
	<u>995,744</u>	<u>2,121,690</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:

Name of the Related Party	Relationship and Percentage	Transactions during the Year	March 31, 2019	June 30, 2018
			Rupees	Rupees
HK Securities (Pvt) Ltd.	Subsidiary company holds share 95.5% (2018: 95.5%)	Investment in subsidiary Payable at year end	15,628,969 <u>10,028,206</u>	15,628,969 <u>7,814,102</u>
Aurangzeb Noor	Chief Executive Officer	Repayment of loan Payable at year end	(2,031,499) <u>2,690,129</u>	(267,810) <u>4,721,628</u>

Note 14

Authorization of Financial Information

This unconsolidated condensed interim financial information (un-audited) is authorized for issuance on **April, 29, 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

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