SERVICE FABRICS LIMITED

Annual Report
2015 - 2016


بسم الله الرحمن الرحيم

ANNUAL REPORT
2016

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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.

Company Information

Board of Directors	Mr. Aurangzeb Noor	CEO
	Ms. Mudassara Aurangzeb	
	Mrs. Azmat Akbar	
	Mr. Muhammad Waqas	
	Mr. Irfan Noor	Chairman
	Mrs. Sarah Anjum	
	Mr. Ali Anwar	
Board Audit Committee	Mr. Muhammad Waqas	Chairman
	Mr. Irfan Noor	Member
	Mr. Ali Anwar	Member
Human Resource & Remuneration Committee	Mrs. Sarah Anjum	Chairman
	Mr. Aurangzeb Noor	Member
	Mrs. Azmat Akbar	Member
Company Secretary & CFO	Mr. Zafar Iqbal	
Registered Office	Office No 17, 1st Floor, Anique Arcade, I-8 Markaz, 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

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the Shareholders of Service Fabrics Limited will be held on October 31, 2016 at 2:00 p.m. at Islamabad Club to transact the following business.

Ordinary Business: 1.

1. To conform the minutes of extra ordinary general meeting held on Wednesday June 29, 2016
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2016 together with Reports of the Directors and Auditors' thereon.
3. To appoint Auditors for the year ending 30th June, 2017 and fix their remuneration. The retiring Auditors M/s Horwath Hussain Chaudhry & Co, Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To approve payment of final Cash Dividend of Rs. 0.20/- per share, i.e. 2% to those who are Shareholders as at close of business on October 23, 2016.
5. To transact any other business with the permission of the Chair.

By order of the Board

ISLAMABAD
October 06, 2016

Zafar Iqbal
(company Secretary)

Notes:

1. The Share Transfer Books of the Company shall remain closed from October 24, 2016 to October 31, 2016 (both days inclusive). Transfers received at the FD Registrar Services (SMC-Pvt) Ltd, Office No 1705, 17 th Floor, Saima Trade Tower A, I. I. Chundrigar Road, Karachi-74000 at the close of business on October 23, 2016 will be treated in for the purpose of payment of final dividend to the transferees.
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote instead of him/her. A proxy must be deposited at the Company's registered office not less than 48 hours before the time of holding the meeting. A proxy need, not be a member of the Company. The proxy shall produce his/her original CNIC or Passport to prove his/her identity.
3. Any individual Beneficial Owner of Central Depository Company, entitled to vote at this Meeting must bring his/her Computerized National Identity Card (CNIC) with him/her to provide his/her identity and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution/power of Attorney and/or all such documents as are required under Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for this purpose.
4. Change of address, if any, should be notified immediately to the Company's Share Registrar afore stated.

5. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Registrar of our Company are requested to send the same at the earliest.

6. The CDC account/sub account holders are requested to bring with them their Computerized National ID Cards along with the Participants(s) ID number and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
7. Members are requested to promptly communicate to the Registrar of the Company any change in their address.

DIRECTOR'S 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, 2016.

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.

For these reasons, the company has acquired a controlling stake in H.K Securities (Private) Limited which is a Corporate TREC holder of Pakistan Stock Exchange (PSX) and is now 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 has been assessed to Rs. 34.14 Million. 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.

During the period under review, company invested its available funds in equity investments in profitable undervalued shares of listed securities. The loss amounting to Rs.7.04 Million was mainly because of crunch in oil prices, and fluctuation in the value of National Refinery and Shezan International Limited during the year. Company has purchased 95.5% controlling shares of H.K Securities (Private) Limited against cash consideration of Rs.15.63 Million during the year. Group's overall financial position is on the track towards the better perspectives. Group's overall profit for the period under review is Rs. 44.61 Million, resulting earning per share to Rs. 2.83 as shown in the accompanying financial statements.

The Board members are pleased to state that 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, asapplicable 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.

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. On 30th October 2015, elections of directors were held and Mr. Aurangzeb Noor, Mr. Ali Anwar, Mr. Irfan Noor, Mr. Omar Salah Ahmed, Mrs. Mudassara Aurangzeb, Mrs. Azmat Akbar, Mrs. Sarah Anjum were elected for the period of 03 years. Mr. Omar Saleh Ahmed resigned on April 15, 2016 and Mr. Muhammad Waqas was appointed to fill casual vacancy arised on April 15, 2016.

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 2015-16, six meetings of the Board were held. The attendance of the Board members was as follows:-

Name of Director	Board Meetings	Audit Committee Meetings	HR and Remuneration Committee Meetings
Mr. Aurangzeb Noor	05	N/A	03
Mr. Ali Anwar	04	04	N/A
Mr. Irfan Noor	04	03	N/A
Mr. Muhammad Waqas	01	02	N/A
Mrs. Mudassara Aurangzeb	04	N/A	N/A
Mrs. Azmat Akbar	04	N/A	02
Mrs. Sarah Anjum	05	N/A	04
Mr. Omer Saleh Ahmed	03	01	N/A

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 2016 was Rs. (0.45) as compared to earnings per Share of Rs. 0.02 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 2016-2017.

Comments on Auditors Observation

Comments on auditors observation are as follows:

a) Going Concern

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

b) Loan Amortization

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

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 in not needed to be amortized 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 at 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 reschedule this liability so the appropriate time frame for return of loan can be agreed upon.

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.

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 Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

ii. Proper books of accounts of the Company have been maintained.

iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgment.

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

v. The system of Internal Control is sound in design and has been effectively implemented and monitored.

vi. There are no significant doubts upon the Company's ability to continue as a going concern.

vii. There has been no material departure from the best practices of Corporate Governance, as required by the listing regulations.

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

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 of the Committee are non-executive and one (Chairman) is 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. TheCommittee reviews the procedures, ensures their independence with respect to the services performed for theCompany 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. Mr. Irfan Noor	Member

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.

Number of Employees

The numbers of employees as on 30 June 2016 were 2 compared to 1 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 (Chairman) is Independent director.

Related Party Transactions

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

Statement of Compliance with The Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended 30 June 2016 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.

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

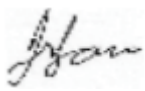
Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are circulated to them within the time specified in the Companies Ordinance, 1984. The Company also has a web site, which contains up to date information on Company's activities and financial reports.Every opportunity is given to the individual shareholders to attend and ask freely the questions about the Company's affairs at the Annual General Meeting.

