



SG ALLIED BUSINESSES LIMITED

*ANNUAL REPORT
JUNE 30, 2018*





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2018

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mst. Zubaida Khatoon	Chairperson
Mr. Sohail Ahmed	Chief Executive
Mr. Asim Ahmed	Director
Mrs. Ghazala Shahid	Director
Mrs. Tania Asim	Director
Mr. Hidayat Ali Shar	Director (Nominated by NBP)
Mr. M. Khurram Khawaja	Director (Nominated by NBP)

AUDIT COMMITTEE

Mr. Sohail Ahmed	Chief Executive
Mr. Asim Ahmed	Director
Mrs. Ghazala Shahid	Director

HR AND REMUNERATION COMMITTEE

Mr. Asim Ahmed	Director
Mrs. Ghazala Shahid	Director
Mrs. Tania Asim	Director

CHIEF FINANCIAL OFFICER

Mr. Muhammad Hasan

COMPANY SECRETARY

Mr. Adnan Ahmed

AUDITORS

Muniff Ziauddin & Co.
Chartered Accountants

LEGAL ADVISOR

M.J. Panny Associate
Mohsin Tayab & Co.

BANKERS

Summit Bank Limited
Bank Islami Limited

SHARES REGISTRAR

M/S F.D. Registrar
Services (SMC-Pvt.) Limited,
Office# 1705, 17th Floor,
Saima Trade Tower
'A', I.I. Chundrigar Road, Karachi.

REGISTERED OFFICE

B-40 S.I.T.E., Karachi.



Review Report by the Chairman on Board's overall

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the "Board") of SG Allied Businesses Limited (the "Company") is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed.

The Board has recently completed its annual self-evaluation for the year ended June 30, 2018 and I report that:

The overall performance of the Board measured on the basis of approved criteria for the year was satisfactory. The overall assessment as Satisfactory is based on an evaluation of the following integral components, which have a direct bearing on Board's role in achievement of Company's objectives:

1. Vision, mission and values: Board members are familiar with the current vision, mission and values and support them. The Board revisits the mission and vision statement from time to time.
2. Engagement in strategic planning: Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Further Board sets annual goals and targets for the management in all major performance areas.
3. Diligence: The Board members diligently performed their duties and thoroughly reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear and succinct agendas and supporting written material in sufficient time prior to board and committee meetings. The board met frequently enough to adequately discharge its responsibilities.
4. Monitoring of organization's business activities: The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate direction and oversight on a timely basis.
5. Diversity and Mix: The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors. The non-executive and independent directors were equally involved in important board decisions.
6. Governance and Control Environment: The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.

Karachi dated 7 October 2018.

Mst. Zubaida Khatoon
Chairperson



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 50th Annual General Meeting of the members of M/s SG Allied Business Limited will be held on Saturday October 27, 2018 at 9:30 AM at Company Registered Office at B-40, S.I.T.E., Karachi to transact the following business:

1. To confirm the minutes of 49th Annual General Meeting held on October 28, 2017.
2. To receive, consider and adopt audited annual accounts of the company for the year ended June 30, 2018 together with the Directors' and Auditors' report thereon.
3. To appoint auditors for the year 2018-19 and fix their remunerations.
4. To transact any other business with the permission of the Chair.

Karachi: October 07, 2018

By Order of the Board

Adnan Ahmed Siddiqui
(Company Secretary)

Notes:

1. The shares Transfer Books of the Company will remain closed from October 23, 2018 to October 27, 2018 (both days inclusive) for the purpose of the Annual General Meeting.
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy from the Company. Proxies in order to be effective must reach at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Members are requested to notify change in their mailing address, if any, immediately to the Share Registrar of the Company M/S F.D. Registrar Services (SMC-Private) Limited, Office No. 1705, 17th Floor, Saima Trade Tower, I.I. Chundrigar Road, Karachi.
4. Members, who have deposited their shares with the Central Depository Company of Pakistan Ltd. (CDC), are requested to bring their original Computerized National Identity Cards along with their account numbers in CDC for verification at the time of the meeting.
5. CDC account holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.



SG Allied Businesses Limited

DIRECTORS' REPORT

The Board of Directors of SG Allied Businesses Limited (SGABL) is pleased to present the 50th Annual Report and Audited Financial Statements of the Company together with Auditor's Report for the year ended 30th June 2018.

The Auditors have issued a qualified report. The directors would like to comment on the qualifications as under:

- i) The Company owes Rs. 157.03 million as at June 30, 2018 as mentioned in note 14, 15 and 16 to the financial statements to the associated company, S.G. Power Limited. Mark-up of Rs. 10.654 million provided by the management on the above amount as per direction of the SECP in earlier financial years could not be verified due to non-availability of proper working of the same. Further no mark-up has been provided in the current financial year against the above-mentioned outstanding liability.
- ii) The interest free long term loan from directors amounting to Rs. 181.2 million (2017: Rs. 196.569 million) is being shown at historical cost in contravention with the requirements of IAS-39 which require the same to be recorded at fair value or amortised cost as appropriate with an impact on income through profit and loss account. However, due to business condition for the last many years and adverse financial health of the Company, it had no option but to value the directors' loans at historical costs. As such it has not been found possible to comply with requirements of IAS-39.
- iii) The factory had remained closed for the last many years and there are no short-term and long-term employees in employment. The Company has not complied with the requirements of IAS 19 - Employee Benefits as the related liabilities were not revalued during the year.

Further, the auditors have given an observation regarding the existence of material uncertainty regarding Company's ability to continue as a going concern. The Company has made a loss before tax of Rs. 6.14 million (2017: 21.6 million) during the year and accumulated loss as at June 30, 2018 stood at Rs. 758.6 million (2017: 6.2 million). These conditions indicate the existence of a material uncertainty that casts significant doubt on Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Since last year, the Company has diversified its line of businesses from the production of polyester filament yarn to other line of businesses, as the filament yarn industry is still in crises. Further, the management of the Company has taken initiatives for the revival of the Company and developed new diversified business strategy, henceforth, the Company has extended its business activities after getting itself restyled as SG Allied Businesses Limited on 24th August, 2017. Primarily, the Company started the activities of cold storage facility and dealing in various agriculture produces.



FINANCIAL RESULTS

The performance of your Company during the year under review has been on track of recovery due to the factors as mentioned above. The Company has earned a total comprehensive income of Rs. 7.69 million for the year, however the accumulated loss as at June 30, 2018 stood at Rs.758.5 million as compared to Rs.766.2 million for the previous year.

Following are the financial results for the year ended June 30, 2018:

Sales	4,167,790
Cost of Sales	(532,296)
Gross Profit	3,635,495
Admin & Selling Expenses	(40,197,381)
Other Income	30,426,157
Financial charges	(3,320)
Loss before taxation	(6,139,048)
Loss after taxation	(5,597,909)

FUTURE OUTLOOK

Subsequent to the balance sheet date, the management of the Company pursuing its new diversified business strategy, henceforth, the Company has been extending its business activities. The Company itself restyled as SG Allied Businesses Limited on 24th August, 2017. Primarily, the Company started the activities of cold storage facility and dealing in various agriculture produces. Company submitted revival plan to SECP in which various new lines of businesses were planned and Alhamdulillah out of planned new lines of businesses first cold store came in operation in April, 2017. Construction of phase 2 of cold store facility started in May, 2018.

The Company has invested in Pilot Project of Vertical Farming, which is first of its kind in Pakistan. The main concept is to grow healthy vegetables throughout the year which are pesticide free, in controlled environment.

The technology to grow indoors under LED Lights is not available in Pakistan and European and technology suppliers offer this technology at a very high price. Therefore in the Pilot Facility, Company developed its own knowhow and Alhamdulillah within a period of Six months, was able to get satisfactory product which are marketable and profitable.

The Company will Inshaa Allah expand in areas mentioned in revival plan, which are cold storage, Vertical farm, Rooftop farming in controlled environment.



Vertical Farm of Herbs and Vegetables



Vertical Farm Setup



Cold Storage Pictures



COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In accordance with the requirement of the Code of Corporate Governance Regulation 2017 of Securities and Exchange Commission of Pakistan, the Directors hereby confirm that:

- The financial Statements for the year ended June 30, 2018 prepared by the management represent fairly its state of affairs, the results of its operation, cash flow and change in equity.
- Proper books of accounts of the Company have been maintained.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The Company is in the process of implementing internal control.
- There has been no material departure from the best practice of Code of Corporate Governance as detailed in the listing regulations.
- The Directors, Chief Executive and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.
- Compliance of Code of Corporate Governance is annexed.
- Certain non-compliances mentioned in the Auditors' Review Report are due to the fact that the Company is in the process of revamping its business process and certain compliances remained unadhered as at the year end.

The Board held four meetings during the year. The attendance by each Director was as follows:

<u>Name of Director</u>	<u>No. of meeting attended</u>
Mst. Zubaida Khatoon	3
Mrs. Ghazala Ahmed	2
Mrs. Tania Asim	3
Mr. Sohail Ahmed	4
Mr. Asim Ahmed	3
Mr. Hidayet Ali Shar	-
Mr. M. Khurram Khawaja	-

Provision of absence was granted to directors who could not attend some of the Board meetings.



