

S.G. Power Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mr. S. M. Ahmed	Chairman
Mr. Asim Ahmed	Chief Executive
Mr. Sohail Ahmed	Director
Mst. Zubaida Khatoon	Director
Mrs. Saba Sohail	Director
Mr. S. M. Naqi	Director
Mr. M. Rafiq Dawood	Director

COMPANY SECRETARY

Mr. Muneer Ahmed

AUDITORS:

M/s. M. Yousuf Adil Saleem & Co,
Chartered Accountants.

BANKERS:

Habib Bank Limited
Habib Bank AG Zurich
Allied Bank of Pakistan Limited

REGISTERED OFFICE:

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 6th Annual General Meeting of S. G. Power Limited will be held on Monday 20th December, 1999 at 14:00 hours at the registered office of the Company at B - 40, S. I. T. E., Karachi to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on June 03, 1999.
2. To receive consider and adopt the audited accounts of the company for the year ended June 30, 1999 together with the Auditors and Directors report thereon.
3. To appoint the Auditors of the Company for the year ended June 30, 2000 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi:
November 23, 1999.

MUNEER AHMED
Company Secretary

NOTES:

1. The Share transfer books of the Company will be closed from 14th December 1999 to 20th December, 1999. (Both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the registered office not less than 48 hours before the time of Meeting.
3. Shareholders are requested to promptly notify the Company of any change in their address.

DIRECTORS' REPORT

Dear Shareholders,

your Board of Directors takes the pleasure in presenting the 6th Annual Report of the Company for the year ended June 30, 1999 alongwith the audited accounts.

The Financial results for the year are as under:

Un-appropriated profit brought forward	Rs.	13,817,563
Net profit for the year	Rs.	38,905,688
Total available	Rs.	52,723,251

APPROPRIATIONS:

Proposed Dividend		Nil
Un-Appropriated profit carried forward	Rs.	52,723,251

REVIEW

During the period under review we generated and sold total electricity of 51,657,335 KWH to S. G. Fibre Limited as against 49,809,900 KWH during the last financial year. Whereas the quantity of steam sold in 1998-1999 was as against 27,983,960 Kgs as against 30,882,043 Kgs in 1997-98 our total capacity remained at electricity 84,954,240 KWH and steam. 57,456,000 Kgs for the year ended June 30, 1999. The overall generation and selling cost during 1998-99 amounted to Rs. 2.38 per KWH as against Rs. 2.032 per KWH in 1997-98. This increase in the cost is mainly attributed to increase in the gas charges and generators overhauling.

As the generators have completed satisfactory running of 12,000 hours, your company got the generators completely overhauled. It involved an expenditure of about Rs. 20 million. This amount is charged to revenue account and therefore management is not in a position to propose any dividend this year.

As has been mentioned in our previous report that S. G. Fibre Limited is our only customer and Government has turned down our request to sell surplus power to other companies. Now the situation is more disgusting because the position of S. G. Fibre Limited has not been satisfactory for the last few years. S. G. Power Limited is also very much concerned about the problems of its associated undertaking being its sole buyer of electricity.

FUTURE OUTLOOK

We hope that in future requirement of electricity of S. G. Fibre Ltd. will increase consequently our productivity and profitability will also increase.

AUDITORS

The present auditors M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants retired and being eligible offer their services for the year 1999-2000.

ACKNOWLEDGMENT

Your management enjoys very cordial and good relationship with the employees of the company and appreciates the efforts of staff and workers who have tried their best to ensure its smooth operation which has enabled the company to earn profit.

For and on behalf of the Board of Directors.

