



ALLIED BUSINESSES LIMITED

# SG ALLIED BUSINESSES LIMITED

*ANNUAL REPORT*  
*JUNE 30, 2019*



## CONTENTS

2019

<b>COMPANY INFORMATION</b>	2
<b>REVIEW REPORT BY THE CHAIRMAN ON BOARD'S OVERALL</b>	3
<b>NOTICE OF ANNUAL GENERAL MEETING</b>	4
<b>DIRECTOR'S REPORT</b>	5
<b>VISION / MISSION STATEMENT</b>	16
<b>CORPORATE OBJECTIVES &amp; DEVELOPMENT STRATEGY</b>	16
<b>STATEMENT OF COMPLIANCE WITH THE CODE OF</b>	17
<b>CORPORATE GOVERNANCE</b>	
<b>REVIEW REPORT OF CORPORATE GOVERNANCE</b>	19
<b>AUDITORS' REPORT TO THE MEMBERS</b>	21
<b>BALANCE SHEET</b>	25
<b>PROFIT &amp; LOSS ACCOUNT</b>	26
<b>CASH FLOW STATEMENT</b>	27
<b>STATEMENT OF CHANGES IN EQUITY</b>	28
<b>NOTES TO THE ACCOUNTS</b>	29
<b>PATERN OF SHAREHOLDING</b>	47
<b>FORM OF PROXY</b>	49



# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mst. Zubaida Khatoon	Chairperson
Mr. Sohail Ahmed	Chief Executive
Mr. Asim Ahmed	Director
Mrs. Ghazala Saleem	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 Saleem	Director

## HR AND REMUNERATION COMMITTEE

Mr. Asim Ahmed	Director
Mrs. Ghazala Saleem	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, 2019 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 5 October 2019.**

Mst. Zubaida Khatoon  
Chairperson





## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 51<sup>st</sup> Annual General Meeting of the members of M/s SG Allied Business Limited will be held on Saturday October 26, 2019 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 49<sup>th</sup> Annual General Meeting held on October 27, 2018.
2. To receive, consider and adopt audited annual accounts of the company for the year ended June 30, 2019 together with the Directors' and Auditors' report thereon.
3. To appoint auditors for the year 2019-20 and fix their remunerations.
4. To transact any other business with the permission of the Chair.

Karachi: October 05, 2019

By Order of the Board

**Adnan Ahmed Siddiqui**  
**(Company Secretary)**

### **Notes:**

1. The shares Transfer Books of the Company will remain closed from October 24, 2019 to October 26, 2019 (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, 17<sup>th</sup> 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 51<sup>st</sup> Annual Report and Audited Financial Statements of the Company together with Auditor's Report for the year ended 30<sup>th</sup> June 2019.

#### 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 made a total comprehensive loss of Rs. 4.18 million for the year, however the accumulated loss as at June 30, 2019 stood at Rs.762.76 million as compared to Rs.758.58 million for the previous year.

Following are the financial results for the year ended June 30, 2019:

Sales	Rs. 4,623,699
Cost of Sales	(395,186)
Gross Profit	4,228,513
Admin & Selling Expenses	(54,097,199)
Other Income	42,033,542
Financial charges	(9,970,880)
Loss before taxation	(17,806,024)
Loss after taxation	(16,306,682)

#### FUTURE OUTLOOK

The Company has been extending its business activities after getting itself restyled as SG Allied Businesses Limited on 24th August, 2017. Alhamd o Lilllah the new lines of business including Cold Storage and vertical farm showing improved revenue;

Company has built the second cold storage facility which came into operation in January 2018, therefore, revenue from extended facility is correspondingly reported in year 2018-19, similarly,

A new concept of vertical farming has been introduced by the Company in Pakistan. This segment has received lot of appreciation in the market. Some TV Channels gave reasonable size of media coverage, the prominent TV channels including SAMA TV, Arab News and Geo TV telecasted a program of our Vertical Farm.



•1 results shows an increasing trend of sales from vertical farm. A successful trial was performed regarding the production of Tulip in vertical farm. In coming winter the production of Tulip will also start in vertical farm. Company is in the process of further expanding the farming facility in upcoming year 2020.

### **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:

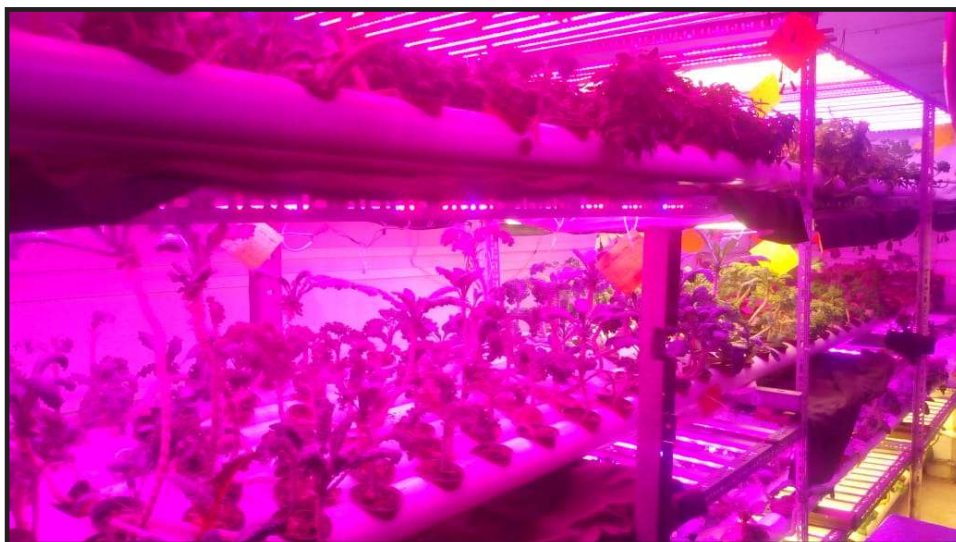
- The financial Statements for the year ended June 30, 2019 prepared by the management nt fairly its state of affairs, the results of its operation, cash flow and change in equity.
- Proper books of accounts of the Company have been maintained.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- ˆ accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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 meeting during the year. The attendance by each Director was as follows:

<b><u>Name of Director</u></b>	<b><u>No. of meeting attended</u></b>
Mst. ZubaidaKhatoon	4
Mrs. Ghazala Saleem	4
Mrs. Tania Asim	4
Mr. Sohail Ahmed	4
Mr. Asim Ahmed	4
Mr. Hidayat Ali Shar	
Mr. M. KhurramKhawaja	

ˆ of absence was granted to directors who could not attend some of the Board meeting.

