



***ANNUAL REPORT  
JUNE 30 2020***





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**2020**

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Sohail Ahmed	Chief Executive
Mr. Asim Ahmed	Director
Mrs. Ghazala Salim	Director
Mrs. Saba Sohail	Director
Ms. Bina Sohail	Director
Mr. Farhan Sohail	Director
Mr. Rafiq Ahmed	Director

## AUDIT COMMITTEE

Ms. Tania Asim	Independent Director
Mr. Sohail Ahmed	Chief Executive
Mrs. Alia Shahid	Independent Director

## HR AND REMUNERATION COMMITTEE

Mr. Sohail Ahmed	Chief Executive
Mrs. Alia Shahid	Independent Director
Mrs. Tania Asim	Independent Director

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Hasan

## AUDITORS

Muniff Ziauddin & Co.  
Chartered Accountants

## LEGAL ADVISOR

M.J. Panny Associate  
Mohsin Tayab & Co.

## BANKERS

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 S.G. Power 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 27<sup>th</sup> Annual General Meeting of the members of M/s S.G. Power Limited will be held on Tuesday October 27, 2020 at 10:30am at Company Registered Office at B-40, S.I.T.E., Karachi to transact the following business:

1. To confirm the minutes of 26<sup>th</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 30<sup>th</sup> October, 2020 and they are eligible for re-election. The name of the retiring directors are as follows:

1	Mr. Asim Ahmed	2	Mr. Sohail Ahmed
3	Ms. Saba Sohail	4	Mrs. Ghazala Ahmed
5	Ms. Bina Sohail	6	Mr. Farhan Sohail
7	Mr. Rafiq Ahmed		

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
3. 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.
4. 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.
5. 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.
6. 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 S.G. Power Limited is pleased to present the 27<sup>th</sup> Annual Report and Audited Financial Statements of the Company together with Auditors' Report thereon for the year ended June 30, 2020.

The auditors have given an observation regarding the existence of material un-certainty regarding Company's ability to continue as a going concern. The Company has made a profit of Rs. 2.183 million (2019: 1.05 million) during the year and accumulated loss as at June 30, 2020 stood at Rs. 253.88 million (2019: 256.06 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, it may be unable to realize its assets and discharge its liabilities in the normal course of business. In 2017, the associated company, SG Allied Businesses Limited started new lines of business activities and the Company acquired new generators and w.e.f. May 2017 has restarted to supply electricity to its associated company. In the years of 2018-19 and 2019-20 the company earned profit. Moreover, the management expects that the company will be able to continue as a going concern and will be able to realize its assets and discharge its liabilities in the normal course of business.

### **FINANCIAL RESULTS**

The performance of the Company during the year under review has been on track of recovery due to the factors as mentioned above relating to its only customer and sister concern.

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

	<u>Rupees</u>
Sale	8,998,660
Generation cost	(6,662,672)
Gross Profit	3,335,988
Admin & Selling Expenses	(153,297)
Profit before taxation	2,182,691
Profit after taxation	2,182,691

### **FUTURE OUTLOOK**

Alhamdo Lillah after a period of time company has reported the profit in current year 2019-20, as business activities of SG Allied Businesses Limited is growing, management is hopeful for increased sale of the company in upcoming financial year 2020-21.

### **CORPORATE GOVERNANCE**

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



- The Financial Statements for the year ended June 30, 2020 have been prepared by the management present fairly its state of affairs, the results of its operation, cash flow and change in equity.
- Proper books of accounts of the Company have been maintained.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- 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 associated Company is in the process of revamping its business process and certain compliances remained unadhered as at the year end.

The Board has four meeting during the year. The attendance by each Director was as follows:

<u>Name of Director</u>	<u>No. of meetings attended.</u>
Mst Zubaida Khatoon	4
Mr. Asim Ahmed	4
Mr. Sohail Ahmed	4
Mrs. Ghazala Ahmed	4
Mrs Tania Asim	4
Mr. Farhan Sohail	4
Mr. Rafiq Ahmed	4

#### **AUDIT COMMITTEE**

The meetings of Audit Committee were held during the year ended June 30, 2019 as required by the Code of Corporate Governance for review of Quarterly/Half-yearly/Annual Accounts 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. Asim Ahmed	Chairman
Mr. Sohail Ahmed	Member
Mrs. Ghazala Ahmed	Member



### **AUDITORS**

The present Auditors M/S Muniff Ziauddin & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. Audit Committee has recommended for their re-appointment for the year ending June 30, 2020.

### **ACKNOWLEDGEMENT**

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

### **SHAREHOLDINGS PATTERN**

The Pattern of Shareholding as on June 30, 2020 is annexed.

On behalf of the  
Board of Directors

Sohail Ahmed  
(Chief Executive)

Karachi September 22, 2020.

