



POWER LTD

**QUARTER ENDED
SEPTEMBER 30, 2016**

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S.G POWER LIMITED

**B-40, SITE, MANGHOPIR ROAD
KARACHI.**

COMPANY / INFORMATION

Board of Directors

Mst. Zubaida Khatoon	Chairperson
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.

DIRECTORS' REPORT

The Board of Directors of S.G. Power Limited is pleased to present the 23rd Annual Report and Audited Financial Statements of the Company together with Auditors' Report for the year ended June 30, 2016.

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

- Messrs S.G. Fibre Limited, a sister concern and the only customer of the Company to whom it supplies electricity has shut-down its operations due to adverse and unfavourable market conditions. As per STCP directives, the Company has made full provision against amounts aggregating to Rs. 169,978 million which are receivable from associated undertaking. The management hopes that material un-certainty will not last long as the sister concern is working on entering into new lines of businesses. With the revival of SG Fibre Limited, the Company will become a going concern in the foreseeable future.
- Detail of trade and other payables amounting to Rs. 11, 248,063 were made available to auditors. However, the supporting documents could not be traced as the factory is closed for the last many years and there is no staff available to trace the old record.
- Due to present condition of the Company, it has not been possible to perform the impairment testing of the property, plant and equipment as per requirement of IAS-36. As we foresee revival of the Company in foreseeable future, requirement of IAS-36 will be complied with by next year.
- As the Company is closed for many years and has no employees to look after the stores and spares and determine NRV of these assets. We assure to do the needful as soon as revival is initiated.
- The plant is closed for the last many years and there are no short-term and long-term employees in employment. Compliance with IAS-19 pertaining to accounting and disclosures could not be applied.

FINANCIAL RESULTS

The performance of the Company during the year under review has not been satisfactory as the operations of the Company continued to remain shut-down due to adverse market condition faced by its only customer and sister concern M/S. S.G. Fibre Limited.

Following are the financial results for the year ended June 30, 2016:

	Rupees
Sale	-----
Generation cost	(5,428,607)
Gross Loss	(5,428,607)
Admin & Selling Expenses	(243,049)
Loss before taxation	(5,616,258)
Loss after taxation	(5,616,258)

FUTURE OUTLOOK

The management is hopeful that as soon as the S.G. Fibre Limited goes into new lines of businesses, the Company will come out of crisis and re-commence operation. The management is hopeful that the Company will stand revived in the near future.

CORPORATE GOVERNANCE

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

- The Financial Statements for the year ended June 30, 2016 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.
- There are no significant doubts upon the Company's ability to continue as a going concern, but due to adverse economic and market condition, the operation remained shut-down for the time being.
- The Company's system of internal control is sound in design and has been effectively implemented and continuously monitored.
- 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.
- Key operating financial data for the last five years in summarized form is annexed.
- Compliance of Code of Corporate Governance is annexed.
- Certain non-compliances mentioned in the Auditors' Review Report are due to the fact that the Company is closed for many years. These shortcomings will be addressed as soon as the Company recommences operation.

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

Name of Director	No. of meetings attended
Mst. Zubaida Khatoon	4
Mr. Asim Ahmed	2
Mr. Sohail Ahmed	4
Mrs. Ghazala Ahmed	4
Mrs. Tania Asim	3
Mr. Farhan Sohail	3
Mr. Rafiq Ahmed	2

AUDIT COMMITTEE

The meetings of Audit Committee were held during the year ended June 30, 2016 as required by the Code of Corporate Governance for review of Quarterly/Half-yearly/Annual Accounts and the related matters. The meeting was 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, retires and being eligible, offer themselves for re-appointment. Audit Committee has recommended for their re-appointment for the year ending June 30, 2017.

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, 2016 is annexed.

On behalf of the
Board of Directors

Asim Ahmed
(Chief Executive)

**S.G POWER LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2016**

	Notes	Un-Audited September 2016 Rupees	Un-Audited September 2015 Rupees
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	4	178,332,670	178,332,670
Share premium		89,116,330	89,116,330
Accumulated loss		(232,383,267)	(226,147,810)
		35,065,733	41,301,190
NON CURRENT LIABILITIES			
Deferred liabilities	5	113,040	113,040
Loan from director	6	3,262	3,262
Due associate under taking	7,635,044 (747,282)	8,382,326	4,592,154
		8,498,628	4,708,456
CURRENT LIABILITIES			
Trade and other payables	7	11,284,062	11,134,062
Provision for taxation		629,329	629,329
		11,913,391	11,763,391
CONTINGENCIES AND COMMITMENTS			
	8	55,477,752	57,773,037
NON CURRENT ASSETS			
Property, plant and equipment	9	43,662,164	46,012,847
Long term deposit	10	5,350,000	5,350,000
Long term receivable	11	-	-
CURRENT ASSETS			
Current portion of long term receivable	11	-	-
Stores and spares		5,797,601	5,797,601
Trade debts	12	-	-
Accrued interest considered good	13	157,591	132,899
Cash and bank balances	14	510,395	479,689
		6,465,587	6,410,189
		55,477,752	57,773,037

