



POWER LTD

**HALF YEAR REPORT
DECEMBER 31, 2016**

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S.G POWER LIMITED
B-40, SITE, MANGHOPUR ROAD
KARACHI.

COMPANY / INFORMATION

Board of Directors

Mst. Zubaida Khatoon	Chirperson
Mr. Asim Ahmed	Chief Executive
Mr. Sohail Ahmed	Director
Mrs. Ghazala Ahmed	Director
Mrs. Tania Asim	Director
Mr. Farhan Sohail	Director
Mr. Rafiq Ahmed	Director

AUDIT COMMITTEE

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

BANKERS

Summit Bank Limited

AUDITORS

M/S. Muniff Ziauddin & Co.
(Chartered Accountants)

SHARES REGISTRAR

Technology Trade Private Limited,
Dagia House, 241-C, Block-2,
PECHS, Shakra-e-Quaideen,
Karachi,

REGISTERED OFFICE

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

S.G. Power Limited

DIRECTORS' REPORT

The Board of Directors of S.G. Power Ltd. are pleased to present the Half-Yearly Financial Statements of the Company for the period ended December 31, 2016. The operations of the Company continue to remain shut down due to unfavorable market conditions being faced by our sister concern S.G. Fibre Limited which is the sole customer of electricity produced by your Company. During the period under review, the Company has suffered a loss of Rs. 2.552 million compared to corresponding period loss of Rs.2.384 million.

Your Company has fully electronically controlled power generation plant. All along the closure period of so many years, the management has always been hopeful and willing to restart power generation as soon as its only customer S.G. Power Limited goes into operation. Our sister concern is hopeful that operation will restart in the foreseeable future.

The Company continues to hold a valid gas supply agreement with Sui Southern Gas Company Ltd. This will be a great advantage as and when the plant is able to restart the operation.

KNOWLEDGEMENT

The Directors of your Company offer their sincere gratitude to the shareholders for their continuous patience and cooperation.

Karachi February 27, 2017.

Asim Ahmed
Chief Executive

**AUDITORS' REPORT TO THE MEMBERS ON
REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of S.G POWER LIMITED as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

- a. As disclosed in note 1.2 to the condensed interim financial information, the Company has discontinued electricity and steam supplies to its only customer i.e. S.G. Fibre Limited and has shut down its power generation and due to severe financial crises and adverse market conditions prevailing in the field of filament yarn industry it is unlikely that the associated company will commence its operation. During the half year the Company has incurred gross loss of Rs. 2,549,447 (December 31, 2015: Rs. 2,380,763) and net loss of Rs. 2,552,667 (December 31, 2015: 2,384,788) respectively. Moreover, the Company in pursuance to SECP order dated 19th July, 2013, has made full provision against amounts of Rs. 94.036 million, Rs. 65.588 million and Rs. 10.654 million aggregating to Rs. 170.278 million which were receivable from the associated undertaking. These conditions indicate the existence of material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. This condensed interim financial information does not include any adjustment that might result, should the Company not be able to continue as a going concern. Moreover, no disclosure has been made in the financial information regarding the financing plans under consideration of the management for the revival of the Company.
- b. The net book value of property, plant and equipment as at 31st December 2016 amounts to 43.097 million (June 30, 2016: 44.226 million). Due to absence of revenue during the period and recurring yearly losses, the company should perform impairment testing of its property, plant and equipment. As at December 31, 2016, the company did not perform impairment testing of its property, plant and equipment in accordance with the requirement of IAS 36 - Impairment of Assets. We were unable to quantify the effect of potential impairment, if any, of property, plant and equipment.
- c. As disclosed in the condensed interim financial information, trade and other payables amounting to Rs. 11,284,063 (June 30, 2016: Rs. 11,284,063) remained unverified as no supporting documents were made available to us.
- d. Valuation schedule showing NRV of stores and spares has not been furnished for our verification.
- e. The Company has not complied with the requirements of IAS 19 - Employee Benefits as the liabilities related to gratuity were not revalued during the period.

Adverse Conclusion

Our review indicates that, because of the significance of matters as mentioned above, the annexed condensed interim financial information does not present fairly, in all material respects, the financial position of the company as at December 31, 2016 and of its financial performance and its cash flows for the period then ended, in accordance with approved accounting standards as applicable in Pakistan.