ہدایت کاروں کی رپورٹ

ایس جی پاور لمیٹڈ کے بورڈ آف ڈائریکٹرز ، کمپنی کی 27 ویں سالانہ رپورٹ اور آڈٹ شدہ مالیاتی بیانات کو 30 جون ، 2020 کو ختم ہونے والے سال کے لئے آڈیٹرز کی رپورٹ کے ساتھ پیش کرتے ہوئے خوش ہیں۔

آڈیٹرز نے کمپنی کی قابل تشویش کے طور پر جاری رکھنے کی صلاحیت کے بارے میں مادی عدم اعتماد کے وجود سے متعلق ایک مشاہدہ کیا ہے۔ کمپنی نے Rs. Rs Rs Rs کا منافع کیا ہے۔ سال کے دوران 2.183 ملین (2019: 1.05 ملین) اور جمعہ کو 30 جون ، 2020 تک کا نقصان ہوا۔ 253.88 ملین (2019: 256.06 ملین) یہ شرائط مادی غیر یقینی صورتحال کے وجود کی نشاندہی کرتی ہیں جو کمپنی کی تشویش کی حیثیت سے جاری رکھنے کی صلاحیت پر نمایاں شبہات ڈال سکتی ہے اور ، لہذا ، وہ اپنے اثاثوں کا ادراک کرنے اور کاروبار کے معمول کے مطابق اپنی ذمہ داریوں کو نبھانے میں ناکام رہ سکتا ہے۔ 2017 میں ، اس سے وابستہ کمپنی ، ایس جی الائیڈ بزنس لمیٹڈ نے کاروباری سرگرمیوں کی نئی لکیریں شروع کیں اور کمپنی نے نئے جنریٹر اور ڈبلیو ای ایف حاصل کر لئے۔ مئی 2017 نے اپنی متعلقہ کمپنی کو بجلی کی فراہمی کے لئے دوبارہ کام شروع کیا ہے۔ 2018-19 اور 2019-20 کے سالوں میں کمپنی نے منافع کمایا۔ مزید برآں ، انتظامیہ کو توقع ہے کہ یہ کمپنی ایک تشویشناک صورتحال کے طور پر جاری رکھے گی اور معمولی کاروبار میں اپنے اثاثوں کا احساس کرنے اور اس کی ذمہ داریوں کو نبھائے گی۔

مالی نتائج

زیر نظر سال کے دوران کمپنی کی کارکردگی عوامل کی وجہ سے بازیابی کی راہ پر گامزن ہے جیسا کہ مذکورہ بالا اپنے واحد گاہک اور بہن کی تشویش سے متعلق ہے۔

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

روپے

فروخت 8,998,660

جنریشن لاگت (6,662,672)

مجموعی منافع 3,335,988

ایڈمن اور بیچنے والے اخراجات (153,297)

ٹیکس لگانے سے پہلے منافع 2,182,691

ٹیکس لگانے کے بعد منافع 2,182,691

مستقبل آؤٹ لک  
 الہامدو اللہ نے کچھ عرصہ کے بعد کمپنی کو موجودہ سال 2019-2020 میں منافع کی اطلاع دی ہے  
 ، چونکہ ایس جی الائیڈ بزنس لمیٹڈ کی کاروباری سرگرمیاں بڑھ رہی ہیں ، انتظامیہ کو آئندہ مالی  
 سال 2020-21 میں کمپنی کی فروخت میں اضافے کی امید ہے۔  
 کارپوریٹ حکومت

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس  
 ریگولیشن 2017 کی ضرورت کے مطابق ، ڈائریکٹرز اس کی تصدیق کرتے ہیں:  
 June 30 2020 کو ختم ہوئے سال کے مالی بیانات انتظامیہ کی جانب سے اس کی امور  
 کی منصفانہ حالت ، اس کے آپریشن ، نقد بہاؤ اور ایکویٹی میں تبدیلی کے نتائج تیار کیے گئے ہیں۔  
 Company 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 فیصلوں پر مبنی ہوتا ہے۔

Company کمپنی داخلی کنٹرول پر عمل درآمد 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 مذکور کچھ عدم تعمیل اس حقیقت کی وجہ سے ہے کہ اس  
 سے وابستہ کمپنی اپنے کاروبار کے عمل کو بہتر بنانے کے عمل میں ہے اور کچھ تعمیلات سال  
 کے آخر تک غیر تسلی بخش رہیں۔

سال کے دوران بورڈ کی چار میٹنگ ہوتی ہے۔ ہر ڈائریکٹر کی حاضری کچھ یوں تھی:

ڈائریکٹر کے نام	اجلاس میں شرکت کی تعداد
مسماۃ زبیدہ خاتون	4
جناب عاصم احمد	4
جناب سہیل احمد	4
مسز غزالہ سلیم	4
مسز تانیہ عاصم	4
جناب فرحان سہیل	4
جناب رفیق احمد	4