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

CHIEF EXECUTIVE

DIRECTOR

**S.G POWER LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Notes	Un Audited September 2016 Rupees	Un Audited September 2015 Rupees
Sales	15	-	-
Generation cost	16	(859,935)	(690,332)
Gross loss		(859,935)	(690,332)
Administrative and selling expenses	17	(1,610)	(2,012)
Operating loss		(861,544)	(692,344)
Finance charges		-	-
Other loss		(450,000)	-
Loss before taxation		(1,311,544)	(692,344)
Taxation	19	-	-
Loss after taxation		(1,311,544)	(692,344)
Other comprehensive income		-	-
Total comprehensive income		(1,311,544)	(692,344)
Loss per share - basic and diluted	20	(0.07)	(0.04)

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

CHIEF EXECUTIVE

DIRECTOR

**S.G POWER LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

Notes	Un Audited 2016 Rupees	Un Audited 2015 Rupees
CASH FLOW FROM OPERATION ACTIVITIES		
(Loss) before taxation	(1,311,544)	(692,344)
Adjustment for non cash items:		
Depreciation	564,262	595,474
Finance charges	-	-
	564,262	595,474
Cash flow from operating activity before working capital changes	(747,282)	(96,870)
Changes in working capital[†]		
(Increase) / decrease in current assets		
Trade debts	-	-
Interest accrued	-	-
Increase (decrease) in current liabilities		
Trade and other payables	747,282	96,870
	-	-
Finance charges paid	-	-
Net Cash used in operating activities	-	-
CASH FLOW FROM INVESTING ACTIVITIES		
Long term deposits	-	-
Net cash from investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Loan from Directors	-	-
Long term deposits	-	-
Repayment during the period	-	-
Net cash from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	510,395	479,689
Cash and cash equivalents at the end of the year	510,395	479,689

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

CHIEF EXECUTIVE

DIRECTOR

**S.G POWER LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR QUARTER ENDED SEPTEMBER 30, 2016**

	Issued, subscribed and paid up capital	Share Premium	Accumulated profit/(loss)	Total
Rupees				
Balance as at June 30, 2015	178,332,670	89,116,330	(225,455,466)	41,993,534
Loss for the 1st Quarter ended 30 Sep. 2015	-	-	(1,311,544)	(1,311,544)
Balance as at Sep 30, 2015	178,332,670	89,116,330	(226,767,010)	40,681,990
Balance as at June 30, 2016	178,332,670	89,116,330	(231,071,723)	36,377,277
Loss for the 1st Quarter ended 30 Sep. 2016	-	-	(1,311,544)	(1,311,544)
Balance as at Sep 30, 2016	178,332,670	89,116,330	(232,383,267)	35,065,733

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

CHIEF EXECUTIVE

DIRECTOR

	September 2016 Rupees	September 2015 Rupees
4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
17,883,267 Ordinary shares of Rs.10/- each fully paid in cash.	178,332,670	178,332,670

5 DEFERRED LIABILITY

Staff Gratuity

The principal assumption used in the valuation of gratuity are as

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 and loss account	-	-
	113,040	113,040
Payments made during the year	-	-
Transferred to current liabilities in respect of employees left	-	-
Liability as at June 30	113,040	113,040

The amount recognized in the balance sheet are as follows:

Present value of defined benefit obligation	113,040	113,040
Liability as at June 30	113,040	113,040

The amount recognized in the profit and loss account is as follows:

Current service cost	-	-
Actuarial gain/(loss)	-	-

Comparison for five years as at

	2016 30-Jun	2015 30-Jun	2014 30-Jun	2013 30-Jun	2012 30-Jun
Present value of defined benefit obligation	113,040	113,040	113,040	113,040	113,040
Actuarial losses	Nil	Nil	Nil	Nil	Nil

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

6 LOAN FROM DIRECTOR

This represents interest free loan from sponsoring directors. Repayment terms have not yet been decided by the Company.

7 TRADE & OTHER PAYABLE

Creditors	6,749,787	6,749,787
Accrued Liabilities	1,883,690	1,733,690
Staff gratuity payable	1,333,489	1,333,489
Unclaimed dividend	1,297,283	1,297,283
Tax deducted at source	19,815	19,815
	11,284,064	11,134,064

8 CONTINGENCIES AND COMMITMENTS

Contingencies

8.1 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.

8.2 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.