Acknowledgment

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

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

For and on Behalf of the Board

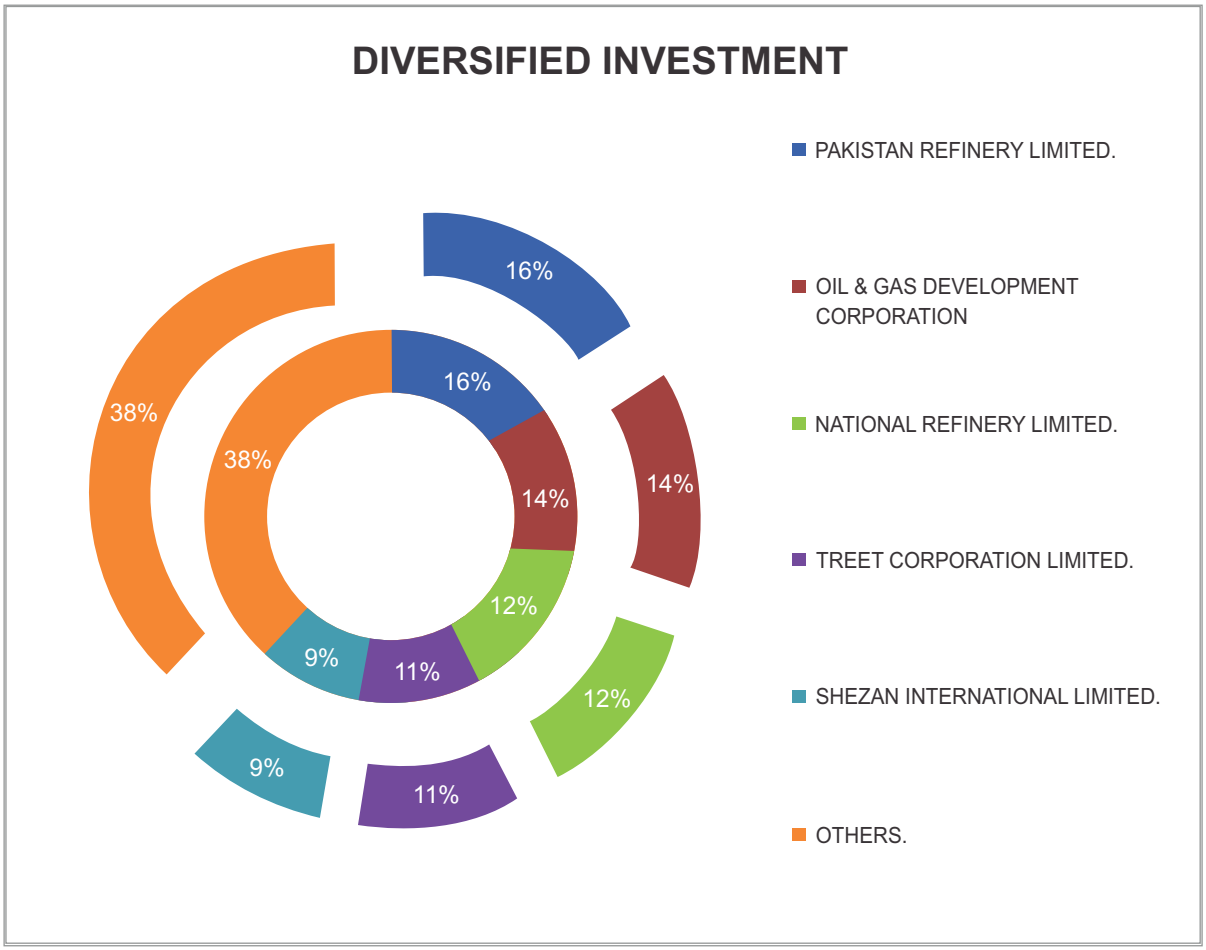


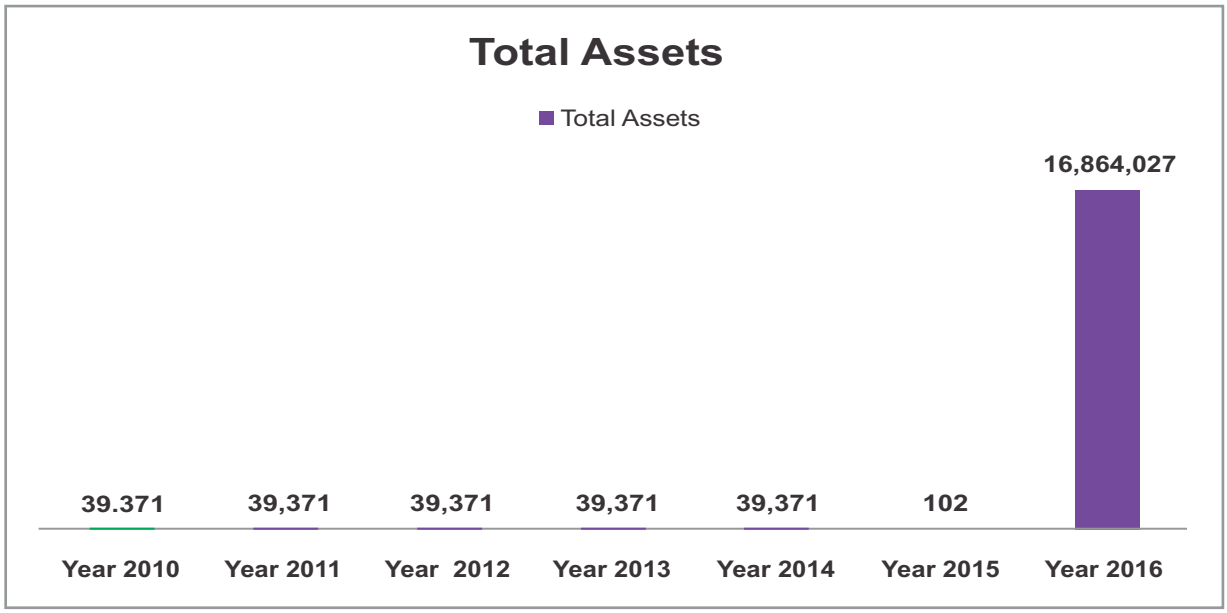
(Irfan Noor)
Chairman

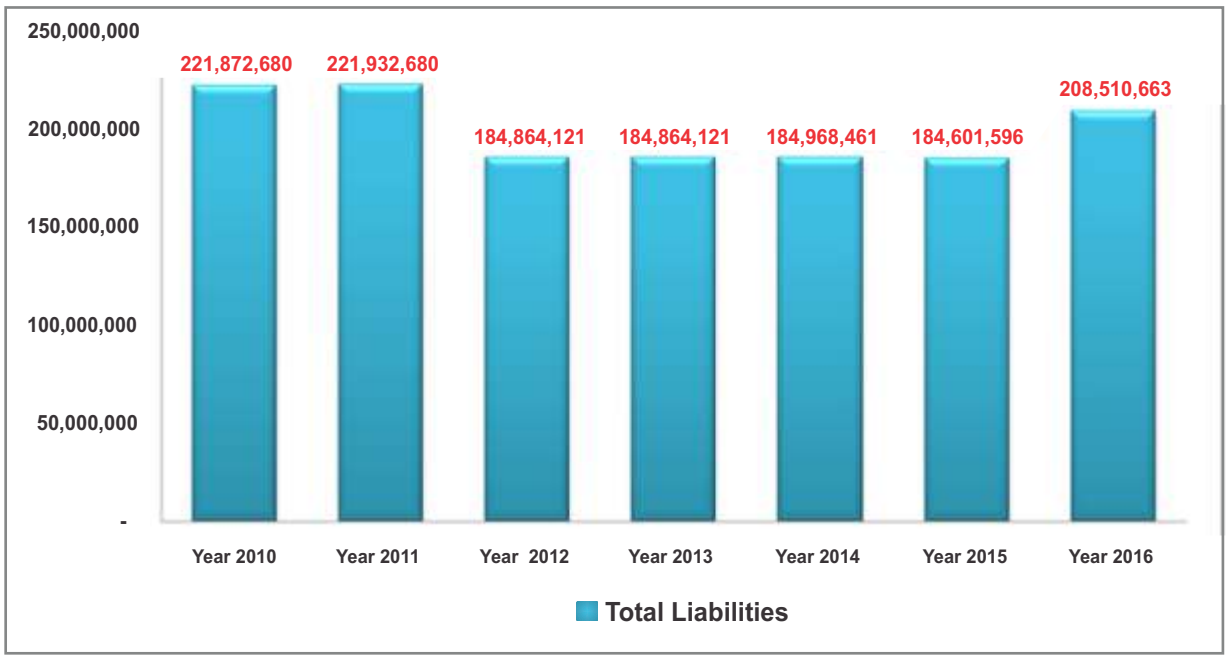
Dated: September 28, 2016
Islamabad

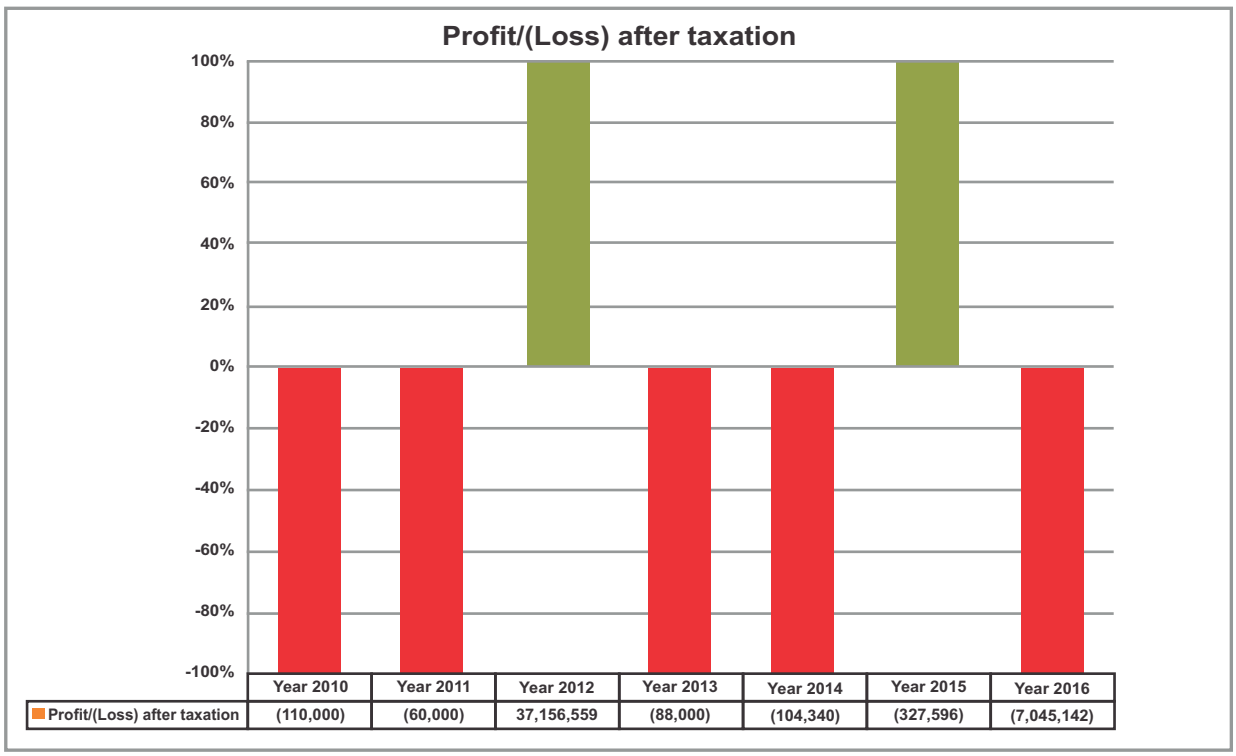
FINANCIAL HIGHLIGHTS

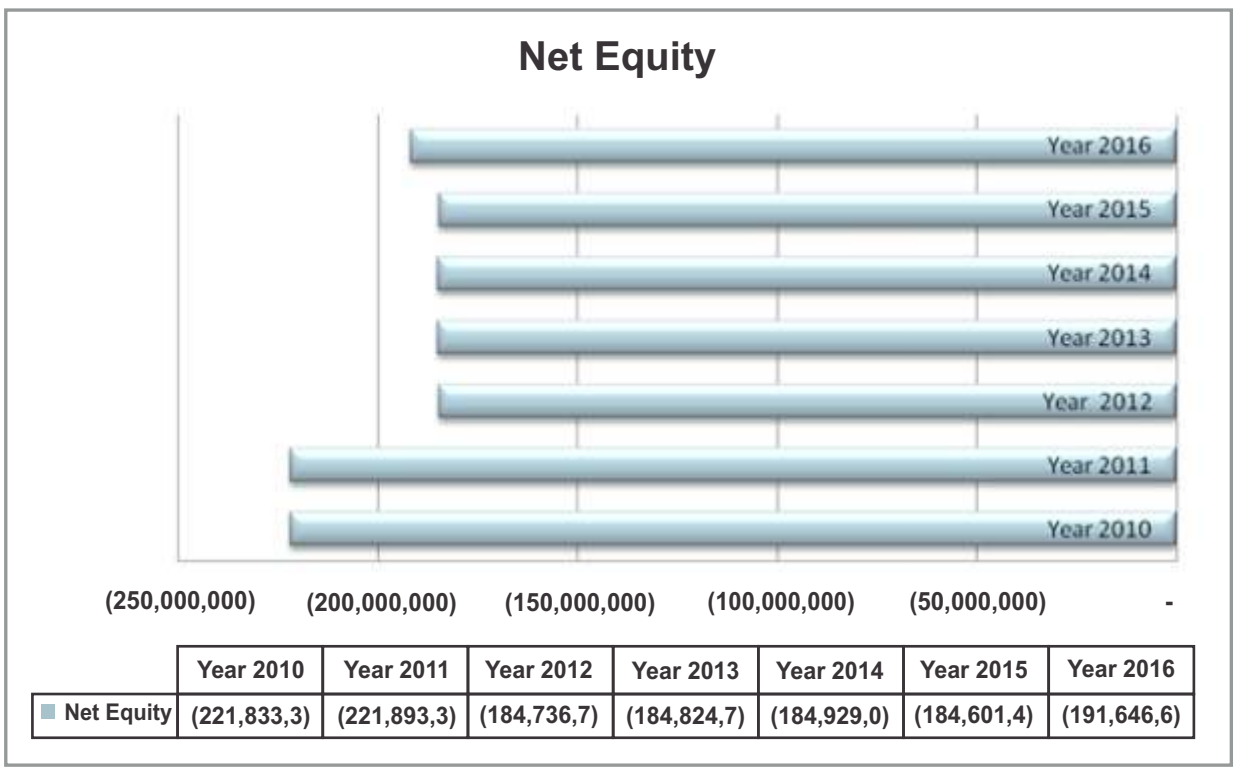
		Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016
Net Profit / (Loss) after Tax	Amount in PKR	(60,000)	37,156,559	(88,000)	(104,340)	327,596	(7,045,142)
LIQUIDITY RATIOS							
Liabilities as a % of total Assets	%	5,636.96	4,692.20	4,695.44	4,748.89	1,809,819.57	12.36
Equity as a % of total assests	%	4,001.63	4,001.63	4,001.63	4,001.63	1,544,588.24	9.34
PROFITABILITY RATIOS							
Return on Capital Employed	%	(2.56)	(2.57)	(2.29)	0.28	0.41	(0.31)
Earnings growth	%	0.003	0.003	(0.108)	(1.123)	5.562	(1.738)
INVESTMENT/MARKET RATIOS							
Earning per share	Amount in PKR	(0.00)	2.36	(0.01)	(0.01)	0.02	(0.45)


DIVERSIFIED INVESTMENT
16%
14%
12%
11%
9%
38%
16%
14%
12%
11%
9%
38%
PAKISTAN REFINERY LIMITED.
OIL & GAS DEVELOPMENT CORPORATION
NATIONAL REFINERY LIMITED.
TREET CORPORATION LIMITED.
SHEZAN INTERNATIONAL LIMITED.
OTHERS.


Total Assets
Total Assets
16,864,027
39.371
39,371
39,371
39,371
39,371
102
Year 2010
Year 2011
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016


250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
-
221,872,680
221,932,680
184,864,121
184,864,121
184,968,461
184,601,596
208,510,663
Year 2010
Year 2011
Year 2012
Year 2013
Year 2014
Year 2015
Year 2016
Total Liabilities





	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016
Net Equity	(221,833,3)	(221,893,3)	(184,736,7)	(184,824,7)	(184,929,0)	(184,601,4)	(191,646,6)

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Service Fabrics Limited ("the Company") for the year ended June 30, 2016 to comply with the requirements of Listing Regulations No. 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Code 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) The mechanism for annual evaluation of the Board's own performance has not been put in place.

c) Grievance handling and whistle blowing mechanism are not in place.