حساب کتاب کا گروہ یا لوگ  
سہ ماہی / نصف سالانہ / سالانہ اکاؤنٹس اور اس سے متعلق امور کے جائزہ لینے کے لئے کوڈ  
آف کارپوریٹ گورننس کی ضرورت کے مطابق آڈٹ کمیٹی کے اجلاس 30 جون 2019 کو ختم  
ہوئے سال کے دوران ہوئے۔ بیرونی آڈیٹرز نے بھی جب ضرورت ہو تو اجلاسوں میں شرکت کی۔  
کمیٹی کی تشکیل مندرجہ ذیل ہے۔

جناب عاصم احمد چیئرمین  
جناب سہیل احمد ممبر  
مسز غزالہ احمد ممبر

مصنفین  
موجودہ آڈیٹرز ایم / ایس منیف ضیاء الدین اینڈ کمپنی ، چارٹرڈ اکاؤنٹنٹ ، ریٹائر ہو کر اہل ہونے  
کے بعد ، دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ آڈٹ کمیٹی نے 30 جون 2020 کو ختم  
ہونے والے سال کے لئے ان کی دوبارہ تقرری کے لئے سفارش کی ہے۔

اعتراف  
آپ کی کمپنی کے ڈائریکٹرز ان کے تعاون اور معاونت کے لئے حصص یافتگان کا تہہ دل سے  
شکریہ ادا کرتے ہیں۔

شیئر ہولڈنگز پیٹرن

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

**Asim 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 Power 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. Farhan Sohail
Executive Director	Mr. Asim Ahmed
Non Executive Directors	Mr. Sohail Ahmed
	Mrs. Ghazala Shahid
	Mrs. Tania Asim
	Mst. Zubaida Khatoon
Female Directors	Mr. Rafiq Ahmed
	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. Asim Ahmed	Chairman
Mr. Sohail Ahmed	Member
Mrs. Ghazala Shahid	Member

**b) HR and Remuneration Committee**

Mr. Sohail 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 POWER 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 Power 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:**



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## **Independent Auditors' Report To the Members of S.G. Power Limited**

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

#### **Opinion**

We have audited the annexed financial statements of **S.G. Power Limited** (the Company), which comprise the statement of financial position as at **30 June 2020**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

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

#### **Material Uncertainty relating to Going Concern**

Without qualifying our opinion, we draw attention to note 1.1 in the financial statements, which indicates that the Company has the accumulated loss as at June 30, 2020 stood at Rs. 253.88 million. This condition indicates the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.



The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.

The details of contingencies along with management's assessment and the related provisions are disclosed in note 12 to the financial statements.

Obtaining independent opinion of legal advisors dealing with such cases in the form confirmations.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Moin Khan.



**S.G POWER LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised			
20,000,000 Ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital	6	178,332,670	178,332,670
Share premium		89,116,330	89,116,330
<b>Revenue reserve</b>			
Accumulated loss		(253,879,648)	(256,062,339)
		<u>13,569,352</u>	<u>11,386,661</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred liabilities	7	-	-
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,233,215	780,965
Loan from director	9	46,262	46,262
Unclaimed dividend	10	1,297,283	1,297,283
Due to associated undertaking	11	1,071,700	1,071,700
Provision for taxation		629,329	629,329
		<u>4,277,789</u>	<u>3,825,539</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	<u>17,847,141</u>	<u>15,212,200</u>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	7,541,871	7,972,799
Long term deposit	14	5,300,000	5,300,000
<b>CURRENT ASSETS</b>			
Current portion of long term receivable	15	-	-
Trade debts	16	4,595,205	1,913,165
Advance tax		21,468	21,468
Accrued interest considered good	17	-	-
Cash and bank balances	18	388,598	4,768
		<u>5,005,271</u>	<u>1,939,401</u>
		<u>17,847,141</u>	<u>15,212,200</u>

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

Chief Executive

Director

Chief Financial Officer



**S.G POWER LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Note	2020 Rupees	2019 Rupees
Sales	19	8,998,660	5,788,165
Generation cost	20	<u>(6,662,672)</u>	<u>(4,487,745)</u>
<b>Gross profit</b>		2,335,988	1,300,420
Administrative and selling expenses	21	<u>(153,297)</u>	<u>(249,877)</u>
<b>Operating profit</b>		2,182,691	1,050,543
Finance charges	22	-	-
Other income	23	-	-
<b>Profit before taxation</b>		<u>2,182,691</u>	<u>1,050,543</u>
Taxation	24	-	-
<b>Profit after taxation</b>		<u>2,182,691</u>	<u>1,050,543</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>2,182,691</u></u>	<u><u>1,050,543</u></u>
Earning per share - basic and diluted	25	0.122	0.059