The Auditors has given qualified opinion on various matters on which the directors' point of view is as follows:



Vertical Farm Setup





Vertical Farm & Cold Storage Pictures



(i) **Liability of Rs. 156.61 to associated company**

The accrued interest on long term loan payable to SG Power Limited has been worked in accordance with directions of Securities and Exchange Commission. Further mark-up has not been charged for the year 2019 as late payment surcharge has been waived by the associated company.

(ii) **Interest free long term loan from directors**

Due to adverse business conditions for the last many years and adverse financial health of the Company, the Company 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). **Employees Benefits**

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.

(iv). **Continuance as a going concern**

The Company has extended its business activities after getting itself restyled as SG Allied Businesses Limited on 24th August, 2017. The Company is engaged in the activities of cold storage facilities and dealing in various agriculture produces. A turn around is being achieved. Keeping in view the revival plan of the Company, Securities and Exchange Commission of Pakistan has also given go ahead to the Company.

## **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, 2019 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  
Mr. Asim Ahmed  
Mrs. Ghazala Saleem

Chairman  
Member  
Member



### **ACKNOWLEDGEMENT**

The Directors 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, 2019 is annexed.

On behalf of the  
Board of Directors

**Sohail Ahmed**  
**Chief Executive**

Karachi 5, October, 2019



## ایس جی الائیڈ بزنس لمیٹڈ

### ڈائریکٹرز کی رپورٹ

ایس جی الائیڈ بزنس لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 جون 2019 کو ختم ہونے والے سال کیلئے آڈیٹر کی رپورٹ کے ساتھ کمپنی کی 51 ویں سالانہ رپورٹ اور آڈٹ شدہ مالیاتی بیانات پیش کرنے پر خوش ہیں۔ مالی نتائج مذکورہ سال کے دوران آپ کی کمپنی کی کارکردگی عوامل کی وجہ سے بازیابی کی راہ پر گامزن ہے۔ کمپنی کو مجموعی طور پر سال کے لئے 4.18 ملین ، تاہم 30 جون ، 2019 کو جمع ہوئے نقصان 762.76 ملین روپے رہا جبکہ اس سے پچھلے سال کے 758.58 ملین روپے رہا 30 جون ، 2019 کو ختم ہوئے سال کے مالی نتائج درج ذیل ہیں:

سیلز	4,623,699
سیلز کی لاگت	(395,186)
مجموعی نفع	4,228,513
ایڈمن اور سیلنگ اخراجات	(54,097,199)
دیگر آمدنیاں	42,033,542
فنانشل چارجز	(9,970,880)
ٹیکس سے پہلے نقصان	(17,806,024)
ٹیکس کے بعد نقصان	(16,306,682)

### مستقبل آؤٹ لک

کمپنی 24 اگست ، 2017 کو ایس جی الائیڈ بزنس لمیٹڈ کی حیثیت سے اپنے آپ کو دوبارہ بحال کرنے کے بعد اپنی کاروباری سرگرمیوں میں توسیع کر رہی ہے۔

کمپنی نے دوسری کولڈ اسٹوریج سہولت تعمیر کی ہے جو فروری 2018 میں عمل میں آئی تھی ، لہذا ، توسیعی سہولت سے حاصل ہونے والے محصول کو اسی طرح سال 2018-19 میں رپورٹ کیا گیا ہے ، اسی طرح ، کمپنی نے پاکستان میں عمودی کاشتکاری کا ایک نیا تصور پیش کیا ہے۔ اس طریقہ کار کو مارکیٹ میں کافی پذیرائی ملی ہے۔ کچھ ٹی وی چینلز نے معقول کوریج دی نمایاں ٹی وی چینلز بشمول سما ٹی وی ، عرب نیوز اور جیو ٹی وی نے ہمارے عمودی فارم پر ایک پروگرام ٹیلی کاسٹ کیا۔



مالی نتائج عمودی فارم سے فروخت کا بڑھتا ہوا رجحان ظاہر کرتا ہے۔ عمودی فارم میں ٹیولپ کی تیاری کے سلسلے میں ایک کامیاب آزمائش کی گئی۔ آنے والی سرديوں میں ٹیولپ کی پیداوار عمودی فارم میں باقائدہ شروع ہو جائے گی۔ کمپنی آئندہ سال 2020 میں کاشتکاری کی سہولت کو مزید بڑھانے کے عمل میں ہے۔

کارپوریٹ گورننس

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کوڈ آف کارپوریٹ گورننس ریگولیشن 2017 کے تقاضے کے مطابق ، ڈائریکٹرز اس کی تصدیق کرتے ہیں کہ:

30 جون ، 2019 کو ختم ہونے والے سال کے مالی بیانات جو انتظامیہ کی جانب سے تیار کیے گئے ہیں ، اس کی املاک موجود ہے ، اس کے آپریشن ، نقد بہاؤ اور ایکویٹی میں تبدیلی کے نتائج۔