AUDITORS

The present Auditors M/S Muniff Ziauddin & Co., Chartered Accountants, retires and being eligible, offers themselves for re-appointment. Audit Committee recommended for their re-appointment for the year ending June 30, 2019.

AUDIT COMMITTEE

The meetings of Audit Committee were held during the year ended June 30, 2018 as required by Code of Corporate Governance for review of Quarterly/Half Yearly, Annual Account and the related matters. The meetings were also attended by the External Auditors as and when required.

The composition of the Committee is as follows:-

Mr. Sohail Ahmed	Chairman
Mr. Asim Ahmed	Member
Mrs. Ghazala Ahmed	Member

ACKNOWLEDGEMENT

Members of your Company offer their sincere gratitude to the shareholders, institutions for their support and assistance.

SHARE HOLDINGS PATTERN

The Pattern of Shareholding as on June 30, 2018 is annexed.

On behalf of the
Board of Directors

Karachi 7, October , 2018

Sohail Ahmed
Chief Executive

ایس جی الائیٹڈ بزنسز لمیٹڈ

ڈائریکٹرز کی رپورٹ

ایس جی الائیٹڈ بزنسز لمیٹڈ (SGABL) کے بورڈ آف ڈائریکٹرز 30 جون 2018 کو اختتام پذیر ہونے والے سال کے لئے کمپنی کی 50 ویں سالانہ رپورٹ اور آڈٹ شدہ گوشواروں کے ساتھ آڈیٹرز کی رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

آڈیٹرز نے ایک سند یافتہ رپورٹ جاری کی ہے۔ ڈائریکٹرز ان صلاحیتوں پر تبصرہ کرنا پسند کریں گے جو کہ درج ذیل ہے۔

(i) 30 جون 2018 کو کمپنی 157.03 ملین روپے کی مالک ہے جیسا کہ شریک کمپنی کے مالی گوشواروں کے نوٹ 14، 15 اور 16 میں بیان کیا گیا ہے۔ ایس جی پاور لمیٹڈ کا 10.654 ملین روپے کا مارک۔ اپ کی مذکورہ بالا رقم SECP کی ہدایت کے مطابق مینجمنٹ کی جانب سے فراہم کی گئی تھی جس کی تصدیق باقاعدہ کام کی عدم دستیابی کی وجہ سے نہ ہو سکی۔ مزید یہ کہ اوپر بیان کردہ واجب الادا ذمہ داری کے خلاف موجودہ مالی سال میں کوئی مارک۔ اپ فراہم نہیں کیا گیا۔

(ii) ڈائریکٹرز سے سود سے پاک طویل المعیاد قرض کی رقم 181.2 ملین روپے (2017: 196.569 ملین روپے) IAS-39 کی ضروریات سے خلاف ورزی میں تاریخی قیمت (لاگت) پر دکھایا گیا ہے۔ اور اسے عمدہ قیمت یا دوبارہ ادائیگی پر ریکارڈ کرنے کی ضرورت ہے۔ جیسا کہ آمدنی پر مناسب اثر کے ذریعے نفع اور نقصان کا اکاؤنٹ۔ چنانچہ پچھلے کئی سالوں کے لئے کاروباری حالات اور کمپنی کے خراب مالی حالت کی وجہ سے یہ کوئی اختیار نہیں رکھتا لیکن ڈائریکٹرز کے قرضہ جات کی قیمت تاریخی لاگتوں پر ہے۔ جیسا کہ یہ ممکن نہیں پایا گیا ہے کہ IAS-39 کی ضروریات کی تعمیل کی جائے۔

(iii) فیکٹری پچھلے کئی سال سے بند رہی اور یہاں ملازمت میں کوئی مختصر المعیاد یا طویل المعیاد ملازمین نہیں ہیں۔ کمپنی نے IAS 19 کی ضروریات کی تعمیل نہیں کی۔ ملازم کے مفادات جیسا کہ ذمہ داریوں سے متعلق ہیں سال کے دوران دوبارہ تشخیص نہیں کی گئی تھی۔

مزید یہ کہ آڈیٹرز نے کمپنی کی صلاحیت کے سلسلے میں موجودہ میٹریل کی غیر یقینی کیفیت سے متعلق مشاہدہ پیش کیا ہے جیسا کہ تشویش جاری ہے۔ کمپنی کو سال کے دوران ٹیکس سے پہلے 6.14 ملین روپے (2017: 21.6 ملین روپے) کا نقصان ہوا اور 30 جون 2018 کو جمع شدہ (مجموعی) نقصان 758.6 ملین روپے (2017: 766.2 ملین روپے) رہا۔ یہ حالات میٹریل کی غیر یقینی کیفیت کی موجودگی کو ظاہر کرتی ہے جو کمپنی کی صلاحیت پر نمایاں شک پیدا کر سکتی ہے جیسا کہ تشویش جاری ہے۔ لہذا یہ اپنے اثاثہ جات پر انحصار کرنے قابل نہیں ہوں گے کہ بزنس عام حالات میں اپنی ذمہ داریاں انجام دے۔ جیسا کہ پچھلے سال کمپنی نے اپنی بزنسز کی لائن پولیٹر فیلامنٹ یارن کی پروڈکشن سے بزنسز کی دیگر لائن میں تبدیلی کیا۔ جیسا کہ فیلامنٹ یارن انڈسٹری اب بھی بحران کا شکار

ہے۔ مزید یہ کہ کمپنی کی مینجمنٹ نے کمپنی کی تجدید کے لئے اقدام اٹھائے ہیں اور مختلف قسم کے نئے کاروباری لائحہ عمل ترتیب دیئے ہیں۔ اب کمپنی نے 24 اگست 2017 سے اپنے آپ کو نئے طرز بحیثیت SG لائیڈ بزنس لمیٹڈ اپنی کاروباری سرگرمیوں میں وسعت دی ہے۔ ابتدائی طور پر کمپنی نے کولڈ اسٹوریج فیسیلیٹی کی سرگرمیوں کا آغاز کیا ہے اور مختلف زرعی پروڈیوسرز میں ڈیل کر رہی ہے۔

مالیاتی نتائج

سال کے دوران جائزہ کے تحت آپ کی کمپنی کی کارکردگی اوپر بیان کردہ عوامل کی وجہ سے ریکوری کے سراغ میں رہی۔ کمپنی نے سال کے لئے 7.69 ملین روپے کی مجموعی آمدنی کمائی، مگر 30 جون 2018 کو مجموعی نقصان پچھلے سال کے 776.2 ملین روپے کے مقابلے میں 758.5 ملین روپے رہا۔

30 جون 2018 کو ختم ہونے والے سال کے لئے مالی نتائج درج ذیل ہیں۔

سیلز	4,167,790
سیلز کی لاگت	(532,296)
مجموعی نفع	3,635,495
ایڈمن اور سیلنگ اخراجات	(40,197,381)
دیگر آمدنیاں	30,426,157
فنانشل چارجز	(3,320)
ٹیکس سے پہلے نقصان	(6,139,048)
ٹیکس کے بعد نقصان	(5,597,909)

مستقبل کا منظر

بیلنس شیٹ ڈیٹ کے بعد کمپنی کی مینجمنٹ اپنے مختلف نئے کاروباری لائحہ عمل پر عمل پیرا ہے۔ اب کمپنی نے 24 اگست 2017 سے اپنے آپ کو نئے طرز بحیثیت SG لائیڈ بزنس لمیٹڈ اپنی کاروباری سرگرمیوں میں وسعت دی ہے۔ ابتدائی طور پر کمپنی نے کولڈ اسٹوریج فیسیلیٹی کی سرگرمیوں کا آغاز کیا ہے اور مختلف زرعی پروڈیوسرز میں ڈیل کر رہی ہے۔ کمپنی نے SECP کو تجدیدی پلان پیش کیا جس میں مختلف اقسام کے نئے کاروباری لائسنز دیئے گئے تھے۔ الحمد للہ بزنسز کے نئے لائسنس کی منصوبہ بندی سے پہلے کولڈ اسٹوریج

نے اپریل 2017 سے کام کرنا شروع کیا۔ کولڈ اسٹوریج فیسیلیٹی کے دوسرے مرحلہ کی تعمیر مئی 2018 میں شروع ہوئی۔

کمپنی نے ورٹیکل فارمنگ کے پائلٹ پروجیکٹ میں بھی سرمایہ کاری کی جو پاکستان میں اپنی قسم کا پہلا ادارہ ہے اور اہم نظریہ ہے کہ پورے سال صحت مند سبزیاں پیدا کی جائیں جو پابند ماحول میں جراثیم سے پاک ہوں۔