d) Secretarial compliance certificate has not been filed by the company secretary.

e) The chairman of the Company has not been elected from amongst the non executive directors of the Company.

Based on our review, except for the above 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

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

Serial No.	**Description**
18	During the year under review, the company did not have any internal audit function.

Lahore
Dated: September 28, 2016

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Amin Ali)

CHIEF EXECUTIVE

DIRECTOR

Statement of Compliance on Code of Corporate Governance 2012

Name of Company: **Service Fabrics Limited**

For the year ended: **June 30, 2016**

Subject:

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. At year ended June 30, 2016, the Board consists of the following Executive and Non-Executive Directors:

Independent Directors	Executive Directors	Non Executive Directors
Mr. Muhammad Waqas	Mr. Mudassara Aurangzeb	Mr. Ifran Noor
Mrs Sara Anjum		Mr. Ali Anwar
		Mr. Aurangzeb Noor
		Mrs. Azmat Akbar

The independent directors meet the criteria of independence under Clause 5.19.1(b) of the CCG.

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on April 15, 2016 was filled up by the directors within same day.

5. The company has prepared a "Code of Conduct", which has been approved by the board of directors and signed by the senior executives and employees of the Company, and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. Company has maintained website and the same has been pasted on the company's website.

6. Company has formulated its vision and mission statements, the same is being implemented throughout the company. The board has ensured that overall corporate strategy, significant policies and procedures of the Company, and various appropriate mechanism will be established and implemented by the year 2017.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year no orientation courses were arranged for its directors to apprise them of their duties and responsibilities. The board has ensured arrangement of orientation courses for its directors to appraise them of their duties and responsibilities by the end of year 2017.