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

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

\_\_\_\_\_  
Director

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



**S.G POWER LIMITED**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	2020 Rupees	2019 Rupees
<b>CASH FLOW FROM OPERATION ACTIVITIES</b>		
Profit before taxation	2,182,691	1,050,543
<b>Adjustment for non cash items:</b>		
Depreciation	430,929	457,746
Finance charges	-	-
	<u>430,929</u>	<u>457,746</u>
<b>Cash flow from operating activity before working capital changes</b>	<b>2,613,620</b>	<b>1,508,289</b>
<b>Changes in working capital</b>		
(Increase) / decrease in current assets		
Trade debts	(2,682,040)	(1,913,165)
	<u>(2,682,040)</u>	<u>(1,913,165)</u>
Increase / (decrease) in current liabilities		
Accrued Liabilities	-	-
Trade and other payable	452,250	611,150
Due to associated undertaking	-	(728,300)
	<u>383,830</u>	<u>(522,026)</u>
Finance charges paid	-	-
Tax paid	-	-
<b>Net Cash generated from / (used in) operating activities</b>	<b>383,830</b>	<b>(522,026)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions of fixed assets	-	-
Decrease in long term deposit	-	50,000
<b>Net cash from investing activities</b>	<b>-</b>	<b>50,000</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Net cash from financing activities</b>	<b>-</b>	<b>43,000</b>
Net increase / (decrease) in cash and cash equivalents	383,830	(472,026)
Cash and cash equivalents at the beginning of the year	4,768	433,794
<b>Cash and cash equivalents at the end of the year</b>	<b>388,598</b>	<b>4,768</b>

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

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

\_\_\_\_\_  
Director

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



**S.G POWER LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	SHARE CAPITAL		REVENUE RESERVE	Total
	Issued, subscribed and paid up capital	Share Premium	Accumulated loss	
	----- R u p e e s -----			
Balance as at July 1, 2018	178,332,670	89,116,330	(257,112,882)	10,336,118
Total comprehensive income for the year ended June 30, 2019	-	-	1,050,543	1,050,543
Balance as at June 30, 2019	178,332,670	89,116,330	(256,062,339)	11,386,661
Total comprehensive income for the year ended June 30, 2020	-	-	2,182,691	2,182,691
Balance as at June 30, 2020	178,332,670	89,116,330	(253,879,648)	13,569,352

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

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

\_\_\_\_\_  
Director

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





**S.G. POWER LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 LEGAL STATUS AND OPERATIONS**

S.G Power Limited (the company) is a public limited company incorporated in Pakistan on February 10, 1994, under the repealed Companies Ordinance, 1984 (repealed with the enactment of the Companies Act, 2017). The shares of the company are listed on Pakistan Stock Exchange Limited.

The principal activities of the company is generation and supply of the electric power to its associated company, S.G Allied Businesses Limited.

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

<b>KARACHI</b>	<b>Purpose</b>
B-40, S.I.T.E., Karachi	The registered office of the company

- 1.1** The Company's accumulated loss as at June 30, 2020 stood at Rs. 253.88 million (2019: 256.06 million). This condition indicates the existence of a material uncertainty that may cast significant doubt on Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In 2017, the associated company, SG Allied Businesses Limited (Formerly, S.G. Fibre Limited) started new lines of business activities and the Company acquired new generators and w.e.f. May 2017 has restarted to supply electricity to its associated company. Moreover, the Directors and its associated company will provide the finance to the Company as and when needed. Based on the above facts, management expects that company will be able to continue as a going concern and will be able to realize its assets and discharge its liabilities in the normal course of business.

**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 and IFAS, 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;

Useful lives , residual value and depreciation method of property, plant and equipment (refer note 5.1 & 13)  
impairment loss of non-financial assets(refer note 5.2)  
Provision for expected credit losses  
Estimation of contingent liabilities (refer note 5.14 & 12)  
Estimation of provisions (refer note 5.7)  
current income tax expense, provision for current tax recognition of deferred tax ( refer note 5.10 & 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.

### 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.

#### **4.1 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:

IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the entity, as a lessee has recognized right-of-use asset representing its rights to use the underlined assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed 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 Operating Fixed Asset

- a Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment loss (if any).
- b Depreciation is charged to income applying diminishing balance method at the rates specified in note 13.
- 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. 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 and Loss account.

## 5.3 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.



#### **5.4 Stores, spares and loose tools**

These are valued at the cost, determined on weighted average cost less allowance for obsolete and slow moving items. Items in transit are valued at invoice value plus other charges incurred thereon.

#### **5.5 Trade debts 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.

#### **5.6 Cash and cash equivalents**

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.

#### **5.7 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.

#### **5.8 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. Provision are not recognised 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.