LED لائٹس کے تحت انڈور پیداوار کے لئے ٹیکنالوجی پاکستان اور یورپی ممالک میں دستیاب نہیں ہے اور جاپانی ٹیکنالوجی سپلائرز اس ٹیکنالوجی کی پیش کش بہت زیادہ قیمت پر کر رہے ہیں۔ لہذا پائلٹ فیسیلیٹی میں کمپنی نے خود اپنا knowhow ترتیب دیا ہے اور الحمد للہ چھ مہینوں کی مدت میں تسلی بخش پروڈکٹ تیار کرنے کے قابل تھے جو کہ قابل فروخت اور قابل منافع ہیں۔

مستقبل میں انشاء اللہ تجدیدی پلان میں بیان کردہ ایریاز میں وسعت دیں گے۔ جو پابند ماحول میں کولڈ اسٹوریج، ورٹیکل فارم، روف ٹاپ فارم ہیں۔

ورٹیکل فارم پکچرز

کولڈ اسٹوریج پکچرز

کارپوریٹ گورننس کے کوڈ کی تعمیل

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کارپوریٹ گورننس ریگولیشن 2017 کے کوڈ کی ضرورت کی مطابقت میں ڈائریکٹرز یہاں تصدیق کرتے ہیں کہ

☆ منجمنٹ کی جانب سے 30 جون 2018 کو ختم ہونے والے سال کے لئے بنائے مالی گوشوارے اس کے امور کی حالت، اسکے آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو عمدگی سے پیش کیا گیا ہے۔

☆ کمپنی کے اکاؤنٹس کی باقاعدہ کتابیں میٹین کی گئی ہیں۔

☆ مالی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز پر عمل کیا گیا ہے۔

☆ مالی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیز کا سختی سے استعمال کیا گیا ہے اور اکاؤنٹنگ اسٹیٹمنٹس کا انحصار مناسب

اور محتاط فیصلہ پر ہے۔

☆ کمپنی انٹرنل کنٹرول کے نفاذ کے عمل میں ہے۔

☆ یہاں کارپوریٹ گورننس کے کوڈ کی بہترین پریکٹس سے کوئی مادی رخصت نہیں ہے جیسا کہ لسٹنگ ریگولیشنز میں بتایا گیا

- ہے۔
- ☆ سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو اور ان بیویوں اور چھوٹے بچوں نے کمپنی کے شیئرز میں کوئی ٹرانزیکشن نہیں کی۔
 - ☆ کوڈ آف کارپوریٹ گورننس کی تعمیل منسلک ہے۔
 - ☆ آڈیٹرز کی جائزہ رپورٹ میں بعض عدم تعمیل بیان کی گئی ہے جو اس حقیقت کی وجہ سے ہے کہ اپنے بزنس پروسیس کو بحال کرنے کے عمل میں ہے اور بعض تعمیلات اس سال ختم ہونے پر غیر تعمیل شدہ ہیں۔

سال کے دوران بورڈ کے چھ اجلاس منعقد ہوئے

اجلاس میں شرکت کی تعداد	ڈائریکٹر کے نام
3	مسماۃ زبیدہ خاتون
2	مسز غزالیہ احمد
3	مسز تانیہ عامم
4	جناب سہیل احمد
3	جناب عامم احمد
--	جناب ہدایت علی سحر
--	جناب ایم خرم خواجہ

ڈائریکٹرز کے لئے غیر حاضری کی رخصت منظور کی گئی تھی جو بورڈ کے بعض اجلاس میں شرکت نہ کر سکے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز مؤلف ضیاء الدین اینڈ کوچارٹرز اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور خود کو دوبارہ تقرری کے لئے پیش کیا ہے آڈٹ کمیٹی نے باصلاحیت ہونے کی وجہ سے انہیں 30 جون 2019 کو ختم ہونے والے سال کے لئے دوبارہ تقرری کی سفارش کی ہے۔

آڈٹ کمیٹی

30 جون 2018 کو ختم ہونے والے سال کے دوران آڈٹ کمیٹی کے اجلاس منعقد ہوئے تھے جیسا کہ سہ ماہی/ششماہی، سالانہ اکاؤنٹس اور متعلقہ معاملات کے جائزہ کے لئے کوڈ آف کارپوریٹ گورننس کی جانب سے ضروری ہے، جب اور جیسے ضروری ہوا

اجلاس میں ایکسٹرنل آڈیٹرز کی جانب سے بھی شرکت کی گئی تھی۔

کمپنی کی ساخت درج ذیل ہے۔

چیئر مین

جناب سہیل احمد

ممبر

جناب عاصم احمد

ممبر

مسز غزالہ احمد

اعتراف

آپ کی کمپنی کے ڈائریکٹرز شیئر ہولڈرز، اداروں کو ان کی مدد اور معاونت کے لئے اپنے مخلصانہ شکر یہ پیش کرتے ہیں۔

شیئر ہولڈنگ کا طریقہ کار

30 جون 2018 پر شیئر ہولڈنگ کا طریقہ منسلک ہے۔

بورڈ آف ڈائریکٹرز کے توسط سے

کراچی۔ 17 اکتوبر 2018

سہیل احمد

چیف ایگزیکٹو



VISION STATEMENT

To be nationally & internationally recognized as trendsetter of polyester filament yarn. Producing and introducing new varieties of highly value added Products to our customers both in Pakistan & abroad.

MISSION STATEMENT

Our mission is to exceed the expectations of our customers in producing highest quality product.

With determination of greater returns to shareholders and good opportunities to employees. To make the company a high flyer of all times.

CORPORATE OBJECTIVES & DEVELOPMENT STRATEGY

From the beginning we have been producing exceptionally high quality products. Every time we introduced new varieties in the market which was followed by others later on.

Alhamdulillah we become the only exporter of polyester filament yarn from Pakistan. We wish to strive continuously to achieve higher levels of excellence by employing most Modern manufacturing technology Operational & Financial Management. To extend our maximum contribution to our beloved Country in almost all possible Fields specially to National exchequer.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE ON TRANSFER PRICING

The Company has fully complied with the best practice on Transfer Pricing as contained in the regulation No. 38 of the Karachi Stock Exchange (G) Limited.

On behalf of the Board of Directors

Sohail Ahmed
(Chief Executive)



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

SG Allied Businesses Limited
For the year ended June 30, 2018

•lied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

- a. Male - Four
- b. Female - Three

2. The composition of board is as follows:

Category	Names
Independent Director	Mr. Hidayat Ali Shar
	Mr. Khurram Khawaja
Executive Director	Mr. Sohail Ahmed
	Mr. Asim Ahmed
Non-Executive Director	Mrs. Ghazala Shahid
	Mrs. Tania Asim
	Mst. Zubaida Khatoon

•of them is serving as a director on more than five listed companies, •ted subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of •nduct and has ensured that appropriate steps have been taken to •ut the company along with its supporting policies and procedures.

tatement, overall corporate strategy and significant policies of •ulars of significant policies along with the dates on which they were approved or amended has been maintained.

• duly exercised and decisions on relevant matters have been taken by •owered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by •rd has complied with the requirements of Act and the Regulations with • frequency, recording and circulating minutes of meeting of board.

8. The bo •.l policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The directors •atory certificate of directors training program from the institute specified by the SECP.

10. The board has approved appointment of CFO and Company Secretary, including their remuneration and •loyment and complied with relevant requirements of the Regulations.



11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

- Mr. Sohail Ahmed (Chairman)
- Mr. Asim Ahmed (Member)
- Mrs. Ghazala Shahid (Member)

b) HR and Remuneration Committee

- Mr. Asim Ahmed (Chairman)
- Mrs. Ghazala Shahid (Member)
- Mrs. Tania Asim (Member)

said committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

- a) Audit Committee: Quarterly
- b) HR and Remuneration Committee: Biannually

15. Setting up an effective internal audit function, as the operations of the company are being revived.

any have confirmed that they have been given a satisfactory rating under the quality of the ICAP and registered with Audit Oversight Board of Pakistan, 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.

persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and they have confirmed that they have observed IFAC guidelines in this regard.

at all other requirements of the Regulations have been complied with.

ZUBAIDA KHATOON
Chairman



TO THE MEMBERS OF S.G ALLIED BUSINESSES LIMITED

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **S.G Allied Businesses Limited (the Company)** for the year ended **June 30, 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

Note reference Description

10 The Company has not yet appointed Head of internal Audit.

12 Audit Committee:

The chairman of the Audit Committee is not an independent director. Moreover two of three members are executive directors in contravention to the requirement of regulation 28 of the Regulations.

HR and Remuneration Committee:

There is no independent director in the HR and Remuneration Committee.

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 Regulations as applicable to the Company for the year ended June 30, 2018.

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

Note reference Description

9 The directors have not acquired the mandatory certificate of directors training program from the institute specified by the SECP.

15 The board is in the process of setting up an effective internal audit function, as the operations of the company are being revived.

