



**SG ALLIED BUSINESSES LIMITED**

***ANNUAL REPORT  
JUNE 30, 2020***



## **CONTENTS**

**2020**

<b>COMPANY INFORMATION</b>	<b>2</b>
<b>REVIEW REPORT BY THE CHAIRMAN ON BOARD'S OVERALL</b>	<b>3</b>
<b>NOTICE OF ANNUAL GENERAL MEETING</b>	<b>4</b>
<b>DIRECTOR'S REPORT</b>	<b>5</b>
<b>VISION / MISSION STATEMENT</b>	<b>16</b>
<b>CORPORATE OBJECTIVES &amp; DEVELOPMENT STRATEGY</b>	<b>16</b>
<b>STATEMENT OF COMPLIANCE WITH THE CODE OF</b>	<b>17</b>
<b>CORPORATE GOVERNANCE</b>	
<b>REVIEW REPORT OF CORPORATE GOVERNANCE</b>	<b>19</b>
<b>AUDITORS' REPORT TO THE MEMBERS</b>	<b>20</b>
<b>BALANCE SHEET</b>	<b>24</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>25</b>
<b>CASH FLOW STATEMENT</b>	<b>26</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>27</b>
<b>NOTES TO THE ACCOUNTS</b>	<b>28</b>
<b>PATERN OF SHAREHOLDING</b>	<b>51</b>
<b>FORM OF PROXY</b>	<b>53</b>



# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Sohail Ahmed	Chief Executive
Mr. Asim Ahmed	Director
Mrs. Ghazala Salim	Director
Mrs. Saba Sohail	Director
Mr. Farhan Sohail	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. Rafiq Ahmed	Independent Director
Mrs. Tania Asim	Independent Director

## HR AND REMUNERATION COMMITTEE

Mr. Sohail Ahmed	Director
Mr. Rafiq Ahmed	Independent Director
Mrs. Tania Asim	Independent Director

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Hasan

## AUDITORS

Muniff Ziauddin & Co.  
Chartered Accountants

## LEGAL ADVISOR

Mohsin Tayab & Co.

## BANKERS

Bank Islami Limited  
Bank Al Habib Limited  
Summit Bank 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, 2020 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 22 September 2020.**

Mr. Sohail Ahmed  
Chief Executive



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that 52<sup>nd</sup> Annual General Meeting of the members of M/s SG Allied Businesses Limited will be held on Tuesday October 27, 2020 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 51<sup>st</sup> Annual General Meeting held on October 26, 2019.
2. To receive, consider and adopt audited annual Financial Statements of the Company for the year ended June 30, 2020 together with the Chairman's Review Report, Directors' Report and Auditors' Report thereon.
3. To appoint auditors for the year 2020-21 and fix their remunerations. Audit Committee has recommended reappointment of M/S Muniff Ziauddin & Co Chartered Accountants as auditors till the date of next AGM.
4. To elect seven directors in accordance with Company Act, 2017 for the period of three years. The term of present Directors will expire on 27<sup>th</sup> October, 2020 and they are eligible for re-election. The name of the retiring directors are as follows:
  - 1 Mr. Sohail Ahmed
  - 2 Mr. Asim Ahmed
  - 3 Mrs. Ghazala Salim
  - 4 Mr. Farhan Sohail
  - 5 Ms. Saba Sohail
  - 6 Mr. Hidayat Ali Shar
  - 7 Mr. M. Khurram Khawaja
5. To transact any other business with the permission of the Chair.

Karachi: September 22, 2020

By Order of the Board  
**Muhammad Hasan**  
**(Company Secretary)**

### **Notes:**

1. The Shares Transfer Books of the Company will remain closed from October 24, 2020 to October 27, 2020 (both days inclusive) for the purpose of the Annual General Meeting.
2. Election of Directors:

The number of Directors to be elected at the Annual General Meeting has been fixed by the Board of Directors, same as previous, at seven (7). Any person (including a retiring director) who seeks to contest election for directorship of the Company shall file with the Company at its registered office:

  - a) A Notice of his/her intention to offer himself for election 14 days before the date of the above said Annual General Meeting, in terms of Section 159(3) of the Companies Act 2017;
  - b) Form 28 - Consent to Act as Director;
  - c) Detailed Profile of the contesting person;
  - d) Declaration in respect of the eligibility criteria to act as director of the Company;
  - e) Attested copy of valid CNIC and NTN
- f) 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.
- g) 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 TradeTower, I.I. Chundrigar Road, Karachi.
- h) 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.
- i) 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.



## DIRECTORS' REPORT

The Board of Directors of SG Allied Businesses Limited (SGABL) is pleased to present the 52<sup>nd</sup> Annual Report and Audited Financial Statements of the Company together with Auditor's Report for the year ended 30<sup>th</sup> June 2020.

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

- i) The Company owes Rs. 156.61 million as at June 30, 2020 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.
- ii) The interest free long term loan from directors amounting to Rs. 154.99 million (2019: Rs. 154.99 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 amortized 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 gain before tax of Rs. 2.784 million (2019: loss of 17.8 million) during the year and accumulated loss as at June 30, 2020 stood at Rs. 758.873 million (2019: 762.76 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 extended its business activities after getting itself restyled as SG Allied Businesses Limited on 24<sup>th</sup> August, 2017. The Company is engaged in 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 made a total comprehensive gain of Rs.



414.712 million for the year, however the accumulated loss as at June 30, 2020 stood at Rs.758.873 million as compared to Rs.762.768 million for the previous year.

Following are the financial results for the year ended June 30, 2020:

Sales	5245450
Cost of Sales	(2,650,415)
Gross Profit	2,595,035
Admin & Selling Expenses	(37,749,763)
Other Income	37,938,838
Financial charges	(3,982)
Loss before taxation	2,780,127
Loss after taxation	(2,169,729)

## **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 Lillah the new lines of business including Cold Storage and vertical farm showing improved revenue;

Company has built the cold storage facility which came into operation in February 2018, therefore, revenue from facility is correspondingly reported in year 2019-20, similarly,

A new concept of vertical farm is introduced by SG Allied Businesses Limited in Pakistan the this segment grab a lot of appreciation in market, therefore, 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.

Financial results shows an increasing trend of sales from vertical farm. The company in planing a new agri product Mushroom, hence, a new vertical farm structure is going to be built, therefore, mushroom is going to be produced in up coming year. Company is in the process of further expending the farming facility in upcoming year 2021.

## **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, 2020 prepared by the management present fairly its state of affairs, the results of its operation, cash flow and change in equity.



## Vertical Farm Setup



Mushroom (Upcoming Project)



- 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.
- Appropriate 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 meeting during the year. The attendance by each Director was as follows:

<u>Name of Director</u>	<u>No. of meeting attended</u>
Mst. ZubaidaKhatoon	3
Mrs. Ghazala Ahmed	4
Mrs. Tania Asim	4
Mr. Sohail Ahmed	4
Mr. Asim Ahmed	4
Mr. Ferhan Sohail	1
Ms. Saba Sohail	1
Mr. Hidayat Ali Shar	-
Mr. M. KhurramKhawaja	-

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

#### **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, 2020.

#### **AUDIT COMMITTEE**

The meetings of Audit Committee were held during the year ended June 30, 2020 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**

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, 2020 is annexed.