کمپنی کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔

بین الاقوامی اکاؤنٹنگ معیارات ، جیسا کہ پاکستان میں قابل اطلاق ہیں ، مالی بیانات کی تیاری میں عمل کیا گیا ہے۔

مالی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو ہوتی ہیں اور محاسبہ کا تخمینہ معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔

کمپنی داخلی کنٹرول پر عمل درآمد میں ہے۔

کوڈ آف کارپوریٹ گورننس کے بہترین عمل سے مادی طور پر رخصتی نہیں ہوئی ہے جیسا کہ فہرست سازی کے ضوابط میں تفصیل ہے۔

ڈائریکٹرز ، چیف ایگزیکٹو اور ان کے شریک حیات اور نابالغ بچوں نے سال کے دوران کمپنی کے حصص میں کوئی لین دین نہیں کیا۔

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل وابستگی ہے۔

آڈیٹرز کی جائزہ رپورٹ میں بیان کی گئی کچھ غیر تعمیلیاں اس حقیقت کی وجہ سے ہیں کہ کمپنی اپنے کاروباری عمل کو بہتر بنانے کے عمل میں ہے اور کچھ تعمیلات سال کے اختتام تک غیر تسلی بخش رہیں۔

بورڈ نے سال کے دوران چار اجلاس منعقد کیے۔ ہر ڈائریکٹر کی حاضری کچھ یوں تھی:

ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد
مسماۃ زبیدہ خاتون	4
مسز غزالہ سلیم	4
مسز تانیہ عامم	4
جناب سہیل احمد	4
جناب عامم احمد	4
جناب ہدایت علی شیر	-
جناب ایم خرم خواجہ	-

غیر حاضری کی چھٹی ان ڈائریکٹرز کو دی گئی جو بورڈ کے اجلاس میں شرکت نہیں کر سکتے تھے۔

آڈیٹرز نے مختلف معاملات پر اہل رائے دی ہے جس پر ہدایت کاروں کا نقطہ نظر اس طرح ہے:

(i) روپے کی واجبات 156.61 متعلقہ کمپنی کو ایس جی پاور لمیٹڈ کو قابل ادائیگی میں طویل مدتی قرض پر جمع ہونے والا سود سیکیورٹیز اینڈ ایکسچینج کمیشن کی ہدایت کے مطابق کام کیا گیا ہے۔ سال 2019 کے لئے مزید مارک اپ وصول نہیں کیا گیا ہے کیونکہ متعلقہ کمپنی کے ذریعہ تاخیر سے ادائیگی کا سرچارج معاف کر دیا گیا ہے۔

(ii) ڈائریکٹرز سے بلا سود طویل مدتی قرض پچھلے کئی سالوں سے کاروبار کے منفی حالات اور کمپنی کی مالی صحت کی وجہ سے، کمپنی کے پاس تاریخی قیمتوں پر ڈائریکٹرز کے قرضوں کی قدر کرنے کے سوا کوئی چارہ نہیں تھا۔ اس طرح IAS-39 کی ضروریات کی تعمیل کرنا ممکن نہیں ہوا ہے۔

(iii) ملازمین کے فوائد یہ فیڈرٹی پچھلے کئی سالوں سے بند تھی اور ملازمت میں کوئی قلیل مدتی اور طویل مدتی ملازم نہیں ہے۔ کمپنی نے IAS 19 - ملازمین کے فوائد کی ضروریات کی تعمیل نہیں کی ہے کیونکہ سال کے دوران متعلقہ واجبات کا دوبارہ جائزہ نہیں لیا گیا تھا۔

#### (iv) جاری تشویش کے طور پر جاری رکھنا

کمپنی نے 24 اگست ، 2017 کو ایس جی الائیڈ بزنس لمیٹڈ کی حیثیت سے اپنے آپ کو بحال کرنے کے بعد اپنی کاروباری سرگرمیوں میں توسیع کر دی ہے۔ کمپنی کولڈ اسٹوریج کی سہولیات کی سرگرمیوں اور مختلف زراعت کی پیداوار میں ڈیل کرنے میں مصروف ہے۔ ایک موڑ حاصل کیا جا رہا ہے۔ کمپنی کے بحالی منصوبے کو مدنظر رکھتے ہوئے ، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے بھی کمپنی کو آگے بڑھایا ہے۔

#### آڈیٹرز

موجودہ آڈیٹرز ایم / ایس منیف ضیالالدین اینڈ کمپنی ، چارٹرڈ اکاؤنٹنٹ ، ریٹائر ہوئے اور اہل ہونے کے بعد ، انہیں دوبارہ تقرری کے ل offers پیش کرتے ہیں۔ آڈٹ کمیٹی نے 30 جون 2019 کو ختم ہونے والے سال کے لئے ان کی دوبارہ تقرری کی سفارش کی۔

#### آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کے مطابق سہ ماہی / ششماہی ، سالانہ اکاؤنٹ اور اس سے متعلق امور کے جائزے کے لئے آڈٹ کمیٹی کے اجلاس 30 جون 2019 کو ختم ہوئے سال کے دوران ہوئے۔ بیرونی آڈیٹرز نے بھی جب ضرورت ہو تو اجلاسوں میں شرکت کی۔

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 سلیم

### تسلیمات

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

حصص کی تقسیم کاری

30 جون 2019 پر شیئر ہولڈنگ کا طریقہ منسلک ہے۔

بورڈ آف ڈائریکٹرز کے توسط سے

کراچی۔ 15 اکتوبر 2019

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, 2019**

Complied 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 Saleem
	Mrs. Tania Asim
	Mst. Zubaida Khatoon

None of them is serving as a director on more than five listed companies, or listed subsidiaries of listed holding companies where applicable).

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

The statement, overall corporate strategy and significant policies of the company, along with the dates on which they were approved or amended has been maintained.

All decisions have been duly exercised and decisions on relevant matters have been taken by the board, as empowered by the relevant provisions of the Act and these Regulations.

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

8. The board has adopted a policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The directors have completed mandatory 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 employment 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 Saleem (Member)

b) HR and Remuneration Committee

- Mr. Asim Ahmed (Chairman)
- Mrs. Ghazala Saleem (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: Bi-annually

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

Auditors of the company have confirmed that they have been given a satisfactory rating from the ICAP and registered with Audit Oversight Board of Pakistan, and of the firm, their spouses and minor children do not hold shares of the company and that the firm 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 under the Act, these regulations or any other regulatory requirement and the firm have confirmed that they have observed IFAC guidelines in this regard.

The firm confirm that 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, 2019** 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, 2019.





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:

<b>Note reference</b>	<b>Description</b>
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:**

**CHARTERED ACCOUNTANTS  
(Sohail Saleem)**

Karachi 5, October, 2019

**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 2019**, and statement of profit or loss and other 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 profit or loss and other 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 2019 and of the profit or loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Qualified Opinion**

1. The Company owes Rs. 156.61 million as at June 30, 2019 as mentioned in note 15, 16 and 17 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 long-term loan from directors amounting to Rs.154.99 million (2018: Rs. 168.09 million) is being shown at historical cost in contravention with the requirements of IFRS-9 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 13.1 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. 17.8 million before tax during the year and the accumulated loss as at June 30, 2019 stood at Rs. 762.76 million. These conditions indicate 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><b>1. Contingencies</b></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 18 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>

### 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 scepticism 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 profit or loss and other 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:  
Karachi 7, October, 2018

Chartered Accountants



**SG ALLIED BUSINESSES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2019**

	NOTE	2019 RUPEES	2018 RUPEES
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	459,024,017	470,260,124
Investment property	7	72,865,278	80,961,419
Long term deposits	8	95,714	95,714
<b>CURRENT ASSETS</b>			
Loans, advances, prepayments and other receivables	9	7,977,911	8,579,130
Cash and bank balances	10	13,331,752	17,687,444
		21,309,663	26,266,574
		<u>553,294,672</u>	<u>577,583,831</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 15,000,000 Ordinary Shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid-up capital	11	150,000,000	150,000,000
Share premium		337,400,000	337,400,000
Accumulated loss		(762,768,147)	(758,589,517)
Revaluation surplus on fixed assets	12	408,077,469	418,497,344
		132,709,321	147,307,827
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	13	55,685,616	62,347,503
Loan from directors	14	154,993,866	168,098,470
		210,679,481	230,445,973
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	15	94,306,801	93,666,902
Interest on short term and long term loan	16	20,617,394	10,654,243
Current portion of long term loan	17	71,422,097	71,422,097
Current maturity of loan from directors	14	13,104,604	13,104,604
Overdue of loan from directors		7,000,604	-
Provision for taxation		3,454,369	10,982,185
		209,905,869	199,830,031
<b>CONTINGENCIES AND COMMITMENTS</b>	18	<u>553,294,672</u>	<u>577,583,831</u>

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

Chief Executive

Director

Chief Financial Officer



**SG ALLIED BUSINESSES LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	NOTE	2019 RUPEES	2018 RUPEES
Sales	19	4,623,699	4,167,790
Cost of sales	20	(395,186)	(532,296)
<b>Gross profit</b>		<b>4,228,513</b>	<b>3,635,495</b>
Administrative and selling expenses	21	(54,097,199)	(40,197,381)
<b>Operating loss</b>		<b>(49,868,686)</b>	<b>(36,561,886)</b>
Other income	22	42,033,542	30,426,157
		(7,835,144)	(6,135,729)
Financial charges	23	(9,970,880)	(3,320)
<b>Loss before taxation</b>		<b>(17,806,024)</b>	<b>(6,139,048)</b>
Taxation	24	1,499,342	541,139
<b>Loss after taxation</b>		<b>(16,306,682)</b>	<b>(5,597,909)</b>
<b>Other comprehensive income</b>			
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax		12,128,052	13,285,816
<b>Total comprehensive (loss)/income</b>		<b>(4,178,630)</b>	<b>7,687,907</b>
<b>Loss per share - basic and diluted</b>	25	<b>(1.09)</b>	<b>(0.37)</b>

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer



**SG ALLIED BUSINESSES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>	<b>2018</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(17,806,024)	(6,139,048)
Adjustment for:		
-Depreciation	17,401,227	19,460,070
-Gain on sale of fixed assets	(2,938,978)	-
-Other income	(518,640)	-
-Finance charges	9,970,880	3,320
	<u>23,914,489</u>	<u>19,463,390</u>
	6,108,465	13,324,342
<b>(Increase) / decrease in current assets</b>		
Loans, advances, prepayments and other receivables	-	(661,119)
	-	<u>(661,119)</u>
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued and other liabilities	(2,329,516)	4,228,830
<b>Finance charges paid</b>	(7,729)	(3,320)
<b>Tax paid</b>	(1,692,912)	-
<b>Net cash generated from operating activities</b>	<u>2,078,308</u>	<u>16,888,733</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital work in progress	(330,000)	(805,597)
<b>Net cash used in investing activities</b>	(330,000)	(805,597)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans from directors	(6,104,000)	(15,365,990)
<b>Net cash used in financing activities</b>	<u>(6,104,000)</u>	<u>(15,365,990)</u>
<b>Net (decrease) / increase in cash and cash equivalent</b>	<u>(4,355,692)</u>	<u>717,146</u>
<b>Cash and cash equivalent at the beginning of the year</b>	17,687,444	16,970,298
<b>Cash and cash equivalent at the end of the year</b>	<u><u>13,331,752</u></u>	<u><u>17,687,444</u></u>

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

\_\_\_\_\_  
**Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Chief Financial Officer**