10. During the year, the CFO and Company secretary was appointed by the Company. The board has approved appointment of CFO and the Company Secretary, including their remuneration. The terms and conditions of employment were prepared and approved during the year.

11. The directors' report for this year fully describe the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG. The Board has ensured same will be complied with by the end of next year as well.

15. During the year under review, the Board has formed an audit committee. It comprises of 3 members, from which two members are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held during the year in each quarter prior to approval of interim and final results of the Company. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. In the year under review, Board has formed an HR and Remuneration Committee. It comprises of 3 members, from which two members are non-executive directors and the chairman of the committee is an independent director.

18. During the year under review, the Company did not have any internal audit function. Board of directors have confirmed that by the end of next year, same function will be enforced.

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Islamabad
Dated: September 28, 2016

Ifran Noor
Chairman

SERVICE FABRICS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SERVICE FABRICS LIMITED** as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) As explained in Note 1.2, the Company has prepared the financial statements on the going concern assumption. However, as on June 30, 2016, the Company has accumulated loss of Rs. 349.195 million, negative equity of Rs. 191.647 million and its current liabilities exceeds its current assets by Rs. 42.162 million. The Company incurred a net loss Rs. 7.045 million during the year ended June 30, 2016. Further, as explained in Note 12.1, the Securities and Exchange Commission of Pakistan has also filed a petition of the winding up of the Company.

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

b) The Company has not amortized the long term financing (unsecured and interest free) amounting to Rs. 166.114 million (disclosed in Note 9 to the financial statements) as required by IAS 39 (Financial Instruments – Recognition and Measurement).Financing from related party as on June 30, 2016 amounting to Rs. 157.837 million has been clubbed in long term financing which should have been clubbed in current liabilities in the absence of any written terms and conditions with the lender.

c) We were unable to verify the amount shown as Financing from Banking Companies of Rs. 8.276 million as on June 30, 2016 as appearing in Note 9 to the financial statements;

d) We were unable to verify the amount shown as Advances from Customers and Others of Rs. 34,215,182 as on June 30, 2016 as appearing in Note 10 to the financial statements;

e) in our opinion, except for the matters discussed in paragraph (a) to (d) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

f) in our opinion except for the matters discussed in paragraph (a) to (d) above,;

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

g) 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 paragraph (a) to (d), the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

h) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

LAHORE

Dated: September 28, 2016

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Amin Ali)

SERVICE FABRICS LIMITED

BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
PROPERTY AND ASSETS			
Non Current Assets			
Advance for purchase of operating fixed assets	5	1,000,000	-
Investment in subsidiary	6	15,628,969	-
		16,628,969	-
Current Assets			
Receivable from broker		9,574	-
Advance income tax		26,611	-
Cash and bank balance	7	198,873	102
		235,058	102
		16,864,027	102
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised share capital: 16,000,000 (2015: 16,000,000) ordinary shares of Rs. 10 each		160,000,000	160,000,000
Issued, subscribed and paid up capital	8	157,548,000	157,548,000
Accumulated loss		(349,194,636)	(342,149,494)
		(191,646,636)	(184,601,494)
Non Current Liabilities			
Long term financing	9	166,114,011	142,356,204
Current Liabilities			
Gratuity payable		324,847	324,847
Trade and other payables	10	40,254,672	40,103,412
Provision for taxation	11	1,817,133	1,817,133
		42,396,652	42,245,392
Contingencies and Commitments	12	-	-
		16,864,027	102

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales		-	-
Cost of sales		-	-
Gross Profit / (Loss)		-	-
Administrative expenses	13	(4,045,199)	(61,942)
Operating Loss		(4,045,199)	(61,942)
Other operating expenses	14	(3,792,818)	(114,269)
Other income	15	906,000	503,807
		(2,886,818)	389,538
(Loss) / Profit before Taxation		(6,932,017)	327,596
Taxation		(113,125)	-
Net (Loss) / Profit for the Year		(7,045,142)	327,596
(Loss) / Earning per Share - Basic and Dilutive	16	(0.45)	0.02

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	Rupees
(Loss) / Profit before Taxation	(7,045,142)	327,596
Other comprehensive income		
Items that will be reclassified subsequently to the profit or loss	-	-
Items that will not be reclassified subsequently to the profit or loss	-	-
Other comprehensive income	-	-
Total Comprehensive (Loss) / Income for the year	(7,045,142)	327,596

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(6,932,017)	327,596
Adjustments: Other income - Dividends	(906,000)	(503,807)
Operating loss before working capital changes	(7,838,017)	(176,211)
Increase in assets:		
- Receivable from broker	(9,574)	-
Increase in liabilities:		
- Trade and other payables	151,260	75,000
Cash Used in Operations	(7,696,331)	(101,211)
Income tax paid / deducted at source	(139,736)	-
Net Cash Used in Operating Activities	(7,836,067)	(101,211)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in subsidiary	(15,628,969)	-
Dividend received	906,000	-
Net Cash Used in Investing Activities	(14,722,969)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	22,757,807	61,942
Net Cash Generated from Financing Activities	22,757,807	61,942
Net Increase / (Decrease) in Cash and Cash Equivalents	198,771	(39,269)
Cash and cash equivalents at the beginning of the year	102	39,371
Cash and Cash Equivalents at the End of the Year	198,873	102

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as on June 30, 2014	157,548,000	(342,477,090)	(184,929,090)
Total comprehensive income for the year	-	327,596	327,596
Balance as on June 30, 2015	157,548,000	(342,149,494)	(184,601,494)
Total comprehensive loss for the year	-	(7,045,142)	(7,045,142)
Balance as on June 30, 2016	157,548,000	(349,194,636)	(191,646,636)

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Note 1
The Company and its Operations

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

1.2 Going concern assumption

The Company has accumulated loss of Rs. 349.195 million (2015: Rs. 342.149 million), negative equity of Rs. 191.647 million (2015: 184.601 million). As at June 30, 2016, its current liabilities exceed its current assets by Rs. 42.162 million (2015: Rs. 42.245 million). The Company has incurred net loss of Rs. 7.045 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 alongwith the matter described in Note 12 raise doubts about the Company being a going concern and therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

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

Note 2
Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to provisions for defined benefit plans 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.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the 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

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

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

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

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

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

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

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

Note 4
Significant Accounting Policies

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

4.1 Staff retirement benefits

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

4.2 Provisions

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

4.3 Trade and other payables

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

4.4 Cash and cash equivalents

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

4.5 Investments in subsidiary

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

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 4, Significant Accounting Policies - Contd...

4.6 Borrowing cost

Borrowing costs are charged to income as and when incurred except costs directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

4.7 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy.

4.8 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.

4.9 Financial instruments

4.9.1 *Financial assets*

The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, deposits and other receivables in the balance sheet.

Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, management has the intention and ability to hold till maturity are carried at amortized cost.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the management intends to dispose off the investments within twelve months from the balance sheet date, in which case these financial assets are classified as short term investments in the balance sheet.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the profit and loss account as gains / losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 4, Significant Accounting Policies - Contd...

Measurement criteria

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date that is the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and their transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortized cost using the effective interest rate method.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

4.9.2 ***Financial liabilities***

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 and modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in respective carrying amounts is recognized in the profit and loss account.

4.9.3 ***Off-setting of financial assets and financial liabilities***

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

4.10 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Company). Segment results, assets and liabilities include items directly attributable to a segment. No segment reporting is done by the management as there are no such segments.

4.11 Revenue recognition

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

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 5
Advance for Purchase of Operating Fixed Assets

5.1 During the current year, the Company entered into a contract for purchase of operating assets of Getti Agro (Private) Limited. The value of assets agreed between the two parties as per the evaluation 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 Getti Agro (Private) Limited.

Note 6
Investment in Subsidiary

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

Note 7
Cash and Bank Balances

	2016	2015
	Rupees	Rupees
Cash in hand	5,276	102
Cash with bank	193,597	-
	198,873	102

Note 8
Issued, Subscribed and Paid Up Capital

2016	2015		2016	2015
No. of shares			Rupees	Rupees
15,504,800	15,504,800	Ordinary shares of Rs. 10 each	155,048,000	155,048,000
250,000	250,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	2,500,000	2,500,000
15,754,800	15,754,800		157,548,000	157,548,000

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

8.2 1,083,941 (2015: Nil) shares of the Company are held by its subsidiary, HK securities (Private) Limited.