On behalf of the  
Board of Directors

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

Karachi 22, September, 2020

## ایس جی الائیڈ بزنس لمیٹڈ

### ہدایت کاروں کی رپورٹ

ایس جی الائیڈ بزنس لمیٹڈ (ایس جی اے بی ایل) کے بورڈ آف ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کی 52 ویں سالانہ رپورٹ اور آڈٹ شدہ مالیاتی بیانات ساتھ ساتھ آڈیٹر کی رپورٹ پیش کرنے پر خوش ہیں۔

آڈیٹرز نے ایک کوالیفائی رپورٹ جاری کردی ہے۔ ڈائریکٹرز قابلیت کے بارے میں کچھ یوں بیان کرنا چاہیں گے۔

(i) کمپنی کے پاس Rs. 30 جون 2020 تک 156.61 ملین بطور متعلقہ کمپنی ایس جی پاور لمیٹڈ کے مالی بیانات کے لئے نوٹ 15 ، 16 اور 17 میں بیان ہوا ہے۔ 500 روپے کا مارک اپ پہلے مالی سالوں میں ایس ای سی پی کی ہدایت کے مطابق انتظامیہ نے مذکورہ رقم پر فراہم کردہ 10.654 ملین ڈالر کی مناسب کام کی عدم فراہمی کی وجہ سے تصدیق نہیں ہوسکی۔ مذکورہ بالا واجب الادا ذمہ داری کے مقابلہ میں رواں مالی سال میں مزید کوئی نشان نہیں دیا گیا ہے۔

(ii) ڈائریکٹرز سے سود تک مفت طویل مدتی قرض جس کی مد میں چار لاکھ روپے ہیں۔ 154.99

ملین (2019: 154.99 ملین) تاریخی لاگت پر IFRS-9 کی ضروریات کے ساتھ خلاف ورزی میں دکھایا جا رہا ہے جس میں مناسب قیمت یا نفع بخش قیمت پر ریکارڈ کرنا ضروری ہے جو مناسب اور نفع و نقصان کے اکاؤنٹ کے ذریعہ آمدنی پر اثر انداز ہوگا۔ تاہم ، پچھلے کئی سالوں سے کاروباری حالت اور کمپنی کی مالی مالی صحت کی وجہ سے ، اس کے پاس تاریخی قیمت 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) فیکٹری 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۔

مزید یہ کہ ، آڈیٹرز نے کمپنی کی جاری تشویش کی حیثیت سے کمپنی کی صلاحیت کے بارے میں مادی غیر یقینی صورتحال کے وجود سے متعلق ایک مشاہدہ کیا ہے۔ کمپنی نے ایک سو بیس روپے ٹیکس لگانے سے پہلے ایک گین بنائی ہے۔ سال کے دوران 2.784 ملین (2019: 17.8

ملین کا نقصان) اور 30 جون ، 2020 کو جمع شدہ نقصان ، روپے میں رہا۔ 758.873 ملین (2019: 762.76 ملین) یہ شرائط مادی غیر یقینی صورتحال کے وجود کی نشاندہی کرتی ہیں جس سے کمپنی کی تشویش کی حیثیت سے جاری رکھنے کی صلاحیت پر نمایاں شبہات پڑسکتے ہیں اور اس وجہ سے ، وہ اپنے اثاثوں کا ادراک کرنے اور کاروبار کے معمول پر اپنی ذمہ

داریوں کو نبھانے میں قاصر ہوسکتا ہے۔ 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 کردی ہے۔ کمپنی کولڈ اسٹوریج کی سہولیات اور مختلف زراعت کی پیداوار میں ڈیل کرنے کی

سرگرمیوں میں مصروف ہے۔

## مالی نتائج

مذکورہ سال کے دوران آپ کی کمپنی کی کارکردگی عوامل کی وجہ سے بازیابی کی راہ پر گامزن ہے۔ کمپنی نے مجموعی طور پر Rs. اس سال کے لئے 414.712 ملین روپے ، تاہم 30 جون 2020 کو جمع شدہ نقصان 758.873 ملین روپے رہا جبکہ اس سے پچھلے سال کے 762.768 ملین روپے تھے۔

30 جون 2020 کو ختم ہوئے سال کے مالی نتائج درج ذیل ہیں:

5245450	فروخت
(2,650,415)	فروخت کی قیمت
2,595,035	مجموعی منافع
(37,749,763)	ایڈمن اور بیچنے والے اخراجات
37,938,838	دیگر آمدنی
(3,982)	مالی چارجز
2,780,127	ٹیکس لگانے سے پہلے نقصان
(2,169,729)	ٹیکس لگانے کے بعد نقصان

## 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۔ الحمد للہ کوئلہ اسٹوریج اور عمودی فارم سمیت کاروبار کی نئی لائنوں میں بہتر آمدنی ظاہر کر رہی ہے۔ کمپنی نے کوئلہ اسٹوریج کی سہولت تیار کی ہے جو فروری 2018 میں عمل میں آئی تھی ، لہذا ، سہولت سے حاصل ہونے والے محصول کو سال 2019 - 2019 میں اسی طرح بتایا جاتا ہے ، عمودی فارم کا ایک نیا تصور پاکستان میں ایس جی الائیڈ بزنس لمیٹڈ کے ذریعہ متعارف کرایا گیا ہے ، اس طبقہ نے مارکیٹ میں کافی سراہا ہے ، لہذا ، کچھ ٹی وی چینلز نے میڈیا کوریج کو مناسب سائز دیا ، نمایاں ٹی وی چینلز بشمول سما ٹی وی ، عرب نیوز اور جیو ٹی وی نے ہمارے عمودی فارم کا ایک پروگرام ٹیلی کاسٹ کیا۔

مالی نتائج عمودی فارم سے فروخت کا بڑھتا ہوا رجحان ظاہر کرتا ہے۔ ایک نئی ایگری پرائڈکٹ مشروم لگانے والی کمپنی ، لہذا ، ایک نیا عمودی فارم کا ڈھانچہ تعمیر کیا جا رہا ہے ، لہذا ، آنے والے سال میں مشروم تیار کیا جا رہا ہے۔ کمپنی آئندہ سال 2021 میں کھیتی باڑی کی سہولت کو مزید بڑھانے کے عمل میں ہے۔

کارپوریٹ حکومت کے کوڈ کے ساتھ تعمیل کریں  
سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے کوڈ آف کارپوریٹ گورننس ریگولیشن 2017 کی ضرورت کے مطابق ، ڈائریکٹرز اس کی تصدیق کرتے ہیں کہ:

June 30 جون ، 2020 کو ختم ہونے والے سال کے مالی بیانات جو انتظامیہ کی جانب سے تیار کیے گئے ہیں ، اس کی املاک کافی حد تک موجود ہے ، اس کے آپریشن ، نقد بہاؤ اور ایکویٹی میں تبدیلی کے نتائج۔

Company کمپنی کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔

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

statements 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۔

Company کمپنی داخلی کنٹرول کو نافذ کرنے کے عمل میں ہے۔  
Code کوڈ آف کارپوریٹ گورننس کے بہترین عمل سے مادی روانگی نہیں ہوئی ہے جیسا کہ فہرست سازی کے ضوابط میں تفصیل ہے۔

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

Corporate کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل منسلک ہے۔

itors 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 عملیات 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 کا نام اجلاس میں شریک ہوا

ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد
مسماة زبیدہ خاتون	3
مسز غزالہ سلیم	4
مسز تانیہ عاصم	4
جناب سہیل احمد	4
جناب عاصم احمد	4
جناب فرحان سہیل	1
محترمہ صبا سہیل	1
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۔

#### مصنفین

موجودہ آڈیٹرز ایم / ایس منیف ضیاء الدین اینڈ کمپنی ، چارٹرڈ اکاؤنٹنٹ ، ریٹائر ہوئے اور اہل ہونے کے بعد ، انہیں دوبارہ تقرری کے ل for پیش کرتے ہیں۔ آڈٹ کمیٹی نے 30 جون 2020 کو ختم ہونے والے سال کے لئے ان کی دوبارہ تقرری کے لئے سفارش کی۔

#### حساب کتاب کا گروہ یا لوگ

کوڈ آف کارپوریٹ گورننس کے ذریعہ سے ماہی / ششماہی ، سالانہ اکاؤنٹ اور اس سے متعلق امور کے جائزے کے لئے 30 جون 2020 کو ختم ہوئے سال کے دوران آڈٹ کمیٹی کے اجلاس منعقد ہوئے۔ بیرونی آڈیٹرز نے بھی جب ضرورت ہو تو اجلاسوں میں شرکت کی۔

کمٹی کی تشکیل کچھ یوں ہے :-

چیرمین	جناب سہیل احمد
ممبر	جناب عاصم احمد
ممبر	مسز غزالہ احمد

اکاؤنٹ

آپ کی کمپنی کے ڈائریکٹرز حصص یافتگان ، اداروں کو ان کی حمایت اور مدد کے لئے ان کا تہہ دل سے شکریہ ادا کرتے ہیں۔

بولڈنگس پیٹرن شیئر کریں  
30 جون ، 2020 کو شیئر ہولڈنگ کا نمونہ الحاق کر لیا گیا ہے۔

کی طرف سے  
بورڈ آف ڈائریکٹرز

سہیل احمد  
چیف ایگزیکٹو  
کراچی ، 22 ستمبر ، 2020



---

## **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.

Alhamdolillah 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, 2019

### For the year ended June 30, 2020

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 (CCG / Regulations) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

SG Allied Businesses Limited (“the company”) has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 (Seven) as per the following:

- a. Male : 4
- b. Female : 3

2. The composition of the 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
Female Directors	Mrs. Ghazala Shahid
	Mrs. Tania Asim
	Mst. Zubaida Khatoon

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders 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 for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. All Directors are compliant with necessary requirements of Directors' Training Regulation.



10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer 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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee;	4 Quarterly Meetings
b) HR and Remuneration Committee;	2 Half Yearly Meetings

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

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the 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 the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Chairman

Chief Executive



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SG ALLIED BUSINESSES LIMITED**  
**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **SG Allied Businesses Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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 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 Director's 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 requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

**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 27 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, 2020.

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**

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

**CHARTERED ACCOUNTANTS**

**KARACHI**

**DATE:**



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

### **Report on the Audit of Financial Statements**

#### **Adverse 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 2020**, and the statement of profit or loss and statement of 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the company as at June 30, 2020, and financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### **Basis for Adverse Opinion**

1. The Company owes Rs. 156.61 million as at June 30, 2020 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 which 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.141.89 million (2019: Rs. 154.99 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.
4. The Company has not complied with the requirements of IAS 41 – Agriculture in relation to the biological assets held by the Company.
5. The Company has not complied with the requirements of IFRS 8 – Operating Segments for disclosing each reportable segment separately.

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 adverse opinion.

## 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 Adverse 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. Impact of Covid 19</b></p> <p>As disclose in note 2 to the financial statements, the COVID 19- pandemic caused significant and unprecedented curtailment in economic and social activities from March 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the business globally and across various sectors of the economy in Pakistan.</p> <p>In relation to the accounting and reporting obligations, the management assessed the impact of COVID-19 related events in financial statements particularly effect of the outbreak on the Company's assessment of the appropriateness of the use of going concern basis including financial (liquidity and funding concerns) and non-financial (logistics, workforce management and employee health issue) consideration; and assumptions used and estimates associated with the measurement of various assets and liabilities in the financial statements.</p> <p>In view of the unique nature of these events and its possible impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.</p>	<p>In response to this matter, our audit procedures included:</p> <p>We obtained an overall understanding of the impact due to remote working environment on the financial reporting process and underlying controls in order to determine the appropriate audit strategy;</p> <p>We assessed the authenticity of confirmations received by performing call back procedures;</p> <p>We checked subsequent recoveries, on a sample basis, and assessed the reasonableness of forward-looking factors used by the management in determination of expected credit loss for trade debts;</p> <p>We evaluated whether any impairment indicators exist that could trigger impairment for tangible assets;</p> <p>We evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumptions is appropriate; and</p> <p>We checked the adequacy of the disclosures made by the Company under the applicable financial reporting framework.</p>
<p><b>2. Contingencies</b></p> <p>The Company is subject to material litigations involving different courts pertaining to Long-term loans, 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</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.</p>



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.

The details of contingencies along with management's assessment and the related provisions are disclosed in note 18 to the financial statements.

We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets.

The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

### **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) Except the matters specified in basis for adverse opinion, the statement of financial position, the statement of profit or loss and statement of 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 Muhammad Moin Khan.