Karachi:
November 23, 1999

S. M. AHMED
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of S. G. Power Limited as at June 30, 1999 and the related profit and loss

account and statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the year ended on that date 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 our audit and, after due verification thereof, we report that:

a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) In our opinion:

i) The balance sheet and profit and loss account together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) The expenditure incurred during the year was for the purpose of the Company's business; and

iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account and statement of changes in financial position (cash flow statement) together with the notes thereon, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and changes in financial position for the year then ended; and

d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi:
Date: November 24, 1999

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
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 17,833,267 Ordinary shares of Rs. 10/= each fully paid in cash		178,332,670	178,332,671
Capital Reserve			
Share premium		89,116,330	89,116,330
Unappropriated profit		52,723,251	13,817,563
		-----	-----
		320,172,251	281,266,563
DEFERRED LIABILITY			
Staff gratuity		546,134	451,317
CURRENT LIABILITIES			
Creditors, accrued and Other liabilities	3	19,250,428	15,253,246
Taxation		3,519,392	--
Dividend	4	9,027,339	45,278,310
		-----	-----
		31,797,159	60,531,556
CONTINGENCIES			
	5	-----	-----

		352,515,544	342,249,436
		=====	=====
OPERATING FIXED ASSETS	6	201,691,084	224,045,984
LONG TERM DEPOSITS AND DEFERRED COSTS	7	4,678,689	6,357,362
CURRENT ASSETS			
Stores and spares		8,068,950	471,227
Debtors	8	83,536,725	62,158,867
Advance to associated undertaking	9	44,200,000	44,200,000
Advances, deposits and prepayments	10	209,943	1,042,866
Other receivables	11	10,080,754	3,941,305
Cash at banks in current accounts		49,399	31,825
		-----	-----
		146,145,771	111,846,090
		-----	-----
		352,515,544	342,249,436
		=====	=====

The annexed notes from 1 To 24 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Revenue	12	165,227,084	154,229,557
Generation cost	13	(116,055,443)	(94,817,527)
Gross profit		49,171,641	59,412,030
Administration expenses	14	(6,753,558)	(6,411,081)
		-----	-----
		42,418,083	53,000,949
Other income	15	6,692,843	3,944,759
		-----	-----
		49,110,926	56,945,708
Financial charges		(2,223,926)	(1,169,958)
		-----	-----
		46,887,000	55,775,750
Other allocations	16	(4,019,565)	(4,429,578)
		-----	-----
Profit before taxation		42,867,435	51,346,172
Taxation			
Current		21,358,731	--
Prior Years		18,258,741	--
		-----	-----
		(3,961,747)	--
		-----	-----
Profit After Taxation		38,905,688	51,346,172
Unappropriated profit brought forward		13,817,563	7,054,558
		-----	-----
Profit available for appropriations		52,723,251	58,400,730
Appropriations:			
Proposed cash dividend Rs. Nil per share (1998 -Rs. 2.50 per share)		Nil	(44,583,167)
		-----	-----
Unappropriated profit carried forward		52,723,251	13,817,563
		=====	=====
Earning per share	21	2.18	2.88

The annexed notes from 1 to 24 form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	42,867,435	51,346,172
Adjustment to reconcile profit to net cash provided by operating activities		
Depreciation	22,465,900	24,963,722
Deferred costs amortized	1,678,673	1,678,673
Provision for gratuity - net	94,817	102,205
	-----	-----
	24,239,390	26,744,600
	-----	-----
Cash from operating activities before working capital changes	67,106,825	78,090,772
Changes in working capital (Increase)/Decrease in current assets		
Stores and spares	(7,597,723)	(162,979)
Debtors	(21,377,858)	10,031,993
Advances, deposits and prepayments	832,923	10,606
Other receivables	(6,139,449)	(3,941,305)
	-----	-----
	(34,282,107)	5,938,315
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	3,997,182	3,455,172
	-----	-----
	36,821,900	87,484,259
Tax Paid:	(442,355)	--
Dividend paid	(36,250,971)	(43,898,649)
	-----	-----
Net cash from operating activities	128,574	43,585,610
	=====	=====
	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(111,000)	--
Advance to associated undertaking	--	(44,200,000)
Net cash used in investing activities	(111,000)	(44,200,000)
	-----	-----
Net Increase / (Decrease) in cash and cash equivalents	17,574	(614,390)
Cash and bank balance at the beginning of the year	31,825	646,215
	-----	-----
Cash and bank balance at the end of year	49,399	31,825
	=====	=====