**SG ALLIED BUSINESSES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Issued, subscribed and paid-up capital	Capital reserve	Revaluation Surplus	Accumulated loss	Total
	-----Rupees-----				
<b>Balance as at June 30, 2017</b>	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 12)	-	-	(13,285,816)	13,285,816	-
Effect of change in tax rate	-	-	1,897,974	-	1,897,974
<b>Balance as at June 30, 2018</b>	150,000,000	337,400,000	418,497,344	(758,589,517)	147,307,827
Loss for the year ended June 30, 2019	-	-		(16,306,682)	(16,306,682)
Transferred from revaluation surplus on property, plant and equipments - net of tax (note 12)	-	-	(12,128,052)	12,128,052	-
Effect of change in tax rate	-	-	1,708,176	-	1,708,176
<b>Balance as at June 30, 2019</b>	150,000,000	337,400,000	408,077,469	(762,768,147)	132,709,321

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chief Financial Officer



**SG ALLIED BUSINESSES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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. 17.8 million (2018: 6.139 million) during the year and accumulated loss as at June 30, 2019 stood at Rs. 762.76 million (2018: 758.59 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. 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 accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.



### **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**

resented in Pakistani Rupee which is the company's functional currency.

## **4 Amendments to approved accounting standards and new interpretations**

### **4.1 Amendments to approved accounting standards and interpretations which are effective during the year**

There are certain amendments and an interpretations to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 01, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

In addition to the above, the following two new standards have become applicable to Company effective July 01, 2018.

#### **4.2 IFRS-15 'Revenue from contracts with customers'**

This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognize revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS-15 replaces the previous revenue standards: IAS-18 Revenue, IAS-11 Construction contracts; and the related interpretations on revenue recognition.

#### **4.3 IFRS-9 'Financial Instruments'**

This standard replaces the provisions of IAS-39 that relate to the recognition, classification, and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an Expected Credit Losses model that replaces IAS-39 Incurred Loss Impairment model. On July 01, 2018 (the date of initial application of IFRS-9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS-9 categories (i.e. mainly financial assets held as 'loans and receivables' have now been classified as 'amortised cost').

The changes laid down by these standards do not have any significant impact on these Financials Statements

- changes to the accounting policies have been made to these statements.



#### 4.4 New accounting standards and amendments that are not yet effective

The following standards amendments and interpretations are only effective for accounting period, beginning on or after the date mentioned against each of them. These standards interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from accounting period on or after</b>
Amendments to IFRS 2 - "Share-based payments" - classification: On the classification and measurement of share-based payment transaction	January 1, 2018
IFRS 4 "Insurance Contracts" - Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 1, 2018
IFRS 9 "Financial Instruments" - This standards will supersede IAS 39 financial instruments: Recognition and measurement upon its effective date.	July 1, 2018
IFRS 15 "Revenue" - This standards will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 1, 2018
Amendments to IAS 40 "Investments Property" - classification on transfer of Property to or from investment property.	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration" - Provides guidance on transaction where consideration against non-monetary prepaid asset/ deferred income is denominated on foreign currency.	January 01, 2018
Certain annual improvements have also been made to a number of IFRS other than aforesaid standards, interpretations and amendments, The International Accounting Standard Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP)	
1 - "First Time adoption of International Financial Reporting Standards"	
IFRS 14 - "Reporting Deferral Accounts"	
IFRS 17 - "Insurance Contracts"	

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Operating Fixed Asset

- a) Operating fixed assets are stated at historical cost less accumulated depreciation except lease hold land, property which is stated at revalued amount less the accumulated depreciation.
- b) Applying diminishing balance method at the rates specified in note 6.
- 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) 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.

## 5.2 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.

## 5.3 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.

## 5.4 Stores and spares

Goods 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.

## 5.5 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 data. 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.

## 5.6 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.

## 5.7 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.

## 5.8 Impairment of assets

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

## 5.9 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 straight line method at the rate stated in respective note to the financial statements.



### 5.10 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.

### 5.11 Compensated absences

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

### 5.12 Taxation

#### Current

Provision for current taxation is based on taxable income at the rate of taxation after taking into account tax it 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.

### 5.13 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 rial values. Principal actuarial assumptions consisted of the following:

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

### 5.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable. The basis of recording revenue is as follows:

- Sale of agricultural products is recognized on the billing of invoice.
- Service income on cold storage is recognized on accrual basis.

omprises of rental income and the same is recognized on accrual basis.



### **5.15 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. Foreign exchange forward contracts which are recorded at contractual rates.

### **5.16 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.

### **5.17 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.

### **5.18 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 can be made.

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.

### **5.19 Investment property**

Investment properties comprise of freehold land and buildings that are held for rental yields. Investment properties is initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives. The residual values, useful lives and depreciation rates are reviewed, and adjusted as appropriate, at each balance sheet date.



	NOTE	2019	2018
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	447,423,107	458,989,214
Capital work in progress	6.6	11,600,910	11,270,910
		<u>459,024,017</u>	<u>470,260,124</u>

Particulars	Cost			Rate %	Depreciation			Written-down value
	As on July 01, 2018	Addition / (disposal)	Transferred to investment property		Revaluation Surplus / (Deficit)	As at June 30, 2019	For the year / (adjustment for disposal)	
	Rupees				Rupees			Rupees
<b>Owned assets:</b>								
Leasehold land	363,818,485	-	-	-	-	-	-	363,818,485
Building on leasehold land	210,502,587	-	-	10%	210,502,587	8,770,820	-	131,565,203
Plant and machinery	7,945,688	(7,230,576)	-	5%	715,112	11,181	-	502,675
Factory equipment	10,270,720	-	-	10%	10,270,720	(4,969,554)	-	212,437
Office equipment	19,297,604	-	-	10%	19,297,604	156,285	-	1,406,564
Motor vehicles	13,035,155	-	-	10%	16,836,592	246,101	-	2,214,911
Furniture and fixtures	3,013,918	-	-	20%	12,782,200	50,591	-	202,364
Trolleys and fork lifters	4,242,562	-	-	10%	3,013,918	30,428	-	273,852
OTIS lifts	1,196,982	-	-	10%	4,242,562	31,796	-	286,166
					1,118,157	7,883	-	1,126,040
<b>Total owned assets</b>	<b>633,323,701</b>	<b>(7,230,576)</b>	<b>-</b>		<b>626,093,125</b>	<b>9,305,085</b>	<b>-</b>	<b>178,670,019</b>
Disposal / deletion						<b>(4,969,554)</b>		<b>447,423,107</b>