**SG ALLIED BUSINESSES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	NOTE	2020 RUPEES	2019 RUPEES
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,053,091,149	459,024,017
Investment property	7	71,407,972	72,865,278
Long term deposits	8	95,714	95,714
<b>CURRENT ASSETS</b>			
Loans, advances, prepayments and other receivables	9	7,775,045	7,977,911
Cash and bank balances	10	15,933,475	13,331,752
		23,708,520	21,309,663
		<u>1,148,303,355</u>	<u>553,294,672</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 15,000,000 Ordinary Shares of Rs. 10 each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital	11	150,000,000	150,000,000
Share premium		337,400,000	337,400,000
		487,400,000	487,400,000
<b>Capital Reserves</b>			
Surplus on revaluation of fixed assets	12	818,894,807	408,077,469
<b>Revenue Reserves</b>			
Accumulated loss		(758,873,850)	(762,768,147)
<b>TOTAL SHARE CAPITAL AND RESERVES</b>		<u>547,420,957</u>	<u>132,709,322</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	13	223,484,247	55,685,616
Loan from directors	14	141,889,262	154,993,866
		365,373,509	210,679,481
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	15	102,832,874	94,306,801
Interest on short term and long term loan	16	20,617,394	20,617,394
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		20,105,208	7,000,604
Provision for taxation		7,426,712	3,454,369
		235,508,889	209,905,869
<b>CONTINGENCIES AND COMMITMENTS</b>	18	<u>1,148,303,355</u>	<u>553,294,672</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, 2020**

	NOTE	2020 RUPEES	2019 RUPEES
Sales	19	5,245,450	4,623,699
Cost of sales	20	(2,650,415)	(395,186)
<b>Gross profit</b>		<b>2,595,035</b>	<b>4,228,513</b>
Administrative and selling expenses	21	(37,749,763)	(54,097,199)
<b>Operating loss</b>		<b>(35,154,728)</b>	<b>(49,868,686)</b>
Other income	22	37,938,838	42,033,542
		<b>2,784,110</b>	<b>(7,835,144)</b>
Financial charges	23	(3,982)	(9,970,880)
<b>Profit / (Loss) before taxation</b>		<b>2,780,127</b>	<b>(17,806,024)</b>
Taxation	24	(4,949,856)	1,499,342
<b>Loss after taxation</b>		<b>(2,169,729)</b>	<b>(16,306,682)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be subsequently reclassified in profit or loss (net of tax)</b>			
Surplus on revaluation of fixed assets		416,881,365	-
<b>Total comprehensive income / (loss)</b>		<b>414,711,636</b>	<b>(4,178,630)</b>
<b>Loss per share - basic and diluted</b>	25	<b>(0.14)</b>	<b>(1.09)</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, 2020**

	2020 RUPEES	2019 RUPEES
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	2,780,127	(17,806,024)
Adjustment for:		
-Depreciation	9,812,605	17,401,227
-Gain on sale of fixed assets	-	(2,938,978)
-Other income	-	(518,640)
-Finance charges	3,982	9,970,880
	<u>9,816,587</u>	<u>23,914,489</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES - BEFORE WORKING CAPITAL CHANGES</b>	<b>12,596,715</b>	<b>6,108,465</b>
<b>(Increase) / decrease in current assets</b>		
Loans, advances, prepayments and other receivables	-	-
	<u>-</u>	<u>-</u>
<b>Increase / (decrease) in current liabilities</b>		
Creditors, accrued and other liabilities	8,526,073	(2,329,516)
Finance charges paid	(3,982)	(7,729)
Tax paid	(3,251,503)	(1,692,912)
	<u>17,867,302</u>	<u>2,078,308</u>
<b>Net cash generated from operating activities</b>		
	<u>17,867,302</u>	<u>2,078,308</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital work in progress	(15,265,579)	(330,000)
	<u>(15,265,579)</u>	<u>(330,000)</u>
<b>Net cash used in investing activities</b>		
	<u>(15,265,579)</u>	<u>(330,000)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans from directors		(6,104,000)
Net cash used in financing activities	-	(6,104,000)
	<u>-</u>	<u>(6,104,000)</u>
<b>Net increase / (decrease) in cash and cash equivalent</b>	<b>2,601,723</b>	<b>(4,355,692)</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>13,331,752</b>	<b>17,687,444</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>15,933,475</b>	<b>13,331,752</b>

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, 2020**

	Share Capital	Revenue Reserve		Capital Reserve	Total
	Issued, subscribed and paid-up capital	Share premium	Accumulated loss	Revaluation Surplus	
Balance as at July 01, 2018	150,000,000	337,400,000	(758,589,517)	418,497,344	147,307,827
<b>Total comprehensive loss for the year ended June 30, 2019</b>					
Loss for the year	-	-	(16,306,682)	-	(16,306,682)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(16,306,682)	-	(16,306,682)
Transferred on account of incremental depreciation	-	-	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>	<b>150,000,000</b>	<b>337,400,000</b>	<b>(762,768,147)</b>	<b>408,077,469</b>	<b>132,709,322</b>
<b>Total comprehensive income for the year ended June 30, 2020</b>					
Profit for the year	-	-	(2,169,729)	-	(2,169,729)
Other comprehensive income (net of tax)	-	-	-	416,881,365	416,881,365
<b>Total comprehensive income for the year</b>	-	-	(2,169,729)	416,881,365	414,711,636
Transferred on account of incremental depreciation	-	-	6,064,026	(6,064,026)	-
<b>Balance as at June 30, 2020</b>	<b>150,000,000</b>	<b>337,400,000</b>	<b>(758,873,850)</b>	<b>818,894,807</b>	<b>547,420,957</b>

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, 2020**

**1. LEGAL STATUS AND OPERATIONS**

- 1.1** S.G Allied Businesses Limited (the company) is a public limited company incorporated in the year 1957 under the repealed Companies Act, 1913 (repealed with the enactment of the Companies Ordinance, 1984, and thereafter, with the enactment of the the Companies Act, 2017). The shares of the company are listed on Pakistan Stock Exchange Limited.

The principal activities of the company are Cold Storage and Vertical Farming.

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 accumulated loss of the Company has reached to Rs. 758.87 million as at June 30, 2020 (2019: 762.77 million). Moreover, the reported current liabilities have exceeded to current assets of the Company by Rs. 211.8 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 IMPACT OF COVID-19 ON FINANCIAL STATEMENTS**

A novel strain of coronavirus later named as SARS-COV-2 (COVID-19) that first surfaced in China in December, 2019 was classified as a pandemic by the World Health Organization (W.H.O.) on March 11, 2020. The pandemic rapidly spread all across the world has not only endangered human lives but has also adversely effected the local and internaional businesses and world economy. On March 21, 2020, the Government of the Sindh (GoS) announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Company's operations were not affected as it fell under the exemption provided by the Government of Sindh to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business.

According to management's assessment, as of the release date of these financial statements, there has been no specifically material quantifiable impact of Covid-19 on the Company's financial condition or results of operations. Consequently, there is no financial impact of COVID-19 on the carrying amount of assets and liabilities and item of income and expenses.

### **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 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are 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 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for items as disclosed in the relevant accounting policies below.

#### **3.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is also the functional currency of the Company. All amounts presented in the financial statements have been rounded off to the nearest of Rs. / Rupees, unless otherwise stated.