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS JUNE 30, 1999

1. STATUS AND ACTIVITIES

The Company is limited by shares, incorporated in Pakistan on February 10, 1994 under Companies Ordinance, 1984 and listed on Karachi and Islamabad Stock Exchanges. The business of the company is generation and supply of electric power. The project is a captive power plant which is located at S. I. T. E., Karachi in the

province of Sindh.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under historical cost convention.

2.2 Staff retirement benefits

Company operates an unfunded gratuity scheme covering all its employees. Provision is made annually to cover the liability under this scheme.

2.3 Taxation

The profits and gains derived by the company are exempt from income tax.

2.4 Operating Fixed Assets

Operating assets are stated at cost less accumulated depreciation.

Depreciation is charged to income on reducing balance method at the rates specified in operating assets note.

Depreciation on additions during the year is charged on the basis of whole year, while no depreciation is charged on deletion during the year. However major capitalisation of project cost are depreciated on proportionate basis for the period of use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

2.5 Deferred costs

These are amortised over a maximum period of five years from the year of deferment.

2.6 Stores and spares

These are valued at moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date.

2.7 Debtors

Known bad debts are written off and provision is made against debts considered doubtful.

2.8 Revenue Recognition

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

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
3. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	5,600,457	5,222,883
Capital expenditure payable	--	86,358
Accrued expenses	1,112,101	1,255,216
Workers' profit participation fund (3.1)	12,534,495	8,584,087
Withholding tax	3,375	4,802
Others	--	99,900
	-----	-----
	19,250,428	15,253,246
	=====	=====
3.1 Workers' profit participation fund		
Opening Balance	8,584,087	4,912,153
Interest on fund utilized in company's business	1,609,516	921,029
	-----	-----
	10,193,603	5,833,182
Allocation for the year	2,340,892	2,750,905
	-----	-----
	12,534,495	8,584,087
	=====	=====
4. DIVIDEND		
Proposed dividend	--	44,583,167
Unclaimed dividend	9,027,339	695,143

9,027,339	45,278,310
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5. CONTINGENCIES

5.1 Letter of guarantee issued to Sui Southern Gas Company Limited on behalf of the company

15,000,000	15,000,000
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5.2 The company has filed a writ petition in the Honourable Lahore High Court against levy of import duty and sales tax in breach of declared exemption as per energy policy. In case of favourable decision, refund of Rs. 13,816,385/= paid to the Collector of Customs in respect of duties on import of generators is expected.

6. OPERATING FIXED ASSETS

<i>Particulars</i>	<i>Cost at July 01, 1998</i>	<i>Addition/ (Deletion)</i>	<i>Cost at June 30, 1999</i>	<i>Accumulated depreciation at July 01, 1998</i>	<i>Depreciation for tile year</i>	<i>Rate %</i>	<i>Accumulated depreciation at June 30, 1999</i>	<i>Written down value at June 30, 1999</i>
Generators	297,388,459	--	297,388,459	75,198,344	22,219,012	10	97,417,356	199,971,103
Air handling unit	475,420	--	475,420	128,839	34,658	10	163,497	311,923
Electric fitting	102,990	--	102,990	27,910	7,508	10	35,418	67,572
Gas installation	1,101,542	--	1,101,542	298,518	80,302	10	378,820	722,722
Factory equipment	159,700	111,000	270,700	30,537	24,016	10	54,553	216,147
Vehicles	1,023,700	--	1,023,700	521,679	100,404	20	622,083	401,617
	300,251,811	111,000	300,362,811	76,205,827	22,465,900		98,671,727	201,691,084
1998 Rupees	300,251,811	Nil	300,251,811	51,242,105	24,963,722		76,205,827	224,045,984