Note 9
Long Term Financing

	Note	2016	2015
		Rupees	Rupees
Financing from banking companies - Secured			
National Bank of Pakistan			
- Cash finance	9.1	1,786,997	1,786,997
- Demand finance	9.2	1,448,703	1,448,703
- Mark up freeze account	9.3	5,041,000	5,041,000
		8,276,700	8,276,700
Financing from related party	9.4	157,837,311	134,079,504
		166,114,011	142,356,204

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 for total amount of Rs. 10.617 million.

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

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 9, Long term financing - Contd...

9.2 Demand finance amounting to Rs. 1.953 million was created by National Bank of Pakistan during restructuring / rescheduling of financing facilities as noted under Note 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. 91,946 (2015: Rs. 91,946).

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. The mark up shall be waived after the payment of all other liabilities of the bank as per the agreed schedule.

9.4 This is an 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, a related party. Repayment terms of the loan have not been finalized.

Note 10
Trade and Other Payables

	2016	2015
	Rupees	Rupees
Sundry creditors	4,750,413	4,750,413
Accrued liabilities	306,260	155,000
Advances from customers and others	34,215,182	34,215,182
Income tax payable	982,817	982,817
	40,254,672	40,103,412

Note 11
Provision for Taxation

	2016	2015
	Rupees	Rupees
Provision for taxation	1,817,133	1,817,133

11.1 Assessments upto and including Tax Year 2015 have been completed and an appeal is pending before the Commissioner of Income Tax (Appeals) against the order of Taxation Officer for the assessment year 2002-03.

11.2 Deferred taxation

As at the balance sheet date, the Company has net deferred tax asset of Rs. 29.994 million (2015: Rs. 33.993 million). In view of continuing losses and impairment of going concern assumption, the recoverability of deferred tax asset is not certain. The Company, therefore, has not accounted for deferred tax asset in these financial statements.

Note 12
Contingencies and Commitments

12.1 During the 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. The next hearing of the case is fixed on October 26, 2016. Since the management is confident that the case will be decided in its favour, these financial statements have been drawn up in accordance with going concern basis.

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

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 13
Administrative Expenses

	2016	2015
	Rupees	Rupees
Legal and professional charges	2,407,662	61,942
Salaries	588,000	-
Commission	374,370	-
Entertainment	308,386	-
Boarding and lodging	22,246	-
Printing and stationery	94,647	-
Postage and courier	30,802	
Advertisement	57,505	-
Travelling and conveyance	109,291	-
Bank charges	19,662	-
Office supplies	32,628	
	4,045,199	61,942

Note 14
Other Operating Expenses

	2016	2015
	Rupees	Rupees
Loss on sale and purchase of shares	3,592,818	-
Balances written off	-	39,269
Auditors' remuneration	200,000	75,000
	3,792,818	114,269

Note 15
Other Income

	2016	2015
	Rupees	Rupees
Dividend income	906,000	-
Excess liability written back	-	503,807
	906,000	503,807

Note 16
(Loss) / Earnings Per Share

		2016	2015
Net (loss) / profit for the year attributable to ordinary shareholders	Rupees	(7,045,142)	327,596
Weighted average number of ordinary shares	Number	15,754,800	15,754,800
Earning per share - Basic		(0.45)	0.02

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 17
Chief Executives' and Directors' Remuneration

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

Note 18
Transactions 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:

	2016	2015
	Rupees	Rupees
Loan obtained from related parties	23,757,807	61,942

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 19
Financial Risk Management

19.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other 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, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will effect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

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

(ii) Other price risk

Other 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 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.

(a) 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:

	2016	2015
	Rupees in thousand	
Advance for purchase of operating fixed assets	1,000	-
Receivable from broker	9.6	-
Bank balances	194	-
	1,203.6	-

(b) 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:

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Financial Statements

Note 19, Financial Risk Management - Contd...

Contractual maturities of financial liabilities as at June 30, 2016:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
			……Rupees in thousand…….			
Long term financing	166,114	166,114	8,277	-	-	157,837
Trade and other payables	5,057	5,057	5,057	-	-	-
	171,171	171,171	13,334	-	-	157,837

Contractual maturities of financial liabilities as at June 30, 2015:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
			……Rupees in thousand…….			
Long term financing	142,356	142,356	8,277	-	-	134,080
Trade and other payables	4,906	4,906	4,906	-	-	-
	147,262	147,262	13,183	-	-	134,080

19.2 Fair values of financial assets and liabilities

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

Note 20
Number of Employees

	2016	2015
Employees as at June 30,	2	-

Note 21
Provident Fund Related Disclosures

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

Note 22
Authorization of Financial Statements

These financial statements have been authorized for issuance by the Board of Directors of the Company on September 28, 2016.

Note 23
General

Prior year balance sheet figures have been re-arranged in "current" and "non-current" classification as the Company has prepared the current financial statements on going concern basis.

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Service Fabrics Limited** (**"the Holding Company"**) and its subsidiary company (H.K Securities (Private)) as at June 30, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Service Fabrics Limited except its subsidiary company which were audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

a) As explained in Note 1.2, the Group has prepared the consolidated financial statements on the going concern assumption. However, as on June 30, 2016, the Group has accumulated loss of Rs. 299.180 million, negative equity of Rs. 138.539 million and its current liabilities exceeds its current assets by Rs. 19.175 million. Further, as explained in Note 18.1.1, the Securities and Exchange Commission of Pakistan has also filed a petition of the winding up of the Holding Company.

   In view of the above matters, the going concern assumption used in the preparation of the financial statements is not appropriate. The Group 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 these consolidated financial statements.

b) The Group has not amortized the long term financing (unsecured and interest free) amounting to Rs. 166.114 million (disclosed in Note 15 to the consolidated financial statements) as required by IAS 39 (Financial Instruments – Recognition and Measurement). "Financing from related party" as on June 30, 2016 amounting to Rs. 157.837 million has been clubbed in long term financing which should have been clubbed in current liabilities in the absence of any written terms and conditions with the lender.

c) We were unable to verify the amount shown as Financing from Banking Companies of Rs. 8.276 million as on June 30, 2016 as appearing in Note 15 to the consolidated financial statements;

d) We were unable to verify the amount shown as Advances from Customers and Others of Rs. 34,215,182 as on June 30, 2016 as appearing in Note 16 to the consolidated financial statements;

In our opinion, because of the significance of the matters discussed in above paragraphs (a) to (d), the consolidated financial statements do not present fairly the financial position of Service Fabrics Limited and its subsidiary company as at June 30, 2016, and the results of their operations for the year then ended.

Lahore
Date: September 28, 2016

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Amin Ali)

SERVICE FABRICS LIMITED

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	6	11,803,235	-
Intangible assets	7	4,000,000	-
Long term investments	8	30,346,030	-
Long term deposits	9	600,000	-
		46,749,265	-
Current Assets			
Accounts receivable	10	843,690	-
Receivable from broker		9,574	-
Short term investments	11	25,742,024	-
Advances and prepayments	12	1,255,171	-
Cash and bank balances	13	389,779	102
		28,240,238	102
		74,989,503	102
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 16,000,000 (June 30, 2015: 16,000,000) ordinary shares of Rs. 10 each		160,000,000	160,000,000
Issued, subscribed and paid up capital	14	157,548,000	157,548,000
Accumulated loss		(299,180,490)	(342,149,494)
		(141,632,490)	(184,601,494)
Non-controlling interest		3,093,131	-
		(138,539,359)	(184,601,494)
Non Current Liabilities			
Long term financing	15	166,114,011	142,356,204
Current Liabilities			
Trade and other payables	16	40,692,567	40,103,412
Gratuity payable		324,847	324,847
Short term borrowings	17	3,901,192	-
Provision for taxation		2,496,245	1,817,133
		47,414,851	42,245,392
Contingencies and Commitments	18	-	-
		74,989,503	102