**S.G POWER LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016**

		Un-audited December 31, 2016	Audited June 30, 2016
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	5	43,097,905	44,226,429
Long term deposit		5,350,000	5,350,000
CURRENT ASSETS			
Current portion of long term receivable	6	-	-
Stores and spares		5,797,601	5,797,601
Trade debts	7	-	-
Accrued interest considered good	8	157,590	157,590
Cash and bank balances		510,395	510,395
		<u>6,465,586</u>	<u>6,465,586</u>
		<u>54,913,490</u>	<u>56,042,015</u>
SHARE CAPITAL AND RESERVES			
Authorised			
20,000,000 Ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid up		178,332,670	178,332,670
Share premium		89,116,330	89,116,330
Accumulated loss		(233,624,390)	(231,071,723)
		<u>33,824,610</u>	<u>36,377,277</u>
NON CURRENT LIABILITIES			
Deferred liabilities		113,040	113,040
Loan from director		3,262	3,262
		<u>116,302</u>	<u>116,302</u>
CURRENT LIABILITIES			
Trade and other payables		11,284,063	11,284,063
Due to associate undertaking		9,059,186	7,635,044
Provision for taxation		629,329	629,329
		<u>20,972,578</u>	<u>19,548,436</u>
CONTINGENCIES AND COMMITMENTS			
	9	54,913,490	56,042,015

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

**S.G POWER LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

	Half Year Ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	-----Rupees-----		-----Rupees-----	
Sales	-	-	-	-
Generation cost	(2,549,447)	(2,380,763)	(1,515,203)	(1,034,245)
Gross loss	(2,549,447)	(2,380,763)	(1,515,203)	(1,034,245)
Administrative and selling expenses	(3,219)	(4,024)	107,132	(110,352)
Operating loss	(2,552,667)	(2,384,788)	(1,408,070)	(1,144,596)
Other comprehensive income	-	-	-	-
Finance charges	-	-	-	-
Loss before taxation	(2,552,667)	(2,384,788)	(1,408,070)	(1,144,596)
Taxation	-	-	-	-
Loss after taxation	(2,552,667)	(2,384,788)	(1,408,070)	(1,240,191)
Total comprehensive income	<u>(2,552,667)</u>	<u>(2,384,788)</u>	<u>(1,408,070)</u>	<u>(1,240,191)</u>
Loss per share - basic and diluted	(0.14)	(0.13)	(0.08)	(0.07)

The annexed notes form an integral part of this condensed interim financial information.

Karachi:

**Muniff Ziauddin & Co.
Chartered Accountants
(Sohail Saleem)**

CHIEF EXECUTIVE

DIRECTOR

S.G POWER LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	December 31, 2016	December 31, 2015
CASH FLOW FROM OPERATION ACTIVITIES		
Loss before taxation	(2,552,667)	(2,384,788)
Adjustment for:		
Depreciation	1,128,525	1,190,948
Finance charges	-	-
	<u>1,128,525</u>	<u>1,190,948</u>
Cash flow from operating activity before working capital changes	(1,424,142)	(1,193,840)
Changes in working capital		
Decrease in current assets		
Due to associated undertaking	1,424,142	1,193,840
Interest accrued	-	-
	<u>1,424,142</u>	<u>1,193,840</u>
Increase in current liabilities	-	-
Trade and other payables	-	-
	-	-
Tax paid	-	-
Finance charges paid	-	-
Net Cash used in operating activities	-	-
CASH FLOW FROM INVESTING ACTIVITIES		
Net cash from investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from directors	-	-
Repayment during the period	-	-
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	510,395	479,689
Cash and cash equivalents at the end of the period	510,395	479,689

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

S.G POWER LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Issued, subscribed and paid up capital	Share Premium	Accumulated profit/(loss)	Total
----- Rupees -----				
Balance as at July 01, 2015	178,332,670	89,116,330	(225,455,466)	41,993,534
Loss for the half year ended December 31, 2015	-	-	(2,384,788)	(2,384,788)
Balance as at December 31, 2015	178,332,670	89,116,330	(227,840,253)	39,608,747
Balance as at July 01, 2016	178,332,670	89,116,330	(231,071,723)	36,377,277
Loss for the half year ended December 31, 2016	-	-	(2,552,667)	(2,552,667)
Balance as at December 31, 2016	178,332,670	89,116,330	(233,624,390)	33,824,610

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

S.G. POWER LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

1. STATUS AND ACTIVITIES

1.1 The Company is limited by shares and was incorporated in Pakistan on February 10, 1994 under the Companies Ordinance, 1984 and is listed on Karachi and Islamabad Stock Exchanges. The business of the Company is generation and supply of the electric power to its associated company, S.G. Fibre Limited. The registered office of the company and the captive power plant is located at B-40, S.I.T.E, Karachi in the province of Sindh.