Karachi 7, October, 2018

CHARTERED ACCOUNTANTS
(Sohail Saleem)



Independent Auditors' Report to the Members of SG ALLIED BUSINESSES LIMITED

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the annexed financial statements of **SG ALLIED BUSINESSES LIMITED** (the Company), which comprise the statement of financial position as at **30 June 2018**, and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, except for the matters described in paragraphs (1) to (3) below in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the loss, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

1. The Company owes Rs. 157.03 million as at June 30, 2018 as mentioned in note 14, 15 and 16 to the financial statements to the associated company, S.G. Power Limited. Mark-up of Rs. 10.654 million provided by the management on the above amount as per direction of the SECP in earlier financial years could not be verified due to non-availability of proper working of the same. Further no mark-up has been provided in the current financial year against the above-mentioned outstanding liability.
2. The interest free long term loan from directors amounting to Rs. 181.2 million (2017: Rs. 196.569 million) is being shown at historical cost in contravention with the requirements of IAS-39 which require the same to be recorded at fair value or amortised cost as appropriate with an impact on income through profit and loss account, the amount of which has not been determined by the company.
3. As disclosed in note 12.1 to the financial statements, the Company has not complied with the requirements of IAS 19 - Employee Benefits as the related liabilities were not revalued during the year.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty relating to Going Concern

Without qualifying our opinion, we draw attention to note 1.2 in the financial statements, which indicates that the Company has suffered a loss of Rs. 6.14 million before tax during the year and the accumulated loss as at June 30, 2018 stood at Rs. 758.6 million. This condition indicates the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described on the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>1. Preparation of financial statements under Companies Act, 2017</p> <p>As referred to in note 3.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3.1 to the accompanying financial statements. Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 4.20 to the accompanying financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</p> <p>In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 4.20 to the accompanying financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company.</p>



<p>2. Contingencies</p> <p>The Company is subject to material litigations involving different courts pertaining to taxation and other matters, which requires management to make assessment and judgements with respect to likelihood and impact of such litigations. Management have engaged independent legal counsel on these matters.</p> <p>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>The details of contingencies along with management's assessment and the related provisions are disclosed in note 17 to the financial statements.</p>	<p>In response to this matter, our audit procedures included:</p> <p>Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances.</p> <p>Obtaining independent opinion of legal advisors dealing with such cases in the form confirmations. We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.</p> <p>The disclosures of legal exposures and provisions were assessed for completeness and accuracy.</p>
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Information other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include in the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Sohail Saleem.

Karachi 7, October, 2018

Chartered Accountants



SG ALLIED BUSINESSES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	NOTE	2018 RUPEES	Restated 2017 RUPEES	Restated 2016 RUPEES
NON-CURRENT ASSETS				
Property, plant and equipment	5	470,260,124	479,918,884	584,934,845
Investment property	6	80,961,419	89,957,133	-
Long term deposits	7	95,714	95,714	95,714
CURRENT ASSETS				
Loans, advances, prepayments and other receivables	8	8,579,130	7,918,012	38,891,612
Cash and bank balances	9	17,687,444	16,970,298	8,090,740
		26,266,574	24,888,310	46,982,353
		<u>577,583,831</u>	<u>594,860,040</u>	<u>632,012,913</u>
SHARE CAPITAL AND RESERVES				
Authorized share capital 15,000,000 Ordinary Shares of Rs. 10 each		150,000,000	150,000,000	150,000,000
Issued, subscribed and paid-up capital	10	150,000,000	150,000,000	150,000,000
Share premium		337,400,000	337,400,000	337,400,000
Accumulated loss		(758,589,517)	(766,277,423)	(760,013,467)
Revaluation surplus on fixed assets	11	418,497,344	429,885,187	442,327,459
		147,307,827	151,007,763	169,713,992
NON-CURRENT LIABILITIES				
Deferred liabilities	12	62,347,503	69,939,398	78,585,723
Loan from directors	13	168,098,470	196,569,064	197,494,064
		230,445,973	266,508,462	276,079,787
CURRENT LIABILITIES				
Creditors, accrued and other liabilities	14	93,666,902	89,438,072	104,023,094
Interest on short term and long term loan	15	10,654,243	10,654,243	10,654,243
Current portion of long term loan	16	71,422,097	71,422,097	71,422,097
Current maturity of loan from directors	13	13,104,604	-	-
Provision for taxation		10,982,185	5,829,403	119,700
		199,830,031	177,343,815	186,219,134
CONTINGENCIES AND COMMITMENT	17	<u>577,583,831</u>	<u>594,860,040</u>	<u>632,012,913</u>

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

Chief Executive	Director	Chief Financial Officer
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**SG ALLIED BUSINESSES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	NOTE	2018 RUPEES	Restated 2017 RUPEES
Sales & services	18	4,167,790	574,604
Cost of sales	19	(532,296)	(367,975)
Gross profit		3,635,495	206,629
Administrative and selling expenses	20	(40,197,381)	(68,017,416)
Operating loss		(36,561,886)	(67,810,787)
Other income	21	30,426,157	46,173,938
		(6,135,729)	(21,636,849)
Financial charges	22	(3,320)	(6,000)
Loss before taxation		(6,139,048)	(21,642,849)
Taxation	23	541,139	827,762
Loss after taxation		(5,597,909)	(20,815,087)
Other comprehensive income			
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax		13,285,816	14,551,132
Total comprehensive income / (loss)		7,687,907	(6,263,955)
Earning / (loss) per share - basic and diluted	24	0.51	(1.28)

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

Chief Executive	Director	Chief Financial Officer
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SG ALLIED BUSINESSES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	RUPEES	RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(6,139,048)	(21,642,849)
Adjustment for:		
-Depreciation	19,460,070	21,410,960
-Gain on sale of fixed assets	-	(23,658,818)
-Provision for non-refundable of income tax	-	9,903,094
-Provision for non-refundable of sales tax	-	21,070,506
-Finance charges	3,320	6,000
	19,463,390	28,731,742
	13,324,342	7,088,893
(Increase) / decrease in current assets		
Loans, advances, prepayments and other receivables	(661,119)	-
	(661,119)	-
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	4,228,830	(14,585,022)
Finance charges paid	(3,320)	(6,000)
Net cash generated from operating activities	16,888,733	(7,502,129)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from disposal of fixed assets	-	27,772,000
Sales proceeds of stores & spares	-	-
Capital work in progress	(805,597)	(10,465,313)
Net cash used in investing activities	(805,597)	17,306,687
CASH FLOW FROM FINANCING ACTIVITIES		
Loans from directors	(15,365,990)	(925,000)
Net cash from financing activities	(15,365,990)	(925,000)
Net increase / (decrease) in cash and cash equivalent	717,146	8,879,558
Cash and cash equivalent at the beginning of the year	16,970,298	8,090,740
Cash and cash equivalent at the end of the year	17,687,444	16,970,298

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

Chief Executive	Director	Chief Financial Officer
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SG ALLIED BUSINESSES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Capital reserve	Revaluation Surplus	Accumulated loss	Total
	-----Rupees-----				
Balance at July 1, 2016 - as previously reported	150,000,000	337,400,000	-	(760,013,467)	(272,613,467)
Impact of restatement - note 4.21	-	-	463,093,374	-	463,093,374
Correction of error - note 4.22	-	-	(20,765,915)	-	(20,765,915)
Balance at July 1, 2016 - as restated	150,000,000	337,400,000	442,327,459	(760,013,467)	169,713,992
Loss for the year ended June 30, 2017	-	-	-	(20,815,087)	(20,815,087)
Transferred from revaluation surplus on property, plant and equipments - net of tax (note 11)	-	-	(14,551,132)	14,551,132	-
Effect of change in tax rate	-	-	2,108,860	-	2,108,860
Balance as at June 30, 2017	150,000,000	337,400,000	429,885,187	(766,277,423)	151,007,763
Loss for the year ended June 30, 2018	-	-	-	(5,597,909)	(5,597,909)
Transferred from revaluation surplus on property, plant and equipments - net of tax (note 11)	-	-	(13,285,816)	13,285,816	-
Effect of change in tax rate	-	-	1,897,974	-	1,897,974
Balance as at June 30, 2018	150,000,000	337,400,000	418,497,344	(758,589,517)	147,307,827

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

Chief Executive	Director	Chief Financial Officer
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SG ALLIED BUSINESSES LIMITED (FORMERLY, S.G. FIBRE LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. STATUS OF THE COMPANY

- 1.1** The Company was incorporated in Pakistan as a public limited company and its shares are listed at Pakistan Stock Exchange. The principal activity of the Company is manufacturing of polyester filament yarn, subsequent to the year end, the Company has diversified into new business activities. The registered office and production facility of the company are situated at B-40, S.I.T.E., Karachi.

Geographical location and addresses of major business units including mills/plants of the Company are as under:

Karachi

B-40, S.I.T.E., Karachi.

Purpose

The registered office and rental purpose for cold storage and vertical farming.