6.2 **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

6.3 During the year ended June 30, 2017, the Company transferred a portion of building to the investment property as 48.35% of the total space which has been leased out on rent.

6.4 **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
Plant, Machinery and Equipment	-
<b>Total</b>	<b>373,269,920</b>

6.5 **Depreciation charge for the year has been allocated as follows:**

	2019	2018
Cost of sales	11,181	130,771
Administrative and selling expenses	9,293,904	10,333,587
	<u>9,305,085</u>	<u>10,464,357</u>



6.6 Capital work in progress

	2019	
	DURING THE YEAR	
Opening Balance	Capital expenditure Incurred during the year	Closing balance
	Rupees-----	
CWIP - Cold storage	10,940,910	-
CWIP - Vertical farm	330,000	660,000
	11,270,910	11,600,910

CWIP - Cold storage  
CWIP - Vertical farm

Particulars	Cost			Rate %	Depreciation			Written-down value
	As on July 01, 2017	Addition/ (disposal)	Transferred to investment property		Revaluation Surplus / (Deficit)	As at June 30, 2018	For the year / (adjustment for disposal)	
	Rupees-----				Rupees-----			Rupees
<b>Owned assets:</b>								
Leasehold land	363,818,485	-	-	-	363,818,485	-	-	363,818,485
Building on leasehold land	210,502,587	-	-	10%	210,502,587	9,745,356	-	122,794,383
Plant and machinery	7,945,688	-	7,945,688	5%	7,945,688	130,771	-	5,461,048
Factory equipment	10,270,720	-	10,270,720	10%	10,270,720	173,650	-	8,707,871
Office equipment	19,297,604	-	19,297,604	10%	19,297,604	273,446	-	16,836,592
Motor vehicles	13,035,155	-	13,035,155	20%	13,035,155	63,239	-	12,782,200
Furniture and fixtures	3,013,918	-	3,013,918	10%	3,013,918	33,809	-	2,709,638
Trolleys and fork lifters	4,242,562	-	4,242,562	10%	4,242,562	35,329	-	3,924,600
OTIS lifts	1,196,982	-	1,196,982	10%	1,196,982	8,758	-	1,118,157
<b>Total owned assets</b>	<b>633,323,701</b>	<b>-</b>	<b>633,323,701</b>		<b>633,323,701</b>	<b>10,464,357</b>	<b>-</b>	<b>174,334,488</b>
Disposal / deletion	-	-	-		-	-	-	458,989,214



6.7 Details of property, plant and equipment sold are given below:

DESCRIPTION	DATE/YEAR OF ACQUISITION	ORIGINAL COST	ACCUMULATED DEPRECIATION	BOOK VALUE	ADJUSTMENTS	GAIN/(LOSS)	MODE OF DISPOSAL	PARTICULARS OF BUYERS	RELATIONSHIP
Machinery	15-Feb-82	7,230,576	4,969,554	2,261,022	5,200,000	2,938,978	Set off from earnest money	Kamal Maqsood	Scrap buyers

6.8 During the year, no assets were disposed-off to Chief Executive, Director, Executive or a Shareholder not less than ten percent of the voting shares of the Company or any related party.



	NOTE	2019 RUPEES	2018 RUPEES
<b>7 INVESTMENT PROPERTY</b>			
<b>7.1 Reconciliation of carrying amount</b>			
<b>COST</b>			
As on 1 July		194,310,081	194,310,081
Reclassification from property, plant and equipment		-	-
As at 30 June		<u>194,310,081</u>	<u>194,310,081</u>
<b>DEPRECIATION</b>			
As on 1 July		113,348,661	104,352,948
Reclassification from property, plant and equipment		-	-
For the year		<u>8,096,142</u>	<u>8,995,713</u>
As at 30 June		<u>121,444,803</u>	<u>113,348,661</u>
<b>Written down value as at June 30</b>		<u>72,865,278</u>	<u>80,961,419</u>
<b>Rate of depreciation</b>		<u>10%</u>	<u>10%</u>
<b>8 LONG TERM DEPOSITS</b>			
Security deposits		<u>95,714</u>	<u>95,714</u>
<b>9 LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Advances - considered good:</b>			
Advance to Staff		630,000	630,000
Advance income tax		1,229,899	1,831,118
Income tax refundable		9,903,094	9,903,094
Less: provision against income tax refundable		<u>(9,903,094)</u>	<u>(9,903,094)</u>
		<u>1,859,899</u>	<u>2,461,118</u>
<b>Prepayments:</b>			
<b>Other receivables:</b>			
Letter of guarantee		150,000	150,000
Sales tax claims receivable		21,070,506	21,070,506
Less: Provision against sales tax claims receivable		<u>(21,070,506)</u>	<u>(21,070,506)</u>
		150,000	150,000
<b>Others</b>	9.1	9,571,471	9,571,471
Less: Provision for irrecoverable rent		<u>(3,600,000)</u>	<u>(3,600,000)</u>
Less: Provision for doubtful debts		<u>(3,459)</u>	<u>(3,459)</u>
		<u>5,968,012</u>	<u>5,968,012</u>
		<u>6,118,012</u>	<u>6,118,012</u>
		<u>7,977,911</u>	<u>8,579,130</u>

9.1 This includes receivables from S.G. Power Limited on account of rent and utilities amounting to Rs 8.550 million. \*d in note 15 ,16 and 17 a sum of Rs.156.61 million is payable to S.G Power Limited.