#### **3.4 Key judgements and estimates**

The preparation of financial statements in confirmation with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition it require management to exercise judgement in the process of applying the company's accounting policies. The area involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes and related primarily to;

The preparation of financial statements in confirmation with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition it require management to exercise judgement in the process of applying the company's accounting policies. The area involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes and related primarily to;

- impairment loss of non financial assets other than stock in trade (refer note 5.12)
- fair value of investment property
- provision for expected credit loss (refer note 5.9)
- Estimation of provisions (refer note 5.18)
- Estimation of contingent liabilities (refer note 5.18 & 18)
- current income tax expense, provision for current tax recognition of deferred tax ( refer note 5.12 & 24)

### **4 NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS**

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 1 July 2019 other than those disclosed in note 5.1, are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

#### **4.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 July 2020:

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company

Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

there is no substantive change to the other terms and conditions of the lease.

Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

#### **4.2 Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 9 - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these financial statements, except in changes as indicated below.

### 5.1 Changes in significant accounting policies

#### IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019 and the key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized below:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases properties for its operations. The entity recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company did not have any property leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have an effect on the financial statements of the Company.

## 5.2 Property, plant and equipment

- a) Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss (if any) except lease hold land, building, which is stated at revalued amount less the accumulated depreciation and impairment loss (if any).

Any revaluation increase arising on the revaluation of land, buildings is recognised in other comprehensive income and presented as a separate component of equity as “Revaluation surplus on property, plant and equipment”, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company’s shareholders. The surplus on revaluation of land and buildings to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriate profit.

- b) Depreciation is charged to income 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) An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an item of property plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and as recognised on as other income in the statement of profit or loss. In the case of dereognition of a revalued property, the attributable revaluation surplus remaining on the surplus on revaluation is transferred directly to the unappropriated profit.

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

An asset's carrying amount is writtendown immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

- f) Profit or loss on disposal of fixed asset are reflected in the Profit or Loss.

### 5.2.1 Change in estimate

During the year, the company revised the depreciation rate of its building on leasehold by decreasing it from 10% to 5%. The revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the leasehold building for 2020 decreased by Rs. 6,314,990 and carrying amount of leasehold building increased by the same.

	2020	2021	2022	2023	2024	Later
(Decrease)/Increase in Depreciation expense	(9,124,403)	(8,014,619)	(7,025,681)	(6,145,010)	(5,361,312)	11,439,868

### **5.3 Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment loss (if any).

### **5.4 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.

### **5.5 Biological assets**

Biological assets are measured at fair value less cost to sell. Fair value is determined by an independent valuer on the basis of best available estimate for biological assets of similar attributes. Gain or loss arising from changes in the fair value less cost to sell of biological assets are recognised on the statement of profit or loss.

### **5.6 Trade and other receivables**

Trade debts and other receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognized at fair value.

The company holds the trade debts with the objective of collecting the contractual cashflows and therefore measures the trade debts subsequently at amortised cost using the effective interest rate method.

### **5.7 Cash and cash equivalent**

Cash and cash equivalents on the statement of financial position comprises cash at banks and on hand. For cash flow statement, cash and cash equivalents comprise cash on hand and deposit held with banks.

### **5.8 Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non financial assets (other than stock in trade and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

## 5.9 Financial instruments

### 5.8.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

#### 5.8.1.1 Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on de-recognition are recognised directly in profit or loss.

#### 5.8.1.2 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### 5.8.1.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently premeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets / mutual funds are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade debtors, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

## 5.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

## 6 Trade and other payables

Liabilities for trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using effective interest method.

## 5.10 Compensated absences

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

## 5.11 Taxation

### Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

## Judgements and estimate

Significant judgment is required on determining the income tax expenses and provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various forums. The Company recognizes liabilities are the anticipated tax issues based on estimates on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that are initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made. Further, the carrying amount of the deferred tax asset is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profit. If required, carrying amount of the deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit to allow the benefit of part of all that recognized deferred tax assets to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

### 5.12 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

### 5.13 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 when controls of goods are transferred to the customer and invoice is generated.
- Service income on cold storage is recognized on accrual basis.
- Other income comprises of rental income and the same is recognized on accrual basis.

### 5.14 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.

### 5.15 Borrowing cost

Borrowing costs are recognized as an expense on the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, are capitalized as part of the cost of the asset.



## **5.16 Contingent liabilities**

Contingent liability is disclosed when:

- 5.16.1** There is possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company' or
- 5.16.2** There is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

## **5.17 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as liability on the period in which the dividends are approved by the company's shareholders.

## **5.18 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are not recognized for future operating losses.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of the cost of an asset.

## **5.19 Investment property**

Investment property which is property held to earn rentals is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any impairment loss. The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis. Further, determining adjustments for any differences in nature, location and condition of the investment property involves significant judgement.

6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Capital work in progress

NOTE	2020	2019
6.1	1,053,091,149	447,423,107
6.7	-	11,600,910
	<u>1,053,091,149</u>	<u>459,024,017</u>

6.1 Statement of operating fixed assets

Particulars	Cost			Revaluation Surplus / (Deficit)	As at June 30, 2020	Rate %	Depreciation		Written-down value	
	As on July 01, 2019	Addition / Transfer/ (disposal)	Transferred to investment property				For the year / (adjustment for disposal)	Transferred to investment property	As at June 30, 2019	As at June 30, 2020
<b>Owned assets:</b>										
Leasehold land	363,818,485	-	-	535,381,515	899,200,000	-	-	-	-	899,200,000
Building on leasehold land	210,502,587	-	-	51,275,337	262,277,924	5%	6,535,636	-	138,100,839	124,177,085
Gold storage	-	21,151,852	-	21,151,852	21,151,852	5%	1,057,593	-	1,057,593	20,094,259
Vertical farm	-	5,714,637	-	5,714,637	5,714,637	5%	285,732	-	285,732	5,428,905
Plant and machinery	715,112	-	-	715,112	502,675	5%	10,622	-	513,297	201,815
Factory equipment	10,270,720	-	-	10,270,720	8,864,156	10%	140,656	-	9,004,812	1,265,908
Office equipment	19,297,604	-	-	19,297,604	17,082,693	10%	221,491	-	17,304,184	1,993,420
Motor vehicles	13,035,155	-	-	13,035,155	12,832,791	20%	40,473	-	12,873,264	161,891
Furniture and fixtures	3,013,918	-	-	3,013,918	2,740,166	10%	27,385	-	2,767,451	246,467
Trolleys and fork lifters	4,242,562	-	-	4,242,562	3,956,396	10%	28,617	-	3,985,013	257,549
OTIS lifts	1,196,982	-	-	1,196,982	1,196,982	10%	7,094	-	1,133,134	63,848
<b>Total owned assets</b>	<b>626,093,125</b>	<b>26,866,489</b>	<b>-</b>	<b>587,156,852</b>	<b>1,240,116,466</b>		<b>8,355,299</b>	<b>-</b>	<b>187,025,319</b>	<b>1,053,091,149</b>
Addition / (deletion)										

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

Usage of Immovable Property  
Total Area  
(Square feet)

Location	Total Area (Square feet)
a) Lease hold building	4,669 acres
b) Building	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 of revalued land and building

Asset class	Forced sale value
Lease hold land	719,360,000
Building	104,570,074
<b>Total</b>	<b>823,930,074</b>

6.5 The revaluation of land and building were performed by Messrs. Amir Evaluators & Consultants who are independent valuer not related to the company. M/S Amir Evaluators & Consultants have appropriate qualifications and experience in the fair value of properties in the relevant locations. The revaluation of land was determined based on market comparable approach that reflects recent transaction prices of similar properties. The revaluation of building was determined on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, condition and obsolescence. The fair value of assets subject to revaluation model fall under level 2 of fair value hierarchy.