#### **5.9 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be measured reliably, 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:

Revenue from supply of electricity is recognized on issue of bills on monthly basis.

Profit on bank deposits is recognized on accrual basis.

#### **6.0 Borrowing Costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset.

#### **5.10 Taxation**

##### **Current**

Profits derived by the company from electric power generation project are exempt from tax under clause 132 of Part -1 of the Second Schedule to the Income Tax Ordinance 2001

The company is also exempt from minimum tax on turnover under section 113 as per clause 15 of the part-IV of the Second Schedule to the Income Tax Ordinance 2001

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any.



## Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirements of Technical Release-27 of the Institute of Chartered Accountants of Pakistan.

### 5.11 Foreign currency translations

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign exchange rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are included in net profit or loss for the year.

### 5.12 Financial Instruments

#### 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.

#### 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.

#### 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.

#### 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.

### 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.

### 5.13 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet. If the company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 5.14 Contingent liabilities

Contingent liability is disclosed when:

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

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.

### 5.15 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.

	Note	2020 Rupees	2019 Rupees
<b>6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>			
17,883,267 Ordinary shares of Rs.10/- each fully paid in cash.		<u>178,332,670</u>	<u>178,332,670</u>
<b>Shares held by the related parties of the company</b>			
		2020 No. of shareholders	2020 Shareholding Percentage
		2019 No. of shareholders	2019 Shareholding Percentage
<b>Directors, CEO, &amp; their spouse and minor children</b>			
Mst. Zubaida Khatoon		3,484,572	19.54
Mr. Sohail Ahmed		3,484,572	19.54
Mr. Asim Ahmed		3,511,072	19.54

### 7 DEFERRED LIABILITY

#### Staff Gratuity

The principal assumption used in the valuation of gratuity are as follows:

Discount rate

Expected rate of increase in salary

Expected average remaining working lives

Movement in liability recognized in the balance sheet is as follows:

Liability as at July 01	113,040	113,040
Charge to profit or loss	-	-
	<u>113,040</u>	<u>113,040</u>
Payments made during the year	-	-
Transferred to current liabilities in respect of employees left	-	-
Liability as at June 30	<u>113,040</u>	<u>113,040</u>



7.1 There is no employee in the company as at year end and no actuarial valuation was carried out.

	Note	2020 Rupees	2019 Rupees
Staff gratuity		113,040	113,040
Less: Provision against staff gratuity		(113,040)	(113,040)
		<u>-</u>	<u>-</u>

	Note	2020 Rupees	2019 Rupees
<b>8 TRADE AND OTHER PAYABLE</b>			
Tax deducted at source		19,815	19,815
Gas bill payable		763,400	461,150
		<u>1,233,215</u>	<u>780,965</u>

**9 LOAN FROM DIRECTOR**

This represents interest free loan from sponsoring directors. This will be repaid on demand.

**10 UNCLAIMED DIVIDEND**

Unclaimed dividend		<u>1,297,283</u>	<u>1,297,283</u>
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**11 DUE TO ASSOCIATED UNDERTAKING**

		<u>1,071,700</u>	<u>1,071,700</u>
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11.1 This represents the amount of rent payable to SG Allied Businesses Limited (Formerly, S.G. Fibre Limited).

**12 CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

S.NO.	WRIT PETITION	FORUM	ISSUE INVOLVED	STATUS
1		Sindh High Court	Based on the legal opinion in respect of non applicability of Worker's Profit Participation Act.1968, on the company, provision made to workers profit participation, fund and interest thereon amounting Rs. 20,711,654/- up to June 30, 2002 has been transferred back to shareholder's equity in the accounts for the year ended 30, June 2003. No provision has been made thereafter from the financial year ended June 30, 2003 to June 30, 2006 for an amount of Rs.12,685,253. The contention of the company is that since there are no workers as defined in the Act, and accordingly the said Act does not apply to the company. No provision is being made under this head since the year 2002-2003. The Company has filed petition before High Court of Sindh, Karachi challenging the levy in this respect. The management is confident that no liability will arise on this account. However, in the Finance Act, 2006 amendments have been made in the Act which is effective from July 01, 2006. These changes may require the company to pay 5% of its profits to the fund from the Fiscal year beginning July 01, 2006. However in these years the Company has incurred losses.	Pending
2		Sales Tax Appellate Tribunal	The collectorate of Sales Tax and Central Excise (west) Karachi has served a show cause notice requiring the repayment of inaccurate input tax adjustments and additional tax amounting to Rs.13,247,743/ and Rs.3,248,501/ - respectively, in respect of financial years ended June 30, 2000 and 2001.The Company has filed an appeal against such order in the Sales Tax Appellate Tribunal. Management of the company expects a favorable outcome and no provision has been made in these financial statements.	Pending

**12.2 Commitments**

There are no commitments as at year end (2019: Nil)