	NOTE	2019 RUPEES	2018 RUPEES	
<b>10 CASH AND BANK BALANCES</b>				
Cash in hand		106,198	60,738	
Cash with banks - current account		13,225,554	17,626,706	
		<u>13,331,752</u>	<u>17,687,444</u>	
<b>11 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
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>	
<b>11.1 Shares held by the related parties of the Company</b>				
	<b>2019 Number of shares</b>	<b>2019 Percentage holding</b>	<b>2018 Number of shares</b>	<b>2018 Percentage holding</b>
<b>Directors, CEO, &amp; their spouse</b>				
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%
<b>12 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>				
Balance at the beginning of the year		469,742,635	488,722,372	
Surplus arisen on revaluation carried out during the year:		-	-	
		<u>469,742,635</u>	<u>488,722,372</u>	
Less: Transferred to unappropriated profit on account of:				
- incremental depreciation for the year		(17,081,763)	(18,979,737)	
		<u>452,660,871</u>	<u>469,742,635</u>	
Related deferred tax of:				
-balance at beginning of the year		51,245,290	58,837,185	
-surplus arising during the year		-	-	
-incremental depreciation for the year		(4,953,711)	(5,693,921)	
-Effect of change in tax rate		(1,708,176)	(1,897,974)	
-balance at year end		44,583,403	51,245,290	
Balance at end of the year		<u>408,077,469</u>	<u>418,497,344</u>	

- 12.1** 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 & surplus arisen on these revaluations aggregates to Rs. 533.242 million.



<b>13 DEFERRED LIABILITIES</b>	<b>NOTE</b>	<b>2019 RUPEES</b>	<b>2018 RUPEES</b>
Deferred tax liability attributable to revaluation surplus	12	44,583,403	51,245,290
Provision for gratuity	13.1	5,363,785	5,363,785
Deferred Karachi Electric Supply Corporation bill	13.2	5,738,428	5,738,428
		<u>55,685,616</u>	<u>62,347,503</u>

**13.1** 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, 2018	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, 2019	<u>5,363,785</u>	<u>5,363,785</u>

No actuarial valuation was carried out at the year end.

**13.2** 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.

**13.3** Deductible Temporary Differences

Fixed Assets	89,886,982	36,752,848
Deferred tax assets on gratuity	(1,877,325)	(1,877,325)
	88,009,657	34,875,523
Less: Unused tax losses	(785,518,515)	(242,764,306)
Deferred tax assets	<u>(697,508,858)</u>	<u>(207,888,783)</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.

**14 LOAN FROM DIRECTORS**

Loan from Directors	168,098,470	181,203,074
Less: Current maturity of loan from Directors	(13,104,604)	(13,104,604)
	<u>154,993,866</u>	<u>168,098,470</u>

**14.1** Loan from sponsoring directors. Repayment will be made over the period of 15 years.

During the year, the Board of Directors had decided in their meeting to charge the interest on outstanding balance of loan from directors from the beginning of the financial year. Therefore, an interest amounting to Rs. 9,963,151 was charged for three quarters. However, considering the financial position of the company, the directors forfeited the interest of the last quarter in the benefit of the company. Hence, as at the year end, the loan has become interest free.



	NOTE	2019 RUPEES	2018 RUPEES
<b>15 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Trade creditors		1,244,066	1,244,066
Earnest money	15.1	189,006	6,089,006
Security deposit payable		14,337,193	9,273,615
Electricity bill payable		2,263,165	-
Others		1,736,013	2,107,087
		<u>19,769,443</u>	<u>18,713,774</u>
Due to associated undertaking	15.2	74,537,358	74,953,128
		<u>94,306,801</u>	<u>93,666,902</u>
<b>15.1</b>	This represents advance received from scrap buyers.		
<b>15.2</b>	These are unsecured and the late payment surcharge has been waived by the associated undertaking S.G. Power Limited.		
<b>16 INTEREST ON SHORT TERM AND LONG TERM LOAN</b>			
Financial charges on loan from directors		9,963,151	-
Accrued interest on long term loan payable to S.G.Power Limited		10,654,243	10,654,243
		<u>20,617,394</u>	<u>10,654,243</u>
<b>17 CURRENT PORTION OF LONG TERM LOANS</b>			
Current portion of long term loan		71,422,097	71,422,097

## 18 CONTINGENCIES AND COMMITMENTS

(i) Legal claim filed against the Company from suppliers were not acknowledged as debts amounting to Rs.0.418 million (2018: 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.

	2019 RUPEES	2018 RUPEES
<b>19 SALES</b>		
Sale of agricultural products	334,418	-
Service income from cold storage	4,289,281	4,167,790
	4,623,699	4,167,790
<b>20 COST OF SALES</b>		
Electricity, gas, steam and water	251,040	401,525
Packaging	132,965	
Depreciation expense	11,181	130,771
	395,186	525,757