	September 2016 Rupees	September 2015 Rupees
8.3 Commitments	-	-

10 LONG TERM DEPOSIT

Long term deposit	10.1	5,350,000	5,350,000
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10.1 This represents margin held by M/s Sui Southern Gas Company limited against the supply of Gas.

11 LONG TERM RECEIVABLE

Unsecured -Considered good		
Associated Company- S.G. Fibre Limited	65,588,037	65,588,037
Less: Provision for doubtful debts	(65,588,037)	(65,588,037)
	-	-

11.1 In April-2006, the SECP directed the directors of the Company under Sec 473 of the Companies Ordinance 1984 (the Ordinance) pursuant to the Order made in the matter of show cause notice issued to the directors of the company under section 208 read with the section 476 of the Ordinance to recover the outstanding balance from the associated company, S.G. Fibre Limited, in quarterly instalment of Rs.10 million each beginning from quarter April-June 2006. Further, SECP has directed to recover the interest, that should not be less than borrowing cost of the Company, as return on its previous years' credits. Consequently, the balance was transferred to the long term receivables, which in effect has been transferred over a period of time in to current portion of long term receivable.

12 TRADE DEBTS

Unsecured- Considered good		
Associated Company- S.G. Fibre Limited	94,036,243	94,036,243
Less: Provision for doubtful debts	(94,036,243)	(94,036,243)
	-	-

13 INTEREST ACCRUED

Considered good			
Interest on TDR Receivable	13.1	157,591	132,899
Interest on loan to associated Company -S.G. Fibre Limited		10,654,243	10,654,243
Less: Provision for doubtful debts		(10,654,243)	(10,654,243)
		157,591	132,899

13.1 This represents interest accrued on long term receivable from the associated company, S.G. Fibre Limited, charged as per the direction issued by SECP vide Order date April 6, 2006.

	2016 Rupees	2015 Rupees
14 CASH & BANK BALANCE		
Cash in hand	400	400
Cash at bank-current accounts	509,995	479,289
	510,395	479,689

15 SALES

Gross sales -electricity and steam	-	-
less: Sales tax	-	-
	-	-

15.1 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.

16 GENERATION COST

Gas consumed	297,282	96,870
Repair and Maintenance	-	-
Rent, rates and taxes	-	-
Depreciation	562,653	593,462
	859,935	690,332

17 ADMINISTRATION & SELLING EXPENSES

Depreciation	1,610	2,012
	1,610	2,012

18 Other loss

	450,000	
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19 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.

20 LOSS PER SHARE

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

Loss for the year	Rs	(1,311,544)	(692,344)
Weighted average number of ordinary shares outstanding during the year		17,833,267	17,833,267
Loss per share	Rs.	(0.07)	(0.04)

21 TRANSACTIONS WITH RELATED PARTIES

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

Rent of premises	450,000	450,000
Interest receivable on long term Receivable	10,654,243	10,654,243

22 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Executives 2016 (Rupees)	Executives 2015 (Rupees)
Basic salary	-	-
House allowance	-	-
Utilities	-	-

23 PLANT CAPACITY AND ACTUAL PRODUCTION

	Electricity(KWH)	Steam(KGs)	Steam(KGs)
	2016	2015	2016
Annual Capacity	91,419,360	91,419,360	50,280,648
Actual Generation			50,280,648

Reason for no generation

As the only consumer of electricity S.G. Fibre Limited shut down its production, so power plant also been shut down for the time being.

24 FINANCIAL INSTRUMENT AND RELATED DISCLOSURE

24.1 Financial Risk Management

24.1.1 The company's activities may expose it to a variety of financial risks: credit risk and liquidity risk. The company's overall risk management seeks to minimize potential adverse effects on the company's financial performance.

Risks managed and measured by the

24.2 Market Risk

24.2.1 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.

24.2.2 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.

24.2.3 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.

24.3 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 176,524 million (2014: Rs 176,324 million).

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, 2015, along with comparative is tabulated below:

Financial Assets	2016 Rupees	2015 Rupees
Current portion of long term receivable		
Trade debts	65,588,037	65,588,037
Other receivables	10,654,243	10,654,243
Cash & bank balances	510,395	479,689
	<u>76,752,675</u>	<u>76,721,969</u>

24.4 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

	Carrying Amount/ Rupees	Between 1 to 2 years	Between 1 to 2 years
Trade and other payables	11,109,294	11,109,294	-
	<u>11,109,294</u>	<u>11,109,294</u>	<u>-</u>

24.5 Fair values of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2016 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

25 CAPITAL RISK MANAGEMENT

The company's prime objective when managing capital structuring is to safe guard its ability to continue as a going concern in order to provide adequate returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

26 DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 31, 2016 by the Board of Directors of the Company.

27 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive

Director