13 OPERATING ASSET - OWNED

2020

Particulars	Cost			Depreciation			WDV	
	As on July 01, 2019	Addition / (Disposal)	As on June 30, 2020	On disposal	For the year	Impairment	As on June 30, 2020	As on June 30, 2020
	Rupees			Rupees			Rupees	
Generators	193,186,428	-	193,186,428	-	368,001	-	186,194,412	6,992,016
Air Handling Unit	475,420	-	475,420	-	3,793	-	441,288	34,132
Electric fitting	531,990	-	531,990	-	7,261	-	466,644	65,346
Gas installation	1,101,542	-	1,101,542	-	8,787	-	1,022,464	79,078
Equipment	2,533,157	-	2,533,157	-	39,790	-	2,175,045	358,112
Vehicles	1,782,700	-	1,782,700	-	3,297	-	1,769,514	13,186
<b>Total Owned Assets</b>	<b>199,611,237</b>	<b>-</b>	<b>199,611,237</b>	<b>-</b>	<b>430,929</b>	<b>-</b>	<b>192,069,367</b>	<b>7,541,870</b>

The land on which the project is setup, has been obtained on rent from SG Allied Businesses Limited (Formerly, S.C. Fibre Limited), an associated company.

Depreciation for the year ended has been allocated as under:

Note	2020	2019
	June	June
Generation cost	427,632	453,625
Administration expenses	3,297	4,121
	<b>430,929</b>	<b>457,746</b>

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

2019

Particulars	Cost			Depreciation			WDV As on June 30, 2019
	As on July 01, 2018	Addition/ (Disposal)	As on June 30, 2019	On disposal	For the year	Impairment	
	Rupees						
Generators	193,186,428	-	193,186,428	-	387,369	-	185,826,411
Air Handling Unit	475,420	-	475,420	-	4,214	-	437,495
Electric fitting	531,990	-	531,990	-	8,068	-	459,383
Gas installation	1,101,542	-	1,101,542	-	9,763	-	1,013,677
Equipment	2,533,157	-	2,533,157	-	44,211	-	2,135,255
Vehicles	1,782,700	-	1,782,700	-	4,121	-	1,766,217
<b>Total Owned Assets</b>	<b>199,611,237</b>	<b>-</b>	<b>199,611,237</b>	<b>-</b>	<b>457,746</b>	<b>-</b>	<b>191,638,438</b>
							<b>7,972,799</b>

Rate %

5%
10%
10%
10%
10%
20%



		2020 Rupees	2019 Rupees
<b>14 LONG TERM DEPOSIT</b>	<b>Note</b>		
Long term deposit	14.1	<u>5,300,000</u>	<u>5,300,000</u>
14.1	This represents margin held by M/s Sui Southern Gas Company limited against the supply of Gas.		
<b>15 LONG TERM RECEIVABLE</b>			
Unsecured -Considered good			
Associated Company- SG Allied Businesses Limited		<u>65,287,512</u>	<u>65,287,512</u>
Less: Allowance for expected credit loss	15.1	<u>(65,287,512)</u>	<u>(65,287,512)</u>
		<u>-</u>	<u>-</u>
15.1	SECP vide order dated 19th July, 2013 directed the Company to make provision against the receivable from the associated undertaking being doubtful of recovery. Accordingly the same was provided for during the year ended June 30, 2013.		
<b>16 TRADE DEBTS</b>			
Unsecured and Considered good			
Electricity bill receivable		4,595,205	1,913,165
Associated Company- SG Allied Businesses Ltd		94,036,243	94,036,243
Less: Allowance for expected credit loss	16.1	<u>(94,036,243)</u>	<u>(94,036,243)</u>
		<u>4,595,205</u>	<u>1,913,165</u>
16.1	SECP vide order dated 19th July, 2013 directed the Company to make provision against the receivable from the associated undertaking being doubtful of recovery. Accordingly the same has been provided for during the year ended June 30, 2013.		
<b>17 INTEREST ACCRUED</b>			
<b>Considered good</b>			
Interest on loan to associated company -SG Allied Businesses Limited (Formerly, S.G. Fibre Limited)	17.1	<u>10,654,243</u>	<u>10,654,243</u>
Less: Provision for doubtful debt		<u>(10,654,243)</u>	<u>(10,654,243)</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
17.1	This represents interest accrued on long term receivable from the associated company, SG Allied Businesses Limited (Formerly, S.G. Fibre Limited), charged as per the direction issued by SECP vide Order dated April 6, 2006. During year ended June 30, 2013 SECP vide order dated 19th July, 2013 directed the Company to make provision against the receivable from the associated undertaking being doubtful of recovery. Accordingly the same has been provided for.		
<b>18 CASH &amp; BANK BALANCE</b>			
Cash on hand		<u>400</u>	<u>400</u>
Cash at bank-current accounts		<u>388,198</u>	<u>4,368</u>
		<u>388,598</u>	<u>4,768</u>
<b>19 SALES</b>			
Sales of electricity	19.1	<u>8,998,660</u>	<u>5,788,165</u>
		<u>8,998,660</u>	<u>5,788,165</u>
19.1	The Company has done away with the policy of charging late payment surcharge on delayed receipt of payment from the associated undertaking for sale of electricity.		
<b>20 GENERATION COST</b>			
Gas consumed		<u>6,235,040</u>	<u>4,034,120</u>
Depreciation	13	<u>427,632</u>	<u>453,625</u>
		<u>6,662,672</u>	<u>4,487,745</u>