		2019 RUPEES	2018 RUPEES
<b>21 ADMINISTRATIVE AND SELLING EXPENSES</b>			
Directors' remuneration and amenities		3,000,000	2,200,000
Salaries, allowances and benefits		13,939,605	8,625,453
Electricity expense		5,788,165	1,750,000
Advertisement expense		79,210	120,350
Generator repairment		350,000	29,000
Repairs and maintenance		4,120,380	1,185,429
Rent, rates and taxes		150,000	1,507,480
Depreciation expense	6.5	17,390,046	19,329,300
Legal and professional		752,375	3,363,935
Auditor's remuneration	21.1	743,000	728,000
Utilities		660,819	15,000
Printing & stationery		85,850	34,000
Telephone and fax		53,080	44,434
Travelling expenses		4,381,999	264,500
Commission expense		1,587,500	942,300
Dues and Subscriptions		127,050	-
Tax - Professional		740,000	-
Others		148,120	58,200
		<u>54,097,199</u>	<u>40,197,381</u>
<b>21.1 Auditor's remuneration</b>			
Audit fee		453,000	453,000
Out of pocket expenses		15,000	-
Tax consultancy services		175,000	175,000
Review fee		100,000	100,000
		<u>743,000</u>	<u>728,000</u>
<b>22 OTHER INCOME</b>			
Other income		518,640	-
Gain on sale of fixed assets		2,938,978	-
Rental income		38,575,924	30,426,157
		<u>42,033,542</u>	<u>30,426,157</u>
<b>23 FINANCIAL CHARGES</b>			
Bank charges and commission		7,729	-
Interest on loan from directors		9,963,151	-
		<u>9,970,880</u>	<u>3,320</u>
<b>24 TAXATION</b>			
Current		3,454,369	5,152,782
Deferred		(4,953,711)	(5,693,921)
		<u>(1,499,342)</u>	<u>(541,139)</u>

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

	Provision for taxation	Tax assessed (Rupees '000)	Excess / (shortage)
2018	5,152,782	6,562,431	(1,409,649)
2017	5,709,703	4,313,185	1,396,518
2016	(119,700)	-	(119,700)
2015	-	-	-





## 24.2 RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING LOSS

Loss before taxation	(17,806,024)	(6,139,048)
Tax at the applicable tax rate of 29 % / 30 %	-	-
Tax on rental income at the rate of 29 % / 30 %	3,454,369	5,152,782
Effect of prior year current and deferred tax charge	(4,953,711)	(5,693,921)
	<u>(1,499,342)</u>	<u>(541,139)</u>

## 25 LOSS PER SHARE - BASIC AND DILUTED

### 25.1 Basic loss per share

Loss after taxation - rupees	(16,306,682)	(5,597,909)
Weighted average number of shares	15,000,000	15,000,000
Loss per share - rupees	<u>(1.09)</u>	<u>(0.37)</u>

### 25.2 Diluted loss per share

he basic loss per share of the company as there are no such commitments.

## 26 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	2019 RUPEES	2018 RUPEES
Repayment of loan to directors	Key management personnel	<u>6,104,000</u>	<u>6,104,000</u>
Loan repaid to S.G. Power Limited	Associated Company	<u>-</u>	<u>415,770</u>
Purchase of electricity from S.G. Power Limited	Associated Company	<u>5,788,165</u>	<u>1,750,000</u>
Rental income from S.G. Power Limited	Associated Company	<u>-</u>	<u>1,800,000</u>
Directors' remuneration	Key management personnel	<u>3,000,000</u>	<u>1,800,000</u>
<b>BALANCES:</b>			
Due to directors	Key management personnel	<u>168,098,470</u>	<u>175,099,074</u>
S.G. Power Limited	Associated Company	<u>74,537,358</u>	<u>74,537,358</u>



## 27 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
Remuneration	2,400,000	1,200,000	600,000	600,000	-	-
House Rent	-	-	-	-	-	-
Retirement Benefits	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
	<u>2,400,000</u>	<u>1,200,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>-</u>
Number of persons	1	1	1	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.

## 28 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.

## 29 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.

as 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 29.1 to 29.4

### 29.1 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. 21,309,663 million (2018: Rs. 26,266,574 million), the financial assets which are subject to credit risk amounted to Rs. 21,309,663 million (2018: Rs. 26,266,574 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	7,977,911	8,579,130
Cash and bank balances	<u>13,331,752</u>	<u>17,687,444</u>
	<u>21,309,663</u>	<u>26,266,574</u>

bank balances can be assessed with reference to external credit ratings

Bank	Rating agency	Short-term Rating	2019	2018
Summit Bank Limited	JCR - VIS	A1	416,190	13,928,442
			<u>416,190</u>	<u>16,939,460</u>

## 29.2 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 are disclosed in relevant notes.

### 29.2.1 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	2019	2018
<b>At balance sheet rates</b>		
<u>106</u>	<u>160</u>	<u>106.4</u>

### 29.2.2 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.

### 29.3 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.

ties in accordance with their contractual maturities are presented below:

	2019		
	-----Rupees-----		
	Carrying amount	Upto one year	After one year
Loan from directors	168,098,470	-	-
Creditors, accrued and other liabilities	94,306,801	94,306,801	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	20,617,394	-	-
	<u>354,444,762</u>	<u>165,728,898</u>	<u>160,860,169</u>

	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>

## 30 NUMBER OF EMPLOYEES

	2019	2018
Number of employees at the year-end	<u>21</u>	<u>21</u>
Average number of employees	<u>22</u>	<u>22</u>

## 31 DATE OF AUTHORIZATION

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

## 32 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, 2019

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, 2019

DETAILS OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2019

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

**Shareholders Holding 10% or More Voting Interest in the Company  
As at June 30, 2019**

	Shares Held	Percentage
<b>Directors, CEO, Their Spouse &amp; Minor Children</b>		
Mst. Zubaida Khatoon	2,614,000	17.43
Mr. Sohail Ahmed	2,614,400	17.43
Mr. Asim Ahmed	2,614,400	17.43
<b>Financial Institution</b>		
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 51<sup>st</sup> Annual General Meeting of the Company to be held on Wednesday the October 26, 2019 9:30a.m and at  
Any adjournment thereof;

In witness my/our hand seal this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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**







**AFFIX  
CORRECT  
POSTAGE**








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










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ALLIED BUSINESSES LIMITED

## **SG Allied Businesses Limited**

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