- 1.2** The Company has made a loss before tax of Rs. 6.14 million (2017: 21.6 million) during the year and accumulated loss as at June 30, 2018 stood at Rs. 758.6 million (2017: 766.2 million). These conditions indicate the existence of a material uncertainty that may cast significant doubt on Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Since last year, the Company has diversified its line of businesses from the production of polyester filament yarn to other line of businesses, as the filament yarn industry is still in crises. Further, the management of the Company has taken initiatives for the revival of the Company and developed new diversified business strategy, henceforth, the Company has extended its business activities after getting itself restyled as SG Allied Businesses Limited on 24th August, 2017. Primarily, the Company started the activities of cold storage facility and dealing in various agriculture produces. Moreover, the Directors will provide the finance to the Company as and when needed.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about these significant transactions and events please refer to the Directors' report.

3 Basis of Preparation

3.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 and, provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property plant and equipment as fully explained in note 4.1(g) of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Companies Act, 2017 have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 5.2), management assessment of sufficiency of tax provision in the financial statements (refer note 23.1), and change in threshold for identification of executives (refer note 26).



3.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for measurement of held-for-trading investment which are stated at fair value.

3.3 Accrual basis of accounting

These financial statements are prepared under accrual basis of accounting except cash flow statement which is prepared under cash basis of accounting.

3.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the company's functional currency.

3.5 New standards, amendments to approved accounting standards and new interpretations

3.5.1 Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2018

The amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

3.5.2 New standards, amendments to approved accounting standards and interpretations that are effective for the company's accounting periods beginning on or after July 1, 2018

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further during the current year the Securities and Exchange Commission of Pakistan (the SECP) has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 are applicable for the Company's financial reporting period beginning on July 1, 2018 while IFRS 16 is applicable for the reporting period beginning on July 1, 2019. At present, the impacts of application of these IFRSs on the Company's future financial statements are being assessed. Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Operating Fixed Asset

- a Operating fixed assets are stated at historical cost less accumulated depreciation except lease hold land, building, plant and machinery which is stated at revalued amount less the accumulated depreciation.
- b Depreciation is charged to income applying diminishing balance method at the rates specified in note 8.
- c Depreciation is charged on assets from the month of purchase or from the month of commercial production for additions in respect of additions made during the year while proportionate depreciation is charged on assets disposed off during the year till the month of disposal.
- d Major renewals and replacement are capitalized.
- e Assets residual values, if significant and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.



- f Profit or loss on disposal of fixed asset are reflected in the Profit and Loss account.
- g The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. Accordingly, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of property plant and equipment. The above change in the accounting policy has been applied retrospectively and comparative information have been restated in accordance with the requirement of International Accounting Standard (IAS) – 16 "Property, plant and equipment" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Due to the above change in accounting policy, the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., July 01, 2016, and related notes in accordance with requirement of IAS 1 – Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of fixed assets would have been shown as a separate line item (below equity in the statement of financial position) amounting to PKR 450 million and PKR 463.09 million for the year ended 30 June 2017 and 2016 respectively.

4.2 Intangible assets

Computer software licenses acquired are capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of five years using the diminishing balance method.

4.3 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

4.4 Stores and spares

Stores and spares excluding items in transit are valued at lower of average cost or net realizable value.

Provision is made for slow moving and obsolete items. Net realizable value signifies the estimated selling price in the ordinary course of businesses less estimated cost of completion and estimated cost necessary to make the sale.

Item in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulation to the balance sheet date.

4.5 Stock-in-trade

Stock of raw and packing materials, except those in transit, and semi-processed and finished goods are valued at the lower of moving average cost and net realizable value. Average cost in relation to finished goods represent prime cost and appropriate portion of manufacturing expenses and excise duty paid thereon. Semi-processed goods are valued at direct cost only. Items in-transit are stated at cost comprising invoice values plus other charges paid thereon to the balance sheet date. Net realizable value is determine on the basis of estimated selling price of the product in the ordinary course of business less cost necessarily to be incurred for its sale.

4.6 Trade debts

These are recognized and carried at original invoice amount less an allowance for uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.7 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. For cash flow statement, cash and cash equivalents comprise cash in hand, deposit held with banks and outstanding balance of running finance facilities availed by the company.



4.8 Impairment of assets

Where indications exist that the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

4.9 Assets under finance lease

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined on the basis of the discounted value of minimum lease payments. Financial charges in respect of leases entered into are allocated in a manner so as to produce a constant periodic rate of change on the outstanding liability. Depreciation is charged to income applying the diminishing balance method at the rate stated in respective note to the financial statements.

4.10 Financial liabilities

Financial liabilities are classified according to the substances of the contractual agreement entered into. Significant financial liabilities are loans, short-term finances, running finance, deposits, creditors, accrued and other liabilities.

All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost.

4.11 Compensated absences

The company accounts for these benefits in the period in which the absences are earned.

4.12 Taxation

Current

Provision for current taxation is based on taxable income at the rate of taxation after taking into account tax credit and tax rebate available, if any, or minimum taxes, whichever is higher.

Deferred

Deferred tax is provided using liability method providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or estimating of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax asset is recognized only to the extent it is probable that future taxable profit will be available and the credits can be utilized.

4.13 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all employees. Provision is made annually based on management's estimates which are adjusted periodically to agree with actuarial estimates. The actuarial valuation is normally carried out once in every three years. Actuarial gains and losses are recognized on a straight line basis over a period of 3 years. Since the Company's operations have been shut down, there was no employee in service during the period and the amount payable to employees has been determined, there is no actuarial issue involved. The Project Unit Credit Method of valuation was used to generate actuarial values. Principal actuarial assumptions consisted of the following:

Rate of discount	9%
Expected rate of increment of salary	8%
Expected retirement age	60 years

4.14 Revenue recognition

Sales are recorded on dispatch of goods to customers. Other income is accounted for on accrual basis.



4.15 Foreign exchange translation

Transactions in foreign currencies are recorded at the rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the balance sheet date except foreign exchange forward contracts which are recorded at contractual rates.

4.16 Borrowing cost

All borrowing costs are capitalized up to the date of commissioning of the respected assets acquired out of the proceeds of such borrowing. All other borrowing costs are charged to income.

4.17 Related party transactions and transfer pricing

Transactions with related parties are stated at arm's length prices determined in accordance with the methods prescribed under the Companies Act, 2017. Administrative expenses are apportioned on cost basis whereas store and spares are sold at average.

4.18 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate

Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

4.19 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognized in the financial statements in the period in which these are approved.

4.20 Change In Accounting Policy Of Revaluation Surplus On Property, Plant And Equipment

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable to the companies, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policies relating to the revaluation surplus on property, plant and equipment. Accordingly, the accounting policies of the revaluation surplus on property, plant and equipment have been changed and applied retrospectively in these financial statements to comply with the accounting and reporting standards applicable to the Company. The changes in accounting policies had a net impact of Rs. 463.09 Millions on total equity respectively, as at July 01, 2017. The resulted impact of change in accounting policy is further explained below:

On July 01, 2017 the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS-16 are being followed by the Company. The new accounting policy is explained under note 4.1(g), above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.



In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 463.09 millions for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment of Rs. 463.09 millions, previously presented below equity in the statement of financial position, is summarised below;

4.21 Retrospective Impact of change in accounting policy

	As at July 1, 2016			As at June 30, 2017		
	As previously reported	Re-statement	As restated	As previously reported	Re-statement	As restated
 Rupees Rupees		
Effect on statement of financial position						
Surplus on revaluation of property plant and equipment	463,093,374		463,093,374	429,885,187		429,885,187
Capital Reserve		463,093,374	463,093,374		429,885,187	429,885,187
Effect on statement of changes in equity						
Surplus on revaluation of property plant and equipment		463,093,374	463,093,374		429,885,187	429,885,187

5 PROPERTY, PLANT AND EQUIPMENT
Operating fixed assets
Capital work in progress

NOTE	2018	2017
5.1 & 5.9	488,989,214	469,463,571
5.7 & 5.10	11,270,910	10,465,313
	470,260,124	479,918,884

5.1 Statement of operating fixed assets

Particulars	Cost			Rate %	Depreciation		Written-down value As at June 30, 2018
	As on July 01, 2017	Addition / (disposal)	Transferred to investment property		As at June 30, 2018	For the year / (adjustment for disposal)	
Rupees-----							
Owned assets:							
Leasehold land	363,818,485	-	-	-	-	-	363,818,485
Building on leasehold land	210,502,587	-	-	10%	113,049,027	-	87,708,204
Factory equipment	7,945,688	-	-	5%	5,330,277	-	2,484,640
Office equipment	10,270,720	-	-	10%	8,534,222	-	1,562,849
Motor vehicles	19,297,604	-	-	10%	16,563,146	-	2,461,012
Furniture and fixtures	13,035,155	-	-	20%	12,718,962	-	252,955
Trolleys and fork lifters	3,013,918	-	-	10%	2,675,829	-	304,280
OTIS lifts	4,242,562	-	-	10%	3,689,271	-	317,962
	1,196,982	-	-	10%	1,109,399	-	78,825
Total owned assets	633,323,701	-	-		163,870,131	10,464,357	458,989,214
Disposal / deletion							

5.2 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of Immovable Property	Total Area (Square feet)
a) Lease hold	B-40, SITE, Karachi Rental purpose	4,669 acres
b) Building	B-40, SITE, Karachi Rental purpose	4,669 acres

5.3 y transferred a portion of building to the investment property as 48.35% of the total space which has been leased out on rent.

5.4 Forced sale value as per the last revaluation report as of June 30, 2015

Asset class	Forced sale value
Lease hold land	209,247,500
Building	164,022,420
Total	373,269,920

5.5 Depreciation charge for the year has been allocated as follows:

Cost of sales	130,771	137,653
Administrative and selling expenses	10,333,587	21,273,307
	10,464,357	21,410,959

5.6 Disposal/ deletion of fixed assets during the year with original cost or book value:

CAPITAL WORK-IN-PROGRESS	2018		2017	
	Opening Balance	Capital expenditure Incurred during the year	Transferred to operating Fixed assets	Closing balance
Rupees-----				
CWP - COLD STORAGE	10,465,313	475,597	-	10,940,910
CWP - Vertical Farm	-	330,000	-	330,000
				11,270,910

5.8 of Executive, Director, Executive or a Shareholder not less than ten percent of the voting shares of the Company or any related party.

5.9 Statement of operating fixed assets

Particulars	Cost			Rate %	Depreciation			Written-down value As at June 30, 2017
	As on July 01, 2016	Addition / (disposal)	Revaluation Surplus / (Deficit)		As at June 30, 2017	For the year / (adjustment for disposal)	Transferred to investment property	
	Rupees				Rupees			
Owned assets:								
Leasehold land	363,818,485	-	-	-	-	-	-	363,818,485
Building on leasehold land	404,812,668	(194,310,081)	-	10%	20,823,410	(104,352,948)	113,049,027	97,453,560
Plant and machinery	24,445,688	(16,500,000)	-	5%	19,201,720	137,653	5,330,277	2,615,411
Factory equipment	21,324,720	(11,054,000)	-	10%	18,185,760	(14,009,096)	8,534,222	1,736,498
Office equipment	21,547,604	(2,250,000)	-	10%	18,384,081	(9,844,482)	16,563,146	2,734,458
Motor vehicles	13,035,155	-	-	20%	12,639,913	(1,912,287)	12,718,962	316,193
Furniture and fixtures	3,513,918	(500,000)	-	10%	3,063,216	37,565	2,675,829	338,089
Trolleys and fork lifters	4,242,562	-	-	10%	3,850,017	(424,953)	3,889,271	353,291
OTIS lifts	1,196,982	-	-	10%	1,099,667	9,731	1,109,399	87,583
Total owned assets	857,937,782	(30,304,000)	-		273,002,937	21,410,960	268,223,079	469,453,571
Disposal / deletion		(194,310,081)	-		(26,190,818)	(104,352,948)		

5.10 CAPITAL WORK-IN-PROGRESS

		2017 DURING THE YEAR	
Opening Balance	Capital expenditure incurred during the year	Transferred to operating Fixed assets	Closing balance
-	10,465,313	-	10,465,313



	NOTE	2018 RUPEES	2017 RUPEES Restated
6 INVESTMENT PROPERTY			
6.1 Reconciliation of carrying amount			
COST			
As on 1 July		194,310,081	-
Reclassification from property, plant and equipment		-	194,310,081
As at 30 June		<u>194,310,081</u>	<u>194,310,081</u>
DEPRECIATION			
As on 1 July		104,352,948	-
Reclassification from property, plant and equipment		-	104,352,948
For the year		8,995,713	-
As at 30 June		<u>113,348,661</u>	<u>104,352,948</u>
Written down value as at June 30, 2017		<u>80,961,419</u>	<u>89,957,133</u>
Rate of depreciation		<u>10%</u>	<u>10%</u>
7 LONG TERM DEPOSITS			
Security deposits		<u>95,714</u>	<u>95,714</u>
8 LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good:			
Advance to Staff		630,000	-
Advance income tax		1,831,118	-
Income tax refundable		9,903,094	9,903,094
Less: provision against income tax refundable		(9,903,094)	(9,903,094)
		<u>2,461,118</u>	<u>-</u>
Prepayments:			
Other receivables:			
Letter of guarantee		150,000	150,000
Sales tax claims receivable		21,070,506	21,070,506
Less: Provision against sales tax claims receivable		(21,070,506)	(21,070,506)
		<u>150,000</u>	<u>150,000</u>
Others	8.1	<u>9,571,471</u>	<u>9,571,471</u>
Less: Provision for irrecoverable rent		(3,600,000)	(1,800,000)
Less: Provision for doubtful debts		(3,459)	(3,459)
		<u>5,968,012</u>	<u>7,768,012</u>
		<u>6,118,012</u>	<u>7,918,012</u>
		<u>8,579,130</u>	<u>7,918,012</u>
8.1	This includes receivables from S.G. Power Limited on account of rent and utilities amounting to Rs 8.550 million. However as disclosed in note 14 ,15 and 16 a sum of Rs.157.03 million is payable to S.G Power Limited.		



	NOTE	2018 RUPEES	2017 RUPEES
9 CASH AND BANK BALANCES			
Cash in hand		60,738	30,838
Cash with banks - current account		17,626,706	16,939,460
		<u>17,687,444</u>	<u>16,970,298</u>
10 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
5,200,000 Ordinary shares of Rs. 10 each fully paid in cash		52,000,000	52,000,000
5,415,610 Ordinary shares of Rs. 10 each as fully paid bonus shares		54,156,100	54,156,100
2,384,390 Ordinary shares of Rs. 10 each as fully paid right shares		23,843,900	23,843,900
2,000,000 Ordinary shares of Rs. 10 each fully paid in cash (foreign placement)		20,000,000	20,000,000
		<u>150,000,000</u>	<u>150,000,000</u>

10.1 Shares held by the related parties of the Company

Name of the shareholders	2018 Number of shares	2018 Percentage holding	2017 Number of shares	2017 Percentage holding
Directors, CEO, & their spouse				
Mst. Zubaida Khatoon	2,614,000	17.43%	2,614,000	17.43%
Mr. Sohail Ahmed	2,614,000	17.43%	2,614,000	17.43%
Mr. Asim Ahmed	2,614,000	17.43%	2,614,000	17.43%
Mst. Ghazala Ahmed	1,306,850	8.71%	1,306,850	8.71%
Mrs. Tania Asim	500	0.003%	500	0.003%

11 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET

		Restated
Opening balance		
Balance at the beginning of the year	488,722,372	509,810,969
Surplus arisen on revaluation carried out during the year:	-	-
	<u>488,722,372</u>	<u>509,810,969</u>
Less: Transferred to unappropriated profit on account of:		
- incremental depreciation for the year	(18,979,737)	(21,088,597)
	<u>469,742,635</u>	<u>488,722,372</u>
Related deferred tax of:		
-balance at beginning of the year	58,837,185	67,483,510
-surplus arising during the year	-	-
-incremental depreciation for the year	(5,693,921)	(6,537,465)
-Effect of change in tax rate	(1,897,974)	(2,108,860)
-balance at year end	51,245,290	58,837,185
Balance at end of the year	<u>418,497,344</u>	<u>429,885,187</u>

11.1 During the financial year ended June 30, 2015 the company revalued its leasehold land and buildings on leasehold land to replace the carrying amounts of these assets with their market values / depreciated market values. The revaluation was carried-out on on June 30, 2015 by an independent valuers namely M/s. Amir Evaluators & Consultants. The appraisal surplus arisen on these revaluations aggregates to Rs. 533.242 million.



ALLARD BUSINESS LIMITED

	NOTE	2018 RUPEES	2017 RUPEES Restated
12 DEFERRED LIABILITIES			
Deferred tax liability attributable to revaluation surplus	11	51,245,290	58,837,185
Provision for gratuity	12.1	5,363,785	5,363,785
Deferred Karachi Electric Supply Corporation bill	12.2	5,738,428	5,738,428
		<u>62,347,503</u>	<u>69,939,398</u>

12.1 The break-up of amount recognized as liability in the balance sheet is as follows:

Reconciliation of the recognized liability with the last year figure is as follows:

Liability as on June 30, 2017	5,363,785	5,363,785
Provision for the year	-	-
Actuarial loss recognized during the year	-	-
Excess of book provision over transitional liability recognized	-	-
Charge for the year reported as salaries and benefits	-	-
	5,363,785	5,363,785
Benefits paid during the year	-	-
Liability as on June 30, 2018	<u>5,363,785</u>	<u>5,363,785</u>

No actuarial valuation was carried out at the year end.

12.2 This represents the difference between the expected liability of KESC bills to be finally settled and payment made by the Company for the period from Oct, 1988 to Nov, 1990 due to excess billing. The petition filed by the company was decided by the Electrical Inspector, Government of Sindh Karachi region allowing a relief of Rs.4,785,376 to the Company but decision has been appealed before the Secretary Irrigation and Power, Government of Sindh by both the parties. Judgment on appeal is still awaited and the company expects a further relief of Rs. 7,690,996.