6.1 The land on which the project is setup, has been obtained on rent from S. G. Fibre Limited.

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
6.2 Depreciation for the year has been allocated as under		
Generation cost	22,365,496	24,838,217
Administration expenses	100,404	125,505
	22,465,900	24,963,722

7. LONG TERM DEPOSITS AND DEFERRED COSTS

Long term margin deposits	3,000,000	3,000,000
Deferred Costs (7.1)	1,678,689	3,357,362
	4,678,689	6,357,362

7.1 Deferred Costs

Preliminary expenses	248,891	248,891
Share issue expenses		
Commission on placement	1,784,326	1,784,326
Underwriting commission	4,580,413	4,580,413
Others	1,779,751	1,779,751
	8,144,490	8,144,490
	8,393,381	8,393,381
Amortized		
Opening balance	5,036,019	3,357,346
During the year	1,678,673	1,678,673
	(6,714,692)	(5,036,019)
	1,678,689	3,357,362

8. DEBTORS

Unsecured - Considered good

Associated undertaking	83,536,725	62,158,867
------------------------	------------	------------

Maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 111,571,346/- (1998 - Rs. 157,721,574/-) After 30 days from date of issue of bill, late payment surcharge @ 14% per annum is recovered.

	1999 Rupees	1998 Rupees
9. ADVANCE TO ASSOCIATED UNDERTAKING	44,200,000	44,200,000

It is unsecured and subject to markup @ 14% per annum.

Maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 44,200,000/- (1998 - Rs. 88,400,000/-)

10. ADVANCES, DEPOSITS AND PREPAYMENTS

Advances		
Staff	1,500	30,000
Suppliers	45,920	599,172
Income Tax	85,614	337,735
Prepayments	76,909	75,959
	209,943	1,042,866

11. OTHER RECEIVABLES -Considered good

Interest on loan to associated undertaking	9,584,288	3,396,288
Interest on deposits	146,466	174,057
Others	350,000	370,960
	10,080,754	3,941,305

12. REVENUE

Sale of electricity including late payment surcharge	161,029,490	149,597,247
Sale of steam	4,197,594	4,632,310
	165,227,084	154,229,557

13. GENERATION COST

Gas	62,513,859	59,200,898
Oil and lubricants	3,591,327	2,493,141
Generators overhauling	20,453,875	--
Salaries, wages and benefits	2,215,489	2,571,086
Stores and spares	492,652	374,069
Rent, rates and taxes	2,100,000	2,100,000
Water	1,936,144	1,906,529
Depreciation	22,365,496	24,838,217
Others	386,601	1,333,587
	116,055,443	94,817,527

14. ADMINISTRATION EXPENSES

Service charges to associated undertaking	6,000,000	6,000,000
Postage	46,913	51,014
Printing and stationery	16,085	19,746
Rent, rates and taxes	166,120	25,898
Fees and subscription	63,500	58,500
Legal and professional	118,880	--
Auditors' remuneration (14.1)	55,000	50,000

Vehicles running	59,437	24,912
Advertisement	101,460	42,242
Repairs and maintenance	--	7,000
Entertainment	25,759	6,264
Depreciation	100,404	125,505
	-----	-----
	6,753,558	6,411,081
	=====	=====

14.1 Auditors' remuneration

Audit Fees	50,000	50,000
Out of pocket expenses	5,000	--
	-----	-----
	55,000	50,000
	=====	=====

15. OTHER INCOME

Interest on loan to associated undertaking	6,188,000	3,396,288
Return on deposits - net off zakat	284,343	482,671
Scrap sales	220,500	65,800
	-----	-----
	6,692,843	3,944,759
	=====	=====

16. OTHER ALLOCATIONS

Amortization of deferred costs	1,678,673	1,678,673
Workers' profit participation fund	2,340,892	2,750,905
	-----	-----
	4,019,565	4,429,578
	=====	=====

17. TAXATION

Under clause 176 of the Second Schedule to the Income Tax Ordinance, 1979 the profits and gains derived by the Company are exempt from income tax and minimum tax based on turnover under Section 80D is also not leviable on the Company.

18. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Transactions with associated undertaking include sale of electricity including late payment surcharge Rs. 161,029,490/- (1998 - Rs. 149,597,247/-), sale of steam (Rs. 4,197,594/- (1998 - Rs. 4,632,310/-) and interest on advances Rs. 6,188,000/- (1998 - Rs. 3,396,288/-) respectively.

19. REMUNERATION TO DIRECTORS AND EXECUTIVES

Chief executive and directors are providing services without any remuneration and have also waived their meeting fee.

	1999	1998
	Rupees	Rupees
Executives		
Basic Salary	240,177	331,763
House rent allowance	108,076	149,299
Utility allowance	36,569	69,571
	-----	-----
	384,822	550,633
	=====	=====
No. of persons	1	2

(One executive left in September 1998)

20. PLANT CAPACITY AND ACTUAL PRODUCTION

	ELECTRICITY		STEAM	
	KWH		KGS	
	1999	1998	1999	1998
Annual capacity	84,954,240	84,954,240	57,456,000	57,456,000
Actual generation	51,657,335	49,809,900	27,983,960	30,882,043

Reason for low generation

The capacity is in excess of present demand.

21. EARNING PER SHARE

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

- Profit after taxation	Rs.	38,905,688	51,346,172
- Weighted average number of ordinary Shares		17,833,267	17,833,267
- Earning per share	Rs.	2.18	2.88

22. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company applies credit limit to its customer and does not have significant exposure to its customer.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial Instruments. The Company is not exposed to interest rate risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

23. OWNERS' EQUITY

Movements in owners equity during the year are identified and adequately disclosed in the financial statements.

24. GENERAL

24.1 Figures have been rounded off nearest to Rupee.

24.2 Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison.

24.3 Total employees at the year end were 33 (1998 - 34)

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING AS AT June 30, 1999

<i>NUMBER OF SHAREHOLDERS</i>	<i>FROM</i>	<i>HOLDINGS</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
59	1	--	100	5,900
2439	101	--	500	1,213,900
91	501	--	1000	90,000
108	1001	--	5000	304,000
31	5001	--	10000	245,300
9	10001	--	15000	112,500
5	15001	--	20000	90,500
5	20001	--	25000	119,400
3	35001	--	40000	108,000
2	40001	--	45000	82,500
3	45001	--	50000	150,000
2	75001	--	80000	156,000
1	80001	--	85000	82,500
2	85001	--	90000	179,500
1	100001	--	105000	100,500
3	105001	--	110000	330,000
1	120001	--	125000	123,000
2	135001	--	140000	280,000
1	140001	--	145000	143,000
1	170001	--	175000	171,000
2	295001	--	300000	600,000
1	655001	--	660000	656,480
1	935001	--	940000	935,544
1	1115001	--	1120000	1,115,206

3	1185001	--	1190000	3,568,653
2	2005001	--	2010000	4,014,738
1	2855001	--	2860000	2,855,146
-----				-----
2,780				17,833,267
=====				=====

CATEGORIES OF SHARE HOLDERS

	NUMBERS	SHARES HELD	% AGE
1. INDIVIDUALS	2,768	12,755,134	71.52
2. FINANCIAL INSTITUTIONS	5	1,439,480	8.07
3. FOREIGN INVESTORS	3	3,568,653	20.01
4. MODARABA COMPANIES	1	41,500	0.23
5. JOINT STOCK COMPANIES	3	28,500	0.16
6. INSURANCE COMPANIES	0	0	0.00
7. OTHERS	0	0	0.00

TOTAL	2,780	17,833,267	100.00
=====			