## 21 ADMINISTRATION & SELLING EXPENSES

Depreciation	13	3,297	4,121
Advertisement expense			76,556
Repair and Maintenance			19,200
Legal and professional			150,000
Auditor's remuneration		150,000	-
Provision against store and spares		-	-
		<u>153,297</u>	<u>249,877</u>

## 22 Financial Charges

	-	-
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## 23 Other Income

Profit on TDR		-	-
Reversal of provision	23.1	-	-
		<u>-</u>	<u>-</u>

23.1 During the previous year, the Company received payment of Rs. 500,000 from the associated undertaking i.e SG Allied Businesses Limited (formerly SG Fibre Limited) against prior year's receivables which were written off.

## 24 TAXATION

The relationship between tax expense and accounting profit has not been presented in these financial statements as the income derived by the Company from electric power generation project is exempt from tax under clause 132 of Part 1 of the Second Schedule.

## 25 EARNING PER SHARE- basic and diluted

There is no dilutive effect on the basic earnings per share of the Company which is based on:

Profit for the year		2,182,691	1,050,543
Weighted average number of ordinary shares outstanding during the year		17,833,267	17,833,267
Earning per share		<u>0.122</u>	<u>0.059</u>

## 26 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated company and directors. Transactions with associated undertaking are as follows:

TRANSACTIONS	RELATIONSHIP WITH THE COMPANY	2020	2019
Rent of premises to SG Allied Businesses Ltd (Formerly, S.G. Fibre Ltd)	Associated Company	-	-
Amount received from SG Allied Businesses Ltd (Formerly, S.G. Fibre Ltd)	Associated Company	-	-
Electricity sales to SG Allied Businesses Ltd (Formerly, S.G. Fibre Ltd)	Associated Company	8,998,660	5,788,165
<b>BALANCES</b>			
Due to SG Allied Businesses Ltd (Formerly, S.G. Fibre Ltd)	Associated Company	1,071,700	1,071,700

## 27 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
Remuneration	-	-	-	-	-	-
House Rent	-	-	-	-	-	-
Retirement Benefits	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of directors	1	1	6	6	-	-

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

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



S.G. POWER LIMITED

	Note	2020	2019
		Rupees	Rupees
		Electricity (KWH)	Electricity (KWH)
<b>28 PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
		<u>2020</u>	<u>2019</u>
Annual Capacity		1,576,800	1,576,800
Actual Generation		499,925	424,213
<b>29 FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets</b>			
<b>At amortized cost</b>			
Long term deposit		5,300,000	5,300,000
Current portion of long term receivable		-	-
Trade debts		4,595,205	1,913,165
Accrued interest considered good		-	-
Cash and bank balances		<u>388,598</u>	<u>4,768</u>
		<u><u>10,283,803</u></u>	<u><u>7,217,933</u></u>
<b>Financial liabilities</b>			
<b>At amortized cost</b>			
Trade and other payables		1,233,215	780,965
Loan from director		46,262	46,262
Unclaimed dividend		1,297,283	1,297,283
Due to associated undertaking		<u>1,071,700</u>	<u>1,071,700</u>
		<u><u>3,648,460</u></u>	<u><u>3,196,210</u></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 29.4

### 29.1 Market Risk

#### 29.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The company is not exposed to interest rate risk.

#### 29.1.2 Currency Risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company doesn't have financial instruments dependent on currency risk.

#### 29.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to major concentration of price risk.

### 29.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks, as well as credit exposures to customers and other counterparties which include loans and advances, trade debts and other receivables. Out of the total financial assets, those that are subject to credit risk amounted to Rs 4,983,803 (2019: Rs 1,917,933).

For trade debts, credit risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

In respect of other counter parties, due to the company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the company.

The maximum exposure to credit risk as at June 30, 2020, along with comparative is tabulated below:





	2020 Rupees	2019 Rupees
<b>Financial Assets</b>		
Long term deposit	5,300,000	5,300,000
Trade debts	4,595,205	1,913,165
Bank balances	388,198	4,368
	<u>10,283,403</u>	<u>1,917,533</u>

### 29.3 Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the carrying amount and maturities of the Company's financial liabilities.