12.3 Deductible Temporary Differences

Fixed Assets	36,752,848	42,210,542
Deferred tax assets on gratuity	(1,877,325)	(1,877,325)
	34,875,523	40,333,217
Less: Unused tax losses	(242,764,306)	(241,418,901)
Deferred tax assets	<u>(207,888,783)</u>	<u>(201,085,684)</u>

Deferred tax asset has not been recognized as management is of the view that future earnings to the extent of such asset may not be available.

13 LOAN FROM DIRECTORS

Loan from Directors	181,203,074	196,569,064
Less: Current maturity of loan from Directors	13,104,604	-
	<u>168,098,470</u>	<u>196,569,064</u>

13.1 This represents interest free loan from sponsoring directors. Repayment will be made over the period of 15 years.



	NOTE	2018 RUPEES	2017 RUPEES
14 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		1,244,066	1,244,066
Earnest money	14.1	6,089,006	189,006
Security deposit payable		9,273,615	6,455,615
Others		2,107,087	2,377,287
		18,713,774	10,265,974
Due to associated undertaking	14.2	74,953,128	79,172,098
		93,666,902	89,438,072

14.1 This represents advance received from scrap buyers.

14.2 These are unsecured and the late payment surcharge has been waived by the associated undertaking S.G. Power Limited.

15 INTEREST ON SHORT TERM AND LONG TERM LOAN

Accrued interest on long term loan payable to S.G.Power Limited		10,654,243	10,654,243
---	--	-------------------	------------

16 CURRENT PORTION OF LONG TERM LOANS

Current portion of long term loan		71,422,097	71,422,097
-----------------------------------	--	-------------------	------------

17 CONTINGENCIES AND COMMITMENTS

(i) Legal claim filed against the Company from suppliers were not acknowledged as debts amounting to Rs.0.418 million (2017: Rs. 0.418 million)

(ii) A dispute is persisting between the company and National Bank of Pakistan regarding the alleged "Buy Back Agreement" and declaration of dividend. Brief facts of the dispute are that underwriting of public floatation of the shares of the company was jointly undertaken by National Bank of Pakistan and Allied Bank of Pakistan. National Bank of Pakistan agreed to underwrite 3,851,200 shares of Rs 10 each at a premium of Rs. 48.50 per share. However the Bank insisted to impose a condition on the sponsors to enter into a "Buy Back Agreement" in respect of the share underwritten by them. Corporate Law Authority (Securities and Exchange Commission of Pakistan) desired with their letter dated September 18, 1995 to furnish an unqualified underwriting commitment without any "Buy Back Agreement" and the NBP vide its letter dated October 27, 1994 confirmed that this condition will be deleted. The Corporate Law Authority through its various letter emphasized for unconditional arrangement.

National Bank of Pakistan vide its letter No. CCD: BE 096/48 dated March 01, 1995 confirmed that they have no objection to the publication of the prospectus of the company in the newspaper also mentioning in the said letter that Bank has not made any buy back agreement with the sponsors or any other person. The prospectus of the Company published in the newspaper also contained this fact that "their underwriter has not entered any buy back/repurchase agreement with the sponsors or any other person". After public floatation, National Bank of Pakistan imposed the alleged condition of declaration of dividend at the rate of 15 to 16 percent and the undertaking from the sponsors to buy back the shares of the Company after 3 years within a period of one year was also obtained by the bank. The Company declared dividend for 1996,1997 and 1998 at 15 percent, 20 percent and 16 percent respectively. However, due to the following reason Company could not declare dividend for the year 1999:



(a) The object for public floatation was to raise funds for investment in new plants and machineries to produce high quality value added products for which a new Hot Channel Stretching plant along with other plants and machineries was imported. After completion of process of installation and commissioning, the sum of Rs.454.8 million being the cost of the plant, was capitalized which resulted in the charge of depreciation amounting to Rs.93.170 million which can be attributed as a major reason of loss of Rs.97.60 million sustained during the year 1999.

(b) Subsequent to filing of the above suit, National Bank of Pakistan also filed a Suit No. B-200 of 2000 dated October 21, 2000 in the High Court of Sindh against the company and the sponsors seeking enforcement of "Buy Back Agreement" and payment of resultant amount with profit at 18 percent per annum from the date of suit till the payment by the company and a direction that shares of the company be sold in the market and the net sale proceeds be applied towards the adjustment of the decretal amount. The sponsors are confident that they will succeed in their case in view of their sound legal position.

(c) Legal claims have been lodged by ex-employees of the company for recovery of their outstanding emoluments on account of their employment with the company under the Payment of Wages Act, West Division, Karachi u/s 15 of the PW Act, 1936.

(iii) Two appeals bearing no. K-137/2008 and K-138/2008 both dated March 18, 2008 passed by the Collector of Sales Tax and Federal Excise (Appeals) Karachi is pending before the Customs Appellate Tribunal, Bench, Karachi.

One appeal filled against the order of the Custom Appellate Tribunal before the High Court of Sind at Karachi for refund of sales tax along with additional tax that was deposited by the company under protest with Custom and Sales tax Appellate Tribunal. In this matter summons have been reserved upon the respondents and as such the service held good. the metter is pending for regular hearing.

The management is of view that the aforesaid cases involve certain law points and there is every likelihood of having a favorable verdict in these matters.

	2018 RUPEES	2017 RUPEES
18 SALES & SERVICES		
Sales	-	-
Service income from cold storage	<u>4,167,790</u>	<u>574,604</u>
	<u>4,167,790</u>	<u>574,604</u>
19 COST OF SALES		
Electricity, gas, steam and water	401,525	230,322
Depreciation expense	<u>130,771</u>	<u>137,653</u>
	<u>532,296</u>	<u>367,975</u>



	NOTE	2018 RUPEES	2017 RUPEES
20 ADMINISTRATIVE AND SELLING EXPENSES			
Directors' remuneration and amenities		2,200,000	1,800,000
Salaries, allowances and benefits		8,625,453	6,405,164
Entertainment		-	24,800
Electricity expense		1,750,000	500,000
Advertisement expense		120,350	55,025
Generator fuel		-	32,000
Generator repairment		29,000	326,000
Repairs and maintenance		1,185,429	1,834,850
Rent, rates and taxes		1,507,480	1,200,750
Depreciation expense	4	19,329,300	21,273,307
Legal and professional		3,363,935	1,078,940
Auditor's remuneration	20.1	728,000	610,600
Utilities		15,000	4,000
Printing & stationery		34,000	74,630
Conveyance		-	-
Postage and shipping		-	7,240
Telephone and fax		44,434	10,110
Travelling expenses		264,500	-
Commission expense		942,300	1,669,100
Provision against income tax claims receivable		-	9,903,094
Provision against sales tax claims receivable		-	21,070,506
Others		58,200	137,300
		40,197,381	68,017,416
20.1 Auditor's remuneration			
Audit fee		453,000	335,600
Tax consultancy services		175,000	175,000
Review fee		100,000	100,000
		728,000	610,600
21 OTHER INCOME			
Rental income		32,226,157	24,315,120
Gain on sale of fixed assets		-	23,658,818
		32,226,157	47,973,938
Less: Irrecoverable rental income from associated undertaking		(1,800,000)	(1,800,000)
		30,426,157	46,173,938
22 FINANCIAL CHARGES			
Bank charges and commission		3,320	6,000
23 TAXATION			
Current		5,152,782	5,709,703
Deferred		(5,693,921)	(6,537,465)
		(541,139)	(827,762)



23.1 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available which can be analysed as follows:

	Provision for taxation	Tax assessed (Rupees '000)	Excess / (shortage)
2017	5,709,703	4,313,185	1,396,518
2016	(119,700)	-	-
2015	-	-	-
	NOTE	2018 RUPEES	2017 RUPEES

23.2 RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING LOSS

Loss before taxation	<u>(6,139,048)</u>	<u>(20,815,087)</u>
Tax at the applicable tax rate of 30 % / 31 %	-	-
Tax on rental income at the rate of 30 % / 31 %	5,152,782	5,709,703
Effect of prior year current and deferred tax charge	<u>(5,693,921)</u>	<u>(6,537,465)</u>
	<u>(541,139)</u>	<u>(827,762)</u>

24 LOSS PER SHARE

24.1 Basic loss per share

Loss after taxation - rupees	<u>(5,597,909)</u>	<u>(19,230,530)</u>
Weighted average number of shares	<u>15,000,000</u>	<u>15,000,000</u>
Loss per share - rupees	<u>(0.37)</u>	<u>(1.28)</u>

24.2 Diluted loss per share

There is no dilution effect on the basic loss per share of the company as there are no such commitments.