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Revenue	19	9,902,156	-
Operating expenses	20	(6,521,697)	(61,942)
Operating Profit		3,380,459	(61,942)
Finance cost	21	(58,427)	-
Other operating expenses	22	(3,917,818)	(114,269)
Bargain purchase gain on acquisition of subsidiary	5	15,134,046	-
Other income	23	33,044,912	503,807
		44,202,713	389,538
Profit before Taxation		47,583,172	327,596
Taxation		(2,970,603)	-
Net Profit for the Year		44,612,569	327,596
Profit attributable to:			
- Owners of parent		42,969,004	-
- Non-controlling interests		1,643,565	-
		44,612,569	-
Earning per Share - Basic and Dilutive	24	2.83	0.02
Profit per share attributable to:			
- Owners of parent		2.70	-
- Non-controlling interests		0.13	-

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	Rupees
Profit before Taxation	44,612,569	327,596
Other comprehensive income		
Items that will be reclassified subsequently to the profit or loss	-	-
Items that will not be reclassified subsequently to the profit or loss	-	-
Total Comprehensive Income for the year	44,612,569	327,596
Total comprehensive income attributable to:		
- Owners of group	42,969,004	
- Non-controlling interests	1,643,565	
	44,612,569	-

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	47,583,172	327,596
Adjustments:		
- Un-realized gain on revaluation of ISETRMCI, shares	(9,346,030)	-
- Unrealized gain on investment of listed securities	(22,201,022)	-
- Depreciation	16,950	-
- Finance cost	58,427	-
- Dividend income	(906,000)	
- Other income	(591,860)	(503,807)
Operating profit / (loss) before working capital changes	14,613,637	(176,211)
Increase in liabilities:		
- Trade and other payables	589,155	75,000
Increase in assets:		
- Accounts receivable	(843,690)	-
- Advances and prepayments	(153,000)	-
- Receivable from broker	(9,574)	-
Cash Generated from / (Used in) Operations	14,196,528	(101,211)
Income tax paid	(1,369,186)	-
Finance cost paid	(58,427)	-
Net Cash Generated from / (Used in) Operating Activities	12,768,915	(101,211)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,803,235)	
Purchase of intangible assets	(4,000,000)	
Long term investments	(21,000,000)	
Long term deposits	(600,000)	
Short term investments	(3,541,002)	
Dividend received	906,000	-
Net Cash Used in Investing Activities	(40,038,237)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	23,757,807	61,942
Short term borrowings	3,901,192	-
Net Cash Generated from Financing Activities	27,658,999	61,942
Net Increase / (Decrease) in Cash and Cash Equivalents	389,677	(39,269)
Cash and cash equivalents at the beginning of the year	102	39,371
Cash and Cash Equivalents at the End of the Year	389,779	102

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Accumulated Loss	Non-controlling interest	Total
	Rupees	Rupees	Rupees	Rupees
Balance as on June 30, 2014	157,548,000	(342,477,090)	-	(184,929,090)
Total comprehensive income for the year	-	327,596	-	327,596
Balance as on June 30, 2015	157,548,000	(342,149,494)	-	(184,601,494)
Non-controlling interest on acquisition of subsidiary		-	1,449,566	1,449,566
Total comprehensive income for the year	-	42,969,004	1,643,565	44,612,569
Balance as on June 30, 2016	157,548,000	(299,180,490)	3,093,131	(138,539,359)

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

CHIEF EXECUTIVE **DIRECTOR**

SERVICE FABRICS LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1
The Group and its Operations

1.1 The Group comprises of Service Fabrics Limited (the Holding Company) and HK Securities (Private) Limited (the Subsidiary Company). The Holding Company was incorporated in Pakistan on December 01, 1987 as a Public Limited Company under the Companies Ordinance, 1984. The registered office of the Holding Company is situated at Office No. 17, Anique Arcade, I-8 Markaz, Islamabad. Principal business of the Holding Company was manufacturing and selling of fabrics. During the year, the Holding Company acquired 95.5% shares in HK Securities (Private) Limited (the Subsidiary).

The Subsidiary was incorporated under the Companies Ordinance, 1984 in Islamabad on March 2006. The Subsidiary is a TRE Certificate holder in Pakistan Stock Exchange Limited (formerly Islamabad Stock Exchange) and is primarily engaged in business of stock, brokerage, investment advisory consultancy, portfolio management and in the secondary capital market operations.

1.2 Going concern assumption

The Group has accumulated loss of Rs. 299.180 million (2015: Rs. 342.149 million), negative equity of Rs. 138.539 million (2015: 184.601 million) as at the balance sheet date. As at June 30, 2016, its current liabilities exceed its current assets by Rs. 19.175 million (2015: Rs. 42.245 million). Furthermore, the Holding Company has ceased its operating activities since October 01, 2004 and sold its entire property, plant and equipment. These factors alongwith the matter described in Note 18.1.1 raise doubts about the Group being a going concern and therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

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

Note 2
Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except investments that are recorded at their fair values.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of consolidated 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 consolidated financial statements relate to the useful life and residual values of property, plant and equipment, amortization of intangible assets, provisions against doubtful receivables, provisions against defined benefit plans and taxation. However, the management believes that the change in outcome of these estimates would not have a material effect on the amounts disclosed in these consolidated financial statements.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated 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

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

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

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

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

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

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

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

Note 4
Significant Accounting Policies

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

4.1 Investments in Subsidiary

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheet, profit and loss account, statement of comprehensive income and statement of changes in equity respectively.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 4, Significant Accounting Policies - Contd...

4.2 Staff retirement benefits

The Group operates an unfunded gratuity scheme for all its employees whose period of service with the Group 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 Group's rules.

4.3 Provisions

A provision is recognized in the balance sheet when the Group 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.

4.4 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 Group.

4.5 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.

4.6 Borrowing cost

Borrowing costs are charged to income as and when incurred except costs directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

4.7 Trade debts and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts.

4.8 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Group's policy.

4.9 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 consolidated 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.

As at the balance sheet date, the Holding Company has net deferred tax asset of Rs. 29.994 million (2015: 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 Holding Company, therefore, has not accounted for deferred tax asset in these financial statements.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 4, Significant Accounting Policies - Contd...

4.10 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged on a systematic basis over the useful life of the assets on reducing balance method which reflects the patterns in which the economic benefits of the assets are consumed by the Group. Cost includes expenditures that is directly attributable to the acquisition of the items of property, plant and equipment. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work in progress.

Subsequent costs are included in the assets' carrying amounts only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Gain or losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the consolidated profit and loss account for the period to which it relates.

The Group assesses at each balance sheet date whether there is any indication that any item of property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to their recoverable amount.

4.11 Intangible assets

Intangible assets with indefinite lives are stated at cost less impairment, if any, intangible assets with definite lives are stated at cost less amortization and impairment, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Intangible assets with infinite lives are not amortized instead they are systematically tested for impairment at each balance sheet date. Intangible assets with finite useful lives are amortized on straight line basis over the estimated useful life of the asset.

4.12 Financial instruments

4.12.1 ***Financial assets***

The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition. The Group classifies its financial assets in the following categories:

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, deposits and other receivables in the consolidated balance sheet.

Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, management has the intention and ability to hold till maturity are carried at amortized cost.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 4, Significant Accounting Policies - Contd...

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the management intends to dispose off the investments within twelve months from the balance sheet date, in which case these financial assets are classified as short term investments in the consolidated balance sheet.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the consolidated profit and loss account as gains / losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated profit and loss account. Dividends on available-for sale equity instruments are recognized in the consolidated profit and loss account when the Group's right to receive payments is established.

Measurement criteria

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date that is the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and their transaction costs are expensed in the consolidated profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortized cost using the effective interest rate method.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Group measures the investments at cost less impairment in value, if any.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

4.12.2 ***Financial liabilities***

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 and modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in respective carrying amounts is recognized in the consolidated profit and loss account.

4.12.3 ***Off-setting of financial assets and financial liabilities***

A financial asset and a financial liability is offset and the net amount is reported in the consolidated financial statements if the Group has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Group). Segment results, assets and liabilities include items directly attributable to a segment. No segment reporting is done by the management as there are no such segments.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 4, Significant Accounting Policies - Contd...

4.14 Income

- Brokerage income is recognized as and when such services are rendered.
- Financial advisory fees and other income is recognized on accrual basis.
- Underwriting commission is recognized when the agreement is executed.
- Capital gains and losses on sale of securities is recognized as and when realized.
- Markup income and return on bank deposits is recognized on accrual basis.

4.15 Dividends

Dividends are recognized as a liability in the period in which these are declared.