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

Cost of sales  
Administrative and selling expenses

	2020	2019
RUPEES	RUPEES	RUPEES
	1,343,325	11,181
	7,011,974	9,293,904
	<u>8,355,299</u>	<u>9,305,085</u>

6.7 Capital work in progress

	2020		
	Opening Balance	Capital expenditure Incurred during the year	Closing balance
CWIP - Cold storage	10,940,910	10,210,942	(21,151,852)
CWIP - Vertical farm	660,000	5,054,637	(5,714,637)
	<u>11,600,910</u>	<u>15,265,579</u>	<u>(26,866,489)</u>

6.8 Had there been no revaluation the related figures of leasehold land and buildings would have been as mentioned in note 12.2.

Particulars	Cost				Rate %	Depreciation			Written-down value As at June 30, 2019	
	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)	Transferred to investment property		As at June 30, 2019
	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	8,770,820	131,565,203	78,937,384	
Plant and machinery	7,945,688	(7,230,576)	-	-	5%	715,112	11,181	502,675	212,437	
Factory equipment	10,270,720	-	-	-	10%	10,270,720	(4,969,554)	8,864,156	1,406,564	
Office equipment	19,297,604	-	-	-	10%	19,297,604	246,101	17,082,693	2,214,911	
Motor vehicles	13,035,155	-	-	-	20%	13,035,155	50,591	12,832,791	202,364	
Furniture and fixtures	3,013,918	-	-	-	10%	3,013,918	30,428	2,740,066	273,852	
Trolleys and fork lifters	4,242,562	-	-	-	10%	4,242,562	31,796	3,956,396	286,166	
OTIS lifts	1,196,982	-	-	-	10%	1,196,982	7,883	1,126,040	70,942	
<b>Total owned assets</b>	<b>633,323,701</b>	<b>(7,230,576)</b>	<b>-</b>	<b>-</b>		<b>626,093,125</b>	<b>9,305,085</b>	<b>174,334,488</b>	<b>447,423,107</b>	
Disposal / deletion	-	-	-	-		-	(4,969,554)	-	-	



	NOTE	2020 RUPEES	2019 RUPEES
<b>7 INVESTMENT PROPERTY</b>			
Cost		194,310,081	194,310,081
Less: Accumulated depreciation and impairment		(121,444,803)	(113,348,661)
Carrying amount as at 1 July		72,865,278	80,961,420
Additions through new purchases		-	-
Depreciation charge for the year		(1,457,306)	(8,096,142)
Transfer (to)/from property, plant and equipment		-	-
Carrying amount as at 30 June		71,407,972	72,865,278
Rate of depreciation (%)		2%	10%
7.1	This represents building owned by the company. The fair value of the investment property is Rs. 122.36 million. Forced sale value of the investment property assessed at Rs. 97.89 million.		
<b>8 LONG TERM DEPOSITS</b>			
Security deposits		95,714	95,714
<b>9 LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Advances - considered good:</b>			
Advance to Staff		630,000	630,000
Advance income tax		1,027,033	1,229,899
Income tax refundable		9,903,094	9,903,094
Less: provision against income tax refundable		(9,903,094)	(9,903,094)
		1,657,033	1,859,899
<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		(21,070,506)	(21,070,506)
		150,000	150,000
<b>Others</b>	9.1 & 9.2	9,571,471	9,571,471
Less: Provision for irrecoverable rent		(3,600,000)	(3,600,000)
Less: Provision for doubtful debts		(3,459)	(3,459)
		5,968,012	5,968,012
		6,118,012	6,118,012
		7,775,045	7,977,911



9.1 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 15 ,16 and 17 a sum of Rs.156.61 million is payable to S.G Power Limited.

9.2 Ageing analysis of receivables from S.G Power Limited (associated company):

	2020 RUPEES	2019 RUPEES
Past due less than one year	-	-
Past due over one year	8,550,000	8,550,000
<b>10 CASH AND BANK BALANCES</b>		
Cash on hand	104,198	106,198
Cash with banks - current account	15,829,277	13,225,554
	<b>15,933,475</b>	<b>13,331,752</b>
<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	54,156,100	54,156,100
2,384,390 Ordinary shares of Rs. 10 each as fully paid right	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
	<b>150,000,000</b>	<b>150,000,000</b>

11.1 Shares held by the related parties of the Company

Name of the shareholders	2020		2019	
	Number of shares	Percentage holding	Number of shares	Percentage holding
<b>Directors, CEO, &amp; their spouse</b>				
Mst. Zubaida Khatoon			2,614,000	17.43%
Mr. Sohail Ahmed	3,749,833	25.00%	2,614,000	17.43%
Mr. Asim Ahmed	3,221,633	21.48%	2,614,000	17.43%
Mst. Ghazala Salim	1,742,517	11.62%	1,306,850	8.71%
Mrs. Tania Asim			500	0.003%

## 12 SURPLUS ON REVALUATION OF FIXED ASSETS

Balance at the beginning of the year	452,660,871	469,742,635
Surplus arisen on revaluation carried out during the year:	587,156,852	-
	1,039,817,723	469,742,635
Less: Transferred to unappropriated profit on account of:		
- incremental depreciation for the year	(8,540,882)	(17,081,763)
	1,031,276,841	452,660,871
Related deferred tax of:		
-balance at beginning of the year	44,583,403	51,245,290
-surplus arising during the year	170,275,487	-
-incremental depreciation for the year	(2,476,856)	(4,953,711)
-Effect of change in tax rate	-	(1,708,176)
-balance at year end	212,382,034	44,583,403
Balance at end of the year	818,894,807	408,077,469

- 12.1** During the financial year ended June 30, 2020 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 June 30, 2020 by an independent qualified valuers namely M/s. Amir Evaluators & Consultants. The appraisal surplus arisen on these revaluations aggregates to Rs. 587.156 million.

Previously, the revaluation of its leasehold land and buildings on leasehold land was carried out on June 26, 2015 by the same valuers namely M/s. Amir Evaluators & Consultants. The appraisal surplus arisen on these revaluations aggregates to Rs. 533.242 million.

- 12.2** The surplus on revaluation of fixed assets is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.