25 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

The related parties comprise of the associated companies and key management personnel. Detail of transactions / balances with related parties during the year are as follows:

TRANSACTIONS:	RELATIONSHIP WITH THE COMPANY		
Repayment of loan to directors	Key management personnel	<u>15,365,990</u>	<u>925,000</u>
Payments made on behalf of S.G. Power Limited	Associated Company	<u>-</u>	<u>914,012</u>
Loan repaid to S.G. Power Limited	Associated Company	<u>4,218,970</u>	<u>3,300,000</u>
Purchase of electricity from S.G. Power Limited	Associated Company	<u>1,750,000</u>	<u>500,000</u>
Rental income from S.G. Power Limited	Associated Company	<u>1,800,000</u>	<u>1,800,000</u>
Directors' remuneration	Key management personnel	<u>1,800,000</u>	<u>1,800,000</u>

BALANCES:

Due to directors	Key management personnel	<u>181,203,074</u>	<u>196,569,064</u>
S.G. Power Limited	Associated Company	<u>74,953,128</u>	<u>79,172,098</u>



26 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Executives		
2017	2018	2017	
600,000	-	-	
-	-	-	
-	-	-	
-	-	-	
600,000	-	-	
1	-	-	

*The definition of executive has been changed as per the Companies Act, 2017. The Company has no executive as per the new definition as at the year end.

In order to improve financial position of the company, the directors of the Company have decided to forgo fees, remuneration and other perquisites.

27 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to stakeholders through the optimization of the debt and equity balance.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company finances its operations through short term borrowing, long term financing and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to, market risk, credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. Risk measured and managed by the company are explained in notes 28.1 to 28.4

28.1 Credit risk

Credit risk represents the risk of loss that would be recognized at the reporting date if counter parties failed to perform as contracted, the financial loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Out of the total financial assets of Rs. 26,266,574 million (2017: Rs. 24,888,310 million), the financial assets which are subject to credit risk amounted to Rs. 26,266,574 million (2017: Rs. 24,888,310 million)

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:



Loans, advances, prepayments and other receivables	8,579,130	7,918,012
Cash and bank balances	17,687,444	16,970,298
	<u>26,266,574</u>	<u>24,888,310</u>

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as

Bank	Rating agency	Short-term Rating	2018	2017
			----- (Rupees) -----	
Summit Bank Limited	JCR - VIS	A1	13,928,442	16,939,460
			<u>13,928,442</u>	<u>16,939,460</u>

28.2 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rate, interest rate and equity prices will affect the company's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The company has short term as well as long term rupee based loans at variable rates. Rates on short term finances

28.2.1 Exposure to currency risk

Currency risk is the risk that the financial instrument will fluctuate due to changes in foreign exchange rates. In appropriate cases, the management takes out forward contract to mitigate the risk. The Company's exposure to foreign currency risk is as follows:

The following significant exchange rates applied during the year:

	2018 Average rates	2017	2018 At balance sheet rates	2017
US Dollar to PKR	106	106	106.4	106.4

28.2.2 Interest rate risk

Interest rate risk represents the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument is NIL.

28.3 Liquidity risk

Liquidity risk is the risk that company will not be able to meet its financial obligation as they due. Management closely monitor the company's liquidity and cash flow position. Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and availability of funding to an adequate amount of committed credit facilities. The company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2018		
	-----Rupees-----		
	Carrying amount	Upto one year	After one year
Loan from directors	181,203,074	-	-
Creditors, accrued and other liabilities	93,666,902	93,666,902	89,438,072
Current portion of long term loan	71,422,097	71,422,097	71,422,097
Interest on short term and long term loan	10,654,243	-	-
	<u>356,946,316</u>	<u>165,088,999</u>	<u>160,860,169</u>



	2017		
	-----Rupees-----		
	Carrying amount	Upto one year	After one year
Loan from directors	196,569,064	-	-
Creditors, accrued and other liabilities	89,438,072	89,438,072	89,438,072
Current portion of long term loan	71,422,097	71,422,097	71,422,097
Interest on short term and long term loan	10,654,243	-	-
	<u>368,083,476</u>	<u>160,860,169</u>	<u>160,860,169</u>

29 NUMBER OF EMPLOYEES

	2018	2017
Number of employees at the year-end	<u>21</u>	<u>21</u>
Average number of employees	<u>22</u>	<u>22</u>

30 DATE OF AUTHORIZATION

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

31 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive	Director	Chief Financial Officer
-----------------	----------	-------------------------



NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

Number of Shareholders	Shareholdings		Total Shares held
	From	To	
1	101	500	500
1	785001	790000	788,800
2	1305001	1310000	2,613,000
3	2610001	2615000	7,842,800
1	3750001	3755000	3,754,900
8			15,000,000

Categories of Shareholder	Numbers	Shares held	Percentage
Directors, CEO, Their Spouses & Minor Children	5	9,150,150	61.00
Financial Institutions	2	4,543,700	30.29
Individuals	1	1,306,150	8.71
Total	8	15,000,000	100.00



NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

DETAILS OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2018

	No. of Shareholders	Shares held
Financial Institutions		
National Bank of Pakistan		3,754,900
Allied Bank of Pakistan		788,800
	2	4,543,700
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN		
Mst. Zubaida Khatoon		2,614,000
Mr. Sohail Ahmed		2,614,400
Mr. Asim Ahmed		2,614,400
Mst. Ghazala Ahmed		1,306,850
Mrs. Tania Asim		500
	5	9,150,150
Individuals	1	1,306,150
GRAND TOTAL	8	15,000,000

**Shareholders Holding 10% or More Voting Interest in the Company
As at June 30, 2018**

	Shares Held	Percentage
Directors, CEO, Their Spouse & Minor Children		
Mst. Zubaida Khatoon	2,614,000	17.43
Mr. Sohail Ahmed	2,614,400	17.43
Mr. Asim Ahmed	2,614,400	17.43
Financial Institution		
National Bank of Pakistan	3,754,900	25.03



FORM OF PROXY

The Secretary
SG Allied Businesses Limited
B-40, S.I.T.E.,
Karachi.

I/We _____ of _____ being a member of **SG Allied Businesses Limited**, and holder
Of _____ Ordinary shares hereby appoint _____ of
_____ as _____ me/our proxy to attend and vote for me/our behalf at
the 50th Annual General Meeting of the Company to be held on Wednesday the October 27 2018 9:30a.m and at
Any adjournment thereof;

In witness my/our hand seal this _____ day of _____ 2018

Signed by _____

**Please affix
Rs. 5/-
Revenue
Stamp**

In the presence of _____ Signature of Member _____

Folio No. _____

IMPORTANT

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company, B-40, S.I.T.E., Karachi, not less than 48 hours before the time of holding the meeting and must be duly signed and witnessed.
2. A Proxy need not be a member of the Company.
3. If a member appoint more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities::

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original passport at the time of the meeting.
4. In case of Government of Pakistan, State Bank of Pakistan, Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the compan



**AFFIX
CORRECT
POSTAGE**

**The Company Secretary
SG Allied Businesses Limited
B-40, S.I.T.E.
Karachi**

فارم برائے نمائندگی

پچاسواں سالانہ اجلاس

کمپنی سیکریٹری

ایس جی ال ایٹ برنس لمیٹڈ (سابقہ ایس جی فابر لمیٹڈ)

S-49/A سائٹ، ماڈی پورڈ

کراچی - پاکستان

میں اہم بحیثیت ایس جی ال ایٹ برنس لمیٹڈ کے رکن (اراکین) ----- آڈیٹریٹیز فوئیو نمبر ----- برطانیہ

سی ڈی سی اکاؤنٹ نمبر ----- اپنی جانب سے مسٹر مسز/مس کو تقرر / درخواست کرتا ہوں۔ ان کا مکمل پتہ -----

بحیثیت رکن کمپنی میری پچاسواں سالانہ اجلاس میں شرکت اور ووٹ دینے کے اہل ہے / ہیں جو کہ 27 اکتوبر 2018

کو منعقد ہو گا یا التوا کی صورت میں (بعد میں) میری یا ہماری جانب سے اہل ہے / ہوں گے

دستخط ----- بروز / بتاریخ ----- 2018

گواہان:

2	1
نام: -----	نام: -----
پتہ: -----	پتہ: -----
شناختی کارڈ نمبر: -----	شناختی کارڈ نمبر: -----
دستخط -----	دستخط -----

ہدایات:

- ۱- نمائندے کیلئے کمپنی کا ممبر ہونا لازمی ہے۔
- ۲- یہاں کیے جانے والے دستخط کا کمپنی کے ریکارڈ میں موجود دستخط سے مماثلت رکھنا ضروری ہے۔
- ۳- اگر کسی ایسے ممبر کی جانب سے نمائندگی کی اجازت دی گئی ہے جس نے اپنے شیئر ز سیٹول ڈیپازٹری کمپنی آف پاکستان میں جمع کروائے ہوں، تو اس صورت میں نمائندے کو شراکت دار کا شناختی کارڈ نمبر اور سی ڈی سی اکاؤنٹ / سب اکاؤنٹ نمبر کے ساتھ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپیاں ہمراہ لا ضروری ہے۔
- ۴- نمائندے کو یہ فارم مکمل پر کر کے ہمراہ تمام ضروری دستاویزات، اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں جمع کرانا ہوں گے۔



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
**The Company Secretary
SG Allied Businesses Limited
B-40, S.I.T.E.
Karachi**










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