Note 5
Business Combination

On December 4, 2015, Service Fabrics Limited acquired 95.5% shares in HK Securities (Private) Limited. HK Securities (Private) Limited holds Trading Rights Entitlement Certificate (TERC) in Pakistan Stock Exchange Limited and is primarily engaged in the business of stock, brokerage, investment advisory-consultancy, portfolio management and in secondary capital market operations.

	Rupees
The detail of net equity acquired is as follows:	
Share capital	30,000,000
Pre-acquisition reserves	2,295,376
FV adjustment at acquisition of subsidiary	(82,795)
	32,212,581
Percentage of shareholding acquired	95.50%
Net equity acquired	30,763,015
Less: Purchase consideration	(15,628,969)
Bargain Purchase Gain	15,134,046

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 6
Property, Plant and Equipment

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	6.1	67,639	-
Advance for purchase of operating fixed assets	6.2	11,735,596	-
		11,803,235	-

6.1 Operating fixed assets

Particular	Cost			Rate	Depreciation			Fair value adjustment	Written Down Value as at
	Addition under subsidiary acquisition	Additions / (Deletions)	As at June 30, 2016		Addition under subsidiary acquisition	For the Year	As at June 30, 2016		June 30, 2016
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Furniture and fixtures	226,500	-	226,500	10	110,404	11,610	122,014	(83,120)	21,366
Air conditioner	37,000	-	37,000	10	23,155	1,385	24,540	(1,252)	11,208
Office equipment	52,950	-	52,950	10	33,056	1,989	35,045	(3,541)	14,364
Computer and peripherals	252,000	14,540	266,540	33	233,223	10,995	244,218	(1,621)	20,701
June 30, 2016	568,450	14,540	582,990		399,838	25,979	425,817	(89,534)	67,639
June 30, 2015	-	-	-		-	-	-	-	-

6.1.2 As of the date of acquisition, the Company estimated the fair value of assets acquired of HK Securities Private Limited and incorporated an adjustment of Rs. 89,534 in the carrying values of assets so acquired.

6.2 Advance for purchase of operating fixed assets

During the current year, the Company entered into a contract for purchase of operating assets of Getti Agro (Private) Limited. The value of assets agreed between the two parties as per the evaluation report by an independent evaluator "M/s. International Design Group" is Rs. 34,140,400. For this transaction, Rs. 1 million were paid directly by directors to M/s Getti Agro (Private) Limited.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 7
Intangible Assets

	Note	2016 Rupees	2015 Rupees
PSX Trading Rights Entitlement Certificates	7.1	4,000,000	-

7.1 This represents TRECs of Pakistan Stock Exchange Limited. These TRECs are not common tradable instrument and no sale transaction has yet been occurred after demutualization of Karachi, Lahore and Islamabad Stock Exchanges; therefore value of TRECs as assigned by the Lahore Stock Exchange is used to recognize the value of these TRECs.

Note 8
Long Term Investments

	Note	2016 Rupees	2015 Rupees
Shares in Islamabad Stock Exchange	8.1	30,346,030	-

8.1 These represent the shares received from Islamabad Stock Exchange Towers Reit Management Company Limited (ISETRMCL) in pursuance of corporatization and demutualization of ISETRMCL as public Company Limited by shares in accordance with the requirement of the Stock Exchanges (Corporatization, Demutualization and Integration Act, 2012 (the Act.). In addition, the Group has also received Trading Right Entitlement Certificate (TREC) from Pakistan Stock Exchange Limited.

8.2 Accordingly, the Group has been allotted 3,034,603 shares of ISETRMCL. The Group has received 40% equity shares i.e. 1,213,841 shares of ISETRMCL and remaining 60% shares are transferred to CDC sub-account under ISETRMCL's participant IDs with the CDC which will remain blocked until these are divested to strategic investor's, general public and financial institutions.. As the fair value of both the assets transferred and assets obtained cannot be determined with reasonable accuracy, the investment in shares has been recorded by the Group at the face value of Rs. 10/- each in the Company's book.

8.3 No tax provision has been made on Gain on exchange of membership card with TREC, as such gain is exempted from tax under clause 110B of the Second Schedule of the Income Tax Ordinance, 2001.

Note 9
Long Term Deposits

	2016 Rupees	2015 Rupees
Security deposit - NCCPL	300,000	-
Security deposit - CDC	100,000	-
Margin deposit	200,000	-
	600,000	-

Note 10
Accounts Receivables - Considered Good

	Note	2016 Rupees	2015 Rupees
Accounts receivable	10.1	843,690	-

10.1 All receivables are unsecured and considered good.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 11
Short Term Investments

	2016	2015
	Rupees	Rupees
At Fair Value through Profit and Loss Account		
- Agriauto Industries Limited	390,500	-
- Din Textile Mills Limited	51,177	-
- Drekkar Kingsway Limited	122,115	-
- Escorts Investment Bank Limited	2,500	-
- First Paramount Modaraba	27,253	-
- First UDL Modaraba	9,750	-
- IGI Insurance Limited	2,385,250	-
- Nimir Resins Limited	495,550	-
- Service Fabrics Limited	17,754,954	-
- Shezan International Limited	4,492,425	-
- Saudi Pak Leasing Company Limited	6,550	-
- Trust Securities & Brokerage Limited	4,000	-
	25,742,024	-

Note 12
Advances and Prepayments

	2016	2015
	Rupees	Rupees
Advance income tax	1,102,171	-
Advance office rent paid	78,000	-
Office security	75,000	-
	1,255,171	-

Note 13
Cash and Bank Balances

	2016	2015
	Rupees	Rupees
Cash in hand	5,747	102
Cash with bank	384,032	-
	389,779	102

Note 14
Issued, Subscribed and Paid Up Capital

2016	2015		2016	2015
No. of shares			Rupees	Rupees
15,504,800	15,504,800	Ordinary shares of Rs. 10 each	155,048,000	155,048,000
250,000	250,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	2,500,000	2,500,000
15,754,800	15,754,800		157,548,000	157,548,000

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

14.2 1,083,941 (2015: Nil) shares of the Holding Compa ny are held by the Subsidiary, HK securities (Private) Limited.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 15
Long Term Financing

	Note	2016 Rupees	2015 Rupees
Financing from banking companies - Secured			
National Bank of Pakistan			
- Cash finance	15.1	1,786,997	1,786,997
- Demand finance	15.2	1,448,703	1,448,703
- Mark up freeze account	15.3	5,041,000	5,041,000
		8,276,700	8,276,700
Financing from related party	15.4	157,837,311	134,079,504
		166,114,011	142,356,204

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

The restructured finances are secured against:
- Personal guarantees of previous directors
- Residential properties of previous directors
- First charge on current assets of the Holding Company registered with the Securities and Exchange Commission of Pakistan (SECP).
- Additional equitable mortgage charge on property, plant and equipment of M/s Prime Diaries Limited, ranking pari passu with ICP and NBP to be created and registered with the SECP.

- General irrecoverable power of attorney in favour of the bank duly executed and registered with the Registrar in respect of above property.

15.2 Demand finance amounting to Rs. 1.953 million was created by National Bank of Pakistan during restructuring / rescheduling of financing facilities as noted under Note 15.1. The restructured finance is due for payment and is secured against securities as disclosed in Note 15.1. The outstanding amount includes mark up payable of Rs. 91,946 (2015: Rs. 91,946).

15.3 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 15.1. The mark up shall be waived after the payment of all other liabilities of the bank as per the agreed schedule.

15.4 This is an 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, a related party. Repayment terms of the loan have not been finalized.

Note 16
Trade and Other Payables

	2016 Rupees	2015 Rupees
Sundry creditors	5,046,155	4,750,413
Accrued liabilities	444,913	155,000
Advances from customers and others	34,215,182	34,215,182
Income tax payable	986,317	982,817
	40,692,567	40,103,412

Note 17
Short Term Borrowings

	Note	2016 Rupees	2015 Rupees
Running finance	17.1	3,901,192	-

17.1 Running finance was obtained from Bank Alfalah Limited with credit limit of Rs. 10 million at markup rate of Market KIBOR + 3% against the share pledge of the Subsidiary Company.

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 18
Contingencies and Commitments

18.1 Contingencies in respect of:

Service Fabrics Limited- The Holding Company

18.1.1 During the 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. The next hearing of the case is fixed on October 26, 2016. 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.