12.3 Had there been no revaluation the related figures of leasehold land and buildings would have been as follows:

	2020			2019		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
Leasehold land	64,893,485	-	64,893,485	64,893,485	-	64,893,485
Building on leasehold land	88,657,361	82,367,264	6,290,097	88,657,361	81,668,365	6,988,996
	<u>153,550,846</u>	<u>82,367,264</u>	<u>71,183,582</u>	<u>153,550,846</u>	<u>81,668,365</u>	<u>71,882,481</u>

13 DEFERRED LIABILITIES	NOTE	2020 RUPEES	2019 RUPEES
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
Deferred taxation	13.3	212,382,034	44,583,403
		<u>223,484,247</u>	<u>55,685,616</u>

13.1 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, 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	-	-
	<u>5,363,785</u>	<u>5,363,785</u>
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 Deferred Taxation

Deferred tax liability attributable to Revaluation Surplus	<u>212,382,034</u>	<u>44,583,403</u>
<b>Deferred tax liability arising on taxable temporary differences due to:</b>		
Accelerated tax depreciation	14,156,788	89,886,982



#### Deferred tax assets arising on deductible

temporary differences due to:

Unused tax losses	(192,347,708)	(227,800,369)
Provision for gratuity	(1,877,325)	(1,877,325)
Deferred tax asset - net	<u>(180,068,246)</u>	<u>(139,790,713)</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	154,993,866	168,098,470
Less: Current maturity of loan from Directors	<u>(13,104,604)</u>	<u>(13,104,604)</u>
	<u>141,889,262</u>	<u>154,993,866</u>

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

During the year ended 30 June 2019, 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 of the last financial years. However, considering the financial position of the company, the directors forfeited the interest of the last quarter in the benefit of the company. Hence, the loan has become interest free.

#### 15 CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors		1,244,066	1,244,066
Earnest money	15.1	189,006	189,006
Security deposit payable		20,127,266	14,337,193
Electricity bill payable		4,424,085	2,263,165
Others		<u>2,311,093</u>	<u>1,736,013</u>
		28,295,516	19,769,443
Due to associated undertaking	15.2	<u>74,537,358</u>	<u>74,537,358</u>
		<u>102,832,874</u>	<u>94,306,801</u>

15.1 This represents advance received from scrap buyers.

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

#### 16 INTEREST ON SHORT TERM AND LONG TERM LOAN

Financial charges on loan from directors		9,963,151	9,963,151
Accrued interest on long term loan payable to S.G.Power Limited		<u>10,654,243</u>	<u>10,654,243</u>
		<u>20,617,394</u>	<u>20,617,394</u>

#### 17 CURRENT PORTION OF LONG TERM LOANS

Current portion of long term loan		<u>71,422,097</u>	<u>71,422,097</u>
-----------------------------------	--	-------------------	-------------------

#### 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 matter 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.

<b>19 SALES</b>		
Sale of agricultural products	1,729,302	334,418
Service income from cold storage	3,516,148	4,289,281
	5,245,450	4,623,699
<b>20 COST OF SALES</b>		
Electricity, gas, steam and water	1,098,990	251,040
Packaging	150,600	132,965
Nutrient	47,500	-
Seeds	10,000	-
Depreciation expense	1,343,325	11,181
	2,650,415	395,186



## 21 ADMINISTRATIVE AND SELLING EXPENSES

Directors' remuneration and amenities		2,400,000	3,000,000
Salaries, allowances and benefits		14,662,652	13,939,605
Advertisement expense		168,635	79,210
Auditor's remuneration	21.1	743,000	743,000
Commission expense		922,042	1,587,500
Depreciation expense	6.12	8,469,280	17,390,046
Dues and Subscriptions		254,500	127,050
Electricity expense		5,658,930	5,788,165
Generator fuel		18,000	-
Generator repairment		182,450	350,000
Insurance		2,005	-
Legal and professional		724,000	752,375
Printing & stationery		76,000	85,850
Postage		5,700	-
Repairs and maintenance		1,672,143	4,120,380
Rent, rates and taxes		580,000	150,000
Safety and security		20,963	-
Telephone and fax		125,720	53,080
Travelling expenses		368,772	4,381,999
Tax - Professional		200,000	740,000
Utilities		102,060	660,819
Others		392,911	148,120
		<u>37,749,763</u>	<u>54,097,199</u>

### 21.1 Auditor's remuneration

Audit fee		453,000	453,000
Out of pocket expenses		15,000	15,000
Tax consultancy services		175,000	175,000
Review fee		100,000	100,000
		<u>743,000</u>	<u>743,000</u>

## 22 OTHER INCOME

Other income		295,121	518,640
Gain on sale of fixed assets		-	2,938,978
Rental income		37,643,717	38,575,924
		<u>37,938,838</u>	<u>42,033,542</u>

## 23 FINANCIAL CHARGES

Bank charges and commission		3,982	7,729
Interest on loan from directors		-	9,963,151
		<u>3,982</u>	<u>9,970,880</u>

## 24 TAXATION

Current		7,426,712	3,454,369
Deferred		(2,476,856)	(4,953,711)
		<u>4,949,856</u>	<u>(1,499,342)</u>

24.1 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	Excess / (shortage)
	----- (Rupees '000) -----		
2019	3,454,369	4,697,321	(1,242,952)
2018	5,152,782	6,562,431	(1,409,649)
2017	5,709,703	4,313,185	1,396,518



## 24.2 RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING LOSS

Profit / (loss) before taxation	2,780,127	(17,806,024)
Tax at the applicable tax rate of 29 %	-	-
Tax on rental income at the rate of 29 %	7,426,712	3,454,369
Effect of prior year current and deferred tax charge	(2,476,856)	(4,953,711)
	<u>4,949,856</u>	<u>(1,499,342)</u>

## 24.3 Tax expense on items recognized in other comprehensive income

Revaluation of fixed assets	<u>170,275,487</u>	<u>-</u>
-----------------------------	--------------------	----------

## 25 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

### 25.1 Loss per share - basic

Loss after taxation	(2,169,729)	(16,306,682)
Weighted average number of shares	15,000,000	15,000,000
Loss per share	<u>(0.14)</u>	<u>(1.09)</u>

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

## 26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of the associated companies, key management personnel and retirement benefit funds. Detail of transactions / balances with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

NAME OF RELATED PARTY	RELATIONSHIP WITH THE COMPANY	2020 RUPEES	2019 RUPEES
<b>TRANSACTIONS:</b>			
Directors - Payment of loan	Key management personnel	-	6,104,000
S.G. Power Limited - Purchase of electricity	Associated Company by virtue of common directorship	<u>6,287,700</u>	<u>5,788,165</u>
Directors' remuneration	Key management personnel	<u>2,400,000</u>	<u>3,000,000</u>
<b>BALANCES:</b>			
Mrs.Zubaida Khatoun.	Key management personnel	50,579,102	50,579,102
Aliya Shahid	Key management personnel	<u>22,673,160</u>	<u>22,673,160</u>
Asim Ahmed	Key management personnel	<u>42,014,930</u>	<u>42,014,930</u>
Ghazala Saleem	Key management personnel	<u>22,723,160</u>	<u>22,723,160</u>
Sohail Ahmed	Key management personnel	<u>37,108,720</u>	<u>37,108,720</u>
S.G. Power Limited	Associated Company by virtue of common directorship	<u>74,537,358</u>	<u>74,537,358</u>