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
Trade and other payables	783,215	150,000	300,000	-	1,233,215
Due to associated undertaking	-	-	1,071,700	-	1,071,700
Loan from director	-	-	46,262	-	46,262
Unclaimed dividend	-	-	1,297,283	-	1,297,283
Total	<u>783,215</u>	<u>150,000</u>	<u>2,715,245</u>	-	<u>3,648,460</u>
2019	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Trade and other payables	-	19,815	761,150	-	780,965
Due to associated undertaking	-	1,071,700	-	-	1,071,700
Loan from director	-	-	46,262	-	46,262
Unclaimed dividend	-	-	1,297,283	-	1,297,283
Total	-	<u>1,091,515</u>	<u>2,104,695</u>	-	<u>3,196,210</u>

### 29.4 Fair values 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;

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from 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 are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

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.



### 30 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:

	2020	2019
Total Debts*	2,415,245	2,415,245
Cash and bank balances	(388,598)	(4,768)
	<u>2,026,647</u>	<u>2,410,477</u>
Share capital	178,332,670	178,332,670
Share premium	89,116,330	89,116,330
Revenue reserve	(253,879,648)	(256,062,339)
Equity	13,569,352	11,386,661
Capital	15,595,999	13,797,138
<b>Gearing ratio (debt/ (debt + Equity)</b>	<b>13.0%</b>	<b>17.5%</b>

\*These comprises of loan from director, due to associated undertaking, unclaimed dividend

	2020	2019
<b>31 NUMBER OF EMPLOYEES</b>		
Number of employees at year end	<u>-</u>	<u>-</u>
<b>AVERAGE NUMBER OF EMPLOYEES</b>		
Average Number of employees	<u>-</u>	<u>-</u>

### 32 DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue on \_\_\_\_\_ 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	
173	1	100	17,300
943	101	500	271,400
125	501	1000	127,600
212	1001	5000	597,500
48	5001	10000	373,600
21	10001	15000	271,100
8	15001	20000	145,400
3	20001	25000	71,500
3	25001	30000	89,000
4	30001	35000	126,500
1	35001	40000	35,500
1	40001	45000	44,500
6	45001	50000	287,500
2	55001	60000	113,200
1	65001	70000	68,000
2	95001	100000	196,900
1	170001	175000	175,000
1	655001	660000	656,480
2	1740001	1745000	3,685,071
2	3480001	3485000	6,969,144
1	3510001	3515000	3,511,072
1560			17,833,267

Categories of Shareholder	Numbers	Shares held	Percentage
Directors,CEO, Their Spouses & Minor Childre	7	12,224,002	68.55
Individuals	1,547	4,873,185	27.33
National Investment Trust	1	656,480	3.68
Financial Institutions	3	51,000	0.29
Investment Companies	2	28,600	0.16
Total	1,560	17,833,267	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>National Investment Trust</b>	1	656,480
<b>Investment Companies</b>	2	
Aims Investment Advisory Co. ( Pvt.) Ltd.		1,100
Investment Corporation of Pakistan		27,500
	3	28,600
<b>Financial Institutions</b>		
Pak Libya Holding Co. (Pvt) Ltd.		44,000
Crescent Investment Bank		1,500
Guardian Leasing Modaraba		5,500
	3	51,000
<b>DIRECTORS, CEO, THEIR SPOUSES &amp; MINOR CHILDREN</b>		
Mr. Sohail Ahmed		4,997,096
Mr. Asim Ahmed		4,321,596
Mrs. Ghazala Salim		2,323,048
Mrs. Saba Sohail		500
Ms. Bina Sohail		500
Mr. Farhan Sohail		500
Mr. Rafiq Ahmed		500
		11,643,740
<b>Individuals</b>	1549	5,454,447
<b>GRAND TOTAL</b>	1560	17,833,267

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

	Shares Held	Percentage
<b>Directors, CEO, Their Spouse &amp; Minor Children</b>		
Mr. Sohail Ahmed	4997096	28.0%
Mr. Asim Ahmed	4321596	24.2%
Mrs. Ghazala Salim	2323048	13.0%



## FORM OF PROXY

The Secretary

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

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of \_\_\_\_\_, and holder  
Of \_\_\_\_\_ Ordinary shares hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ as \_\_\_\_\_ me/our proxy to attend and vote for me/our behalf at  
the 27<sup>th</sup> Annual General Meeting of the Company to be held on Wednesday the October 27, 2020. 10:30a.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  
S.G. Power Limited  
B-40, S.I.T.E.  
Karachi**





**AFFIX  
CORRECT  
POSTAGE**

**The Company Secretary  
S.G. Power Limited  
B-40, S.I.T.E.  
Karachi**



















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