HK Securities (Private) Limited - The Subsidiary Company

18.1.2 The Company has pledged / hypothecated the Certificate of Pakistan Stock Exchange Limited (PSX) and 3,034,603 ordinary shares of Islamabad Stock Exchange Towers Reit Management Company Limited (ISETRMCL) with ISETRMCL in compliance wit Base Minimum Capital (BMC) requirement under Regulation 2.1 of the Regulations Governing Risk Management of the PSX.

18.2 Commitments of Group:

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

Note 19
Revenue

	2016	2015
	Rupees	Rupees
Income from brokerage	981,697	-
Underwriting commission	4,413,564	-
Income from investments	4,506,895	-
	9,902,156	-

Note 20
Administrative Expenses

	2016	2015
	Rupees	Rupees
Legal and professional	2,647,266	61,942
Salaries	1,031,447	-
Director's remuneration	560,145	-
Utilities	249,136	-
Repairs and maintenance	239,057	-
Office rent	241,623	-
Trading charges	360,419	-
CDC charges	66,498	-
Entertainment	324,710	-
Commission	374,370	-
Travelling and conveyance	109,291	-
Boarding and lodging	22,246	-
Printing and stationery	122,858	-
Advertisement	57,505	-
Insurance	109	-
Newspaper and periodicals	357	-
Postage and courier	32,380	-
Office supplies	32,628	-
Miscellaneous expenses	32,702	-
Depreciation	16,950	-
	6,521,697	61,942

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 21
Finance cost

	2016	2015
	Rupees	Rupees
Mark-up on short term borrowings	33,790	-
Bank charges	24,637	-
	58,427	-

Note 22
Other Operating Expenses

	2016	2015
	Rupees	Rupees
Loss on sale and purchase of shares	3,592,818	-
Balances written off	-	39,269
Auditors' remuneration	325,000	75,000
	3,917,818	114,269

Note 23
Other Income

	2016	2015
	Rupees	Rupees
Unrealized gain on investment of listed securities	22,201,022	-
Un-realized gain on revaluation of ISETRMCI, shares	9,346,030	-
Dividend income	906,000	-
Excess liability written back	-	503,807
Other income	591,860	-
	33,044,912	503,807

Note 24
Earnings Per Share

		2016	2015
Net income for the year attributable to ordinary shareholders	Rupees	44,612,569	327,596
Weighted average number of ordinary shares	Number	15,754,800	15,754,800
Earning per share - Basic		2.83	0.02

Earnings per share - Diluted

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

Note 25
Chief Executives' and Directors' Remuneration

25.1 Managerial remuneration amounting to Rs. 560,145 has been paid to one director of the Subsidiary Company during the year.

25.2 No remuneration, allowances, benefits, meeting fee etc. were paid to chief executive of the Group during the year.

Note 26
Transactions 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:

	2016	2015
	Rupees	Rupees
Loan obtained from related parties	23,757,807	61,942

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 27
Financial Risk Management

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group'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, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will effect the Group's income or the value of its holdings of financial instruments.

(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 Group, it is not exposed to currency risk.

(ii) Other price risk
Other 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 Group is exposed to equity / commodity price risk in respect of short term investments and long term investments.

Sensitivity analysis

A change of 5% in the value of investments at fair value through profit or loss would have increased / decreased profit or loss by Rs. 2.804 million (2015: Rs. Nil) on the basis that all other variables remain constant.

(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 Group has interest-bearing short term liabilities of Rs. 3.901 million (2015: Nil).

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the consolidated balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. .391 million (2015: Nil) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming that amounts of liabilities outstanding at the consolidated balance sheet dates were outstanding for the whole year.

(a) 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:

	2016	2015
	Rupees in thousand	
Long term deposits	600	-
Accounts receivable	844	-
Short term investments	25,742	-
Long term investments	30,346	-
Advances and prepayments	75	-
Bank balances	384	-
	57,991	-

SERVICE FABRICS LIMITED
Notes to and Forming Part of the Consolidated Financial Statements

Note 27, Financial Risk Management - Contd...

(b) 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:

Contractual maturities of financial liabilities as at June 30, 2016:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
			.....Rupees in thousand.....			
Long term financing	166,114	166,114	8,277	-	-	157,837
Short term borrowings	3,901	3,901	-	3,901		3,901
Trade and other payables	5,491	5,491	5,491	-	-	-
	175,506	175,506	13,768	3,901	-	161,738

Contractual maturities of financial liabilities as at June 30, 2015:

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Years	2-5 Years
			.....Rupees in thousand.....			
Long term financing	142,356	142,356	8,277	-	-	134,080
Trade and other payables	4,905	4,905	4,905	-	-	-
	147,261	147,261	13,182	-	-	134,080

27.2 Fair values of financial assets and liabilities

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

Note 28
Number of Employees

	2016	2015
Employees as at June 30,	3	-

Note 29
Provident Fund Related Disclosures

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

Note 30
Authorization of Consolidated Financial Statements

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

Note 31
General

Prior year balance sheet figures have been re-arranged in "current" and "non-current" classification as the Group has prepared the current financial statements on going concern basis.

CHIEF EXECUTIVE **DIRECTOR**

F. D Registrar Services (SMC-Pvt) Limited
Service Fabrics Limited
Pattern Of Share Holding - Form "34"
Shareholders Statistics As At June 30, 2016

Number Of Share Holders	Share Holding From		To	Total Shares Held
703	1	-	100	54,628
2145	101	-	500	851,429
366	501	-	1,000	296,485
480	1,001	-	5,000	1,132,908
95	5,001	-	10,000	830,062
36	10,001	-	15,000	492,215
17	15,001	-	20,000	319,704
15	20,001	-	25,000	405,599
15	25,001	-	30,000	146,124
5	30,001	-	35,000	102,297
2	35,001	-	40,000	73,700
1	40,001	-	45,000	45,000
2	45,001	-	50,000	96,573
1	50,001	-	55,000	52,500
1	70,001	-	75,000	74,500
1	90,001	-	95,000	90,800
3	95,001	-	100,000	296,802
1	145,001	-	150,000	149,017
1	160,001	-	165,000	165,000
1	175,001		180,000	175,060
1	185,001		190,000	189,400
1	210,001		215,000	211,140
1	215,001		220,000	216,432
2	235,001		240,000	478,880
2	260,001		265,000	523,770
1	300,001	-	305,000	300,284
1	325,001		330,000	330,000
1	350,001		355,000	351,500
1	455,001	-	460,000	450,000
1	555,001		560,000	557,000
1	595,000		600,000	600,000
1	685,001		690,000	687,504
1	690,001		695,000	693,000
1	740,001		745,000	741,698
1	1,080,001		1,085,000	1,083,941
1	2,485,001	-	2,490,000	2,489,848
3,909				**15,754,800**

S. No.	Categories Of Shareholders	Number Of Share Holders	Total Shares Held	Percentage
1	Individuals	3881	8,466,400	53.74
2	Financial Institutions	4	2,694,348	17.10
3	Investment Companies	4	1,676,879	10.64
4	Joint Stock Companies	12	2,542,194	16.14
5	Insurance Company	2	220,590	1.40
6	Modaraba	5	125,600	0.80
7	Mutual Fund	1	28,789	0.18
		3,909	**15,754,800**	**100.00**

Service Fabrics Limited
Details Of Pattern Of Shareholdings As On June 30, 2016

S. No.	Categories Shareholders	Shares Held	% Age
1	**Directors, CEO, Their Spouses And Minor Childern**	**712,903**	**4.52**
1	Ms. Mudassara Aurangzeb	261,635	
2	Mr. Aurangzeb Noor	262,135	
3	Mr. Azmat Akbar	149,017	
4	Mr. Irfan Noor	19,500	
5	Ms. Sarah Anjum	18,392	
6	Mr. Ali Anwar	1,724	
7	Mr. Muhammad Waqas	500	
5	**Individuals**	**7,753,497**	**49.21**
7	**Banks, DFIS. NBFIS, Insurance Companies, Modarabas Joint Stock Companies, Mutual Funds And Others**	**7,288,400**	**46.26**
	Total	**15,754,800**	**100.00**
Shareholders Holding Five Percent Or More In The Company			
	M/s. National Bank Of Pakistan	2,489,848	15.80
	M/s. Noor Capital (Private) Limited	1,183,885	7.51
	M/s. Hk Securities (Pvt) Ltd.	1,083,941	6.88
	M/s. Drekkar Kingsway Limited	921,698	5.85

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 _____ 2015.

WITHNESS

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