## 27 REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors	
	2020	2019	2020	2019
Remuneration	1,800,000	2,400,000	600,000	600,000
House Rent	-	-	-	-
Retirement Benefits	-	-	-	-
Utilities	-	-	-	-
	<u>1,800,000</u>	<u>2,400,000</u>	<u>600,000</u>	<u>600,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
			2020	2019
			RUPEES	RUPEES

## 28 FINANCIAL INSTRUMENTS BY CATEGORY

### *Financial Assets*

#### **At amortized cost**

Long term deposits	95,714	95,714
Loans and other receivables	6,748,012	6,748,012
Cash and bank balances	15,933,475	13,331,752
	<u>22,777,201</u>	<u>20,175,478</u>

### *Financial Liabilities*

#### **At amortized cost**

Creditors, accrued and other liabilities	102,832,874	94,306,801
Short term and long term loan	92,039,491	92,039,491
Loan from directors	175,099,074	175,099,074
	<u>369,971,439</u>	<u>361,445,366</u>

## 29 FINANCIAL RISK MANAGEMENT

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 29.1 to 29.3

### 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. 22.77 million (2019: Rs. 20.175 million), the financial assets which are subject to credit risk amounted to Rs. 22.67 million (2019: Rs. 20.069 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 and other receivables	6,748,012	6,748,012
Long term deposits	95,714	95,714
Bank balances	15,829,277	13,225,554
	<u>22,673,003</u>	<u>20,069,280</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	Long- term Rating	2020	2019
				----- ( Rupees ) -----	
Summit Bank Ltd	JCR - VIS	A-3	BBB-	486,728	416,190
BankIslami Pakistan Limited	PACRA	A-1	A+	11,645,206	12,809,364
Samba Bank Limited	JCR - VIS	A-1	AA	151,855	-
Bank Al-Habib Limited	PACRA	A-1+	AA+	3,545,488	-
				<u>15,829,277</u>	<u>13,225,554</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 has no exposure to foreign currency risk.

### 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.



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

2020	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Loan from directors	-	-	141,889,262	-	141,889,262
Creditors, accrued and other liabilities	4,424,085	98,408,789	-	-	102,832,874
Current maturity of loan from directors	-	13,104,604	-	-	13,104,604
Current portion of long term loan	-	71,422,097	-	-	71,422,097
Interest on short term and long term loan	-	20,617,394	-	-	20,617,394
Overdue of loan from directors	-	20,105,208	-	-	20,105,208
<b>Total</b>	<b>4,424,085</b>	<b>223,658,092</b>	<b>141,889,262</b>	<b>-</b>	<b>369,971,439</b>

2019	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Loan from directors	-	-	154,993,866	-	154,993,866
Creditors, accrued and other liabilities	2,263,165	92,043,636	-	-	94,306,801
Current maturity of loan from directors	-	13,104,604	-	-	13,104,604
Current portion of long term loan	-	71,422,097	-	-	71,422,097
Interest on short term and long term loan	-	20,617,394	-	-	20,617,394
Overdue of loan from directors	-	7,000,604	-	-	7,000,604
<b>Total</b>	<b>2,263,165</b>	<b>204,188,335</b>	<b>154,993,866</b>	<b>-</b>	<b>361,445,366</b>

### 30 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### *Fair value hierarchy;*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30,2020 the Company has no financial instrument that falls into any of the above category.

There were no transfer between level 1, 2 and 3 in the year.

### 31 CAPITAL RISK MANAGEMENT

The objective of the company when managing capital i-e its shareholder's equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The company manage its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions consistent with others in the industry. The company manages its capital risk by monitoring its liquid assets and keeping in view future investment requirements and expectation of the shareholders.



As at June 30, 2020 and 2019, the company had surplus reserves to meet its requirements.

The gearing ratio as at June 30, 2020 and June 30, 2019 is as follows:

	June 30, 2020	June 30, 2019
Total Debts*	267,138,565	267,138,565
Cash and bank balances	(15,933,475)	(13,331,752)
Net Debts	<u>251,205,090</u>	<u>253,806,813</u>
Share capital	150,000,000	150,000,000
Surplus on revaluation of property, plant and equipment	818,894,807	408,077,469
Share premium	337,400,000	337,400,000
Revenue reserve	(758,873,850)	(762,768,147)
Equity	547,420,957	132,709,322
Capital	798,626,047	386,516,135
<b>Gearing ratio (debt / (debt + Equity))</b>	<b>31%</b>	<b>66%</b>

\*These comprise of long term loan, interest on short term and long term, overdue of loan from directors.

	2020 RUPEES	2019 RUPEES
<b>32 CAPACITY &amp; PRODUCTION</b>		
Production capacity for vertical farming	<u>3000 KG</u>	<u>3000 KG</u>
Actual production for vertical farming	<u>2100 KG</u>	<u>1700 KG</u>
Capacity cold storage(tonnes)	<u>425</u>	<u>425</u>
Actual usage for cold storage(tonnes)	<u>297.5</u>	<u>255</u>

Actual production was sufficient to meet the demand.

	2020	2019
<b>33 NUMBER OF EMPLOYEES</b>		
Number of employees at the year-end	<u>21</u>	<u>21</u>
Average number of employees	<u>21</u>	<u>22</u>

**34** Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.

**35 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were approved and authorized for issue on **22 September, 2020** by the Board of Directors of the Company.

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

\_\_\_\_\_  
Director

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2020**

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, 2020

DETAILS OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2020

	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>		
Mr. Sohail Ahmed		3,749,833
Mr. Asim Ahmed		3,221,633
Mrs. Ghazala Salim		1,742,517
Mr. Farhan Sohail		500
Mrs. Saba Sohail		500
	5	8,714,983
<b>Individuals</b>	1	1,741,317
<b>GRAND TOTAL</b>	8	15,000,000

**Shareholders Holding 10% or More Voting Interest in the Company**  
As at June 30, 2020

	Shares Held	Percentage
<b>Directors, CEO, Their Spouse &amp; Minor Children</b>		
Mr. Sohail Ahmed	3,749,833	25.0%
Mr. Asim Ahmed	3,221,633	21.5%
Mrs. Ghazala Salim	1,742,517	11.6%
<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 52<sup>nd</sup> Annual General Meeting of the Company to be held on Wednesday the October 27, 2020 9:30a.m and at  
Any adjournment thereof;

In witness my/our hand seal this \_\_\_\_\_ day of \_\_\_\_\_ 2020

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**



















## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device
-  Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices



**B-40 S.I.T.E**  
**Karachi-Pakistan**  
**Tel: (92-21) 32593411**  
**(92-21) 32593500**  
**Website: [www.sglyne.com](http://www.sglyne.com)**