1.2 GOING CONCERN

The company has suffered loss of Rs. 2,552,667 during the half year (December 31, 2015: Rs. 2,384,788) and accumulated loss as at December 31, 2016 stood at Rs. 233,624,390 (June 30, 2016: Rs.231,071,723) and the company was supplying electricity only to S.G Fibre Limited as an associate company. Due to existence of adverse situation in the Fibre industry, their production was stopped during the year 2008. Due to this reason, the company has discontinued its electricity steam supplies. As a result, the revenue generating activities were stopped. However, the company is planning to restart the power generating activities and negotiating with Karachi Electric Supply Company Limited to supply electricity to them.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial information is presented in condensed form in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting". This does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2016. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended June 30, 2016 whereas comparative profit and loss account, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial information for the year ended December 31, 2016.

3. ACCOUNTING POLICIES

The accounting policies and method of computation followed for the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the year ended June 30, 2016.

Standards, amendments to published approved accounting standards and interpretations effective from July 01, 2016.

There are certain new standards, amendments and international Financial Reporting Interpretation Committee (IFRIC) interpretations that become effective during the period and mandatory for accounting period on or after July 01, 2016 but are considering not be relevant or have significant effect on the company's operations are, therefore, not disclosed in this condensed interim financial information.

4. ESTIMATES

The Preparation of condensed interim financial information require management to make judgments, estimates and assumption that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates

In preparing this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key resources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2016.

S.G. POWER LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Un-audited December 31 2016	Audited June 30 2016
----- Rupees -----		
5. PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	44,226,430	46,608,325
Addition	-	-
Deletion	-	-
Depreciation	(1,128,525)	(2,381,895)
	<u>43,097,905</u>	<u>44,226,430</u>

6. LONG TERM RECEIVABLE

Unsecured- considered good	65,588,037	65,588,037
Associated Company- S.G. Fibre Limited	(65,588,037)	(65,588,037)
Less : Provision for doubtful debt	-	-
	<u>-</u>	<u>-</u>

SECP vide order dated 19th July, 2013 directed the Company to make provision against the receivable from the associated understating being doubtful of recovery. Accordingly the same has been provided for during the year ended June 30, 2013.

7. TRADE DEBTS

Unsecured- considered good	94,036,243	94,036,243
Associated Company- S.G. Fibre Limited	(94,036,243)	(94,036,243)
Less : Provision for doubtful debt	-	-
	<u>-</u>	<u>-</u>

SECP vide order dated 19th July, 2013 directed the Company to make provision against the receivable from the associated understating being doubtful of recovery. Accordingly the same has been provided for during the year ended June 30, 2013.

8. ACCRUED INTEREST CONSIDERED GOOD

	157,590	132,899
Interest on TDR Receivable - S.G. Fibre Limited	10,654,243	10,654,243
Less: Provision for doubtful debts	(10,654,243)	(10,654,243)
	<u>157,590</u>	<u>132,899</u>

8.1 This represents interest accrued on long term receivable from an associated company charged as per the direction issued by SECP vide order date April 6, 2006. The SECP vide order dated 19th July, 2013 directed the Company to make provision against the receivable from the associated understating being doubtful of recovery. Accordingly the same has been provided for.

9. CONTINGENCIES AND COMMITMENTS

There is no change in the status of contingencies and commitments as disclosed in the last published annual financial statements for the year ended June 30, 2016.

10. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are carried out on an arm's length basis and the related price is determined in accordance with the Comparable Uncontrolled Price Method. The significant transactions with associated undertakings and related parties other than those which have been specifically disclosed elsewhere in this interim financial statements are given below.

S.G. Fibre Limited - Associated undertaking

	Un-audited December 31 2016	Un-audited December 31 2015
	----- Rupees -----	
Rent of premises	<u>900,000</u>	<u>900,000</u>

11. DATE OF AUTHORIZATION

This condensed interim financial information was authorized for issue on February 27, 2017 by the Board of Directors of the Company.

12. GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR