

S.G. Power Limited

Annual Report 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS:

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

COMPANY SECRETARY/DIRECTOR:

Mr. Asim Ahmed

AUDITORS:

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

BANKERS:

Allied Bank of Pakistan Limited
Habib Bank Limited
Muslim Commercial Bank Limited

REGISTERED OFFICE:

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 5th Annual General Meeting of the Shareholders of S. G. Power Limited will be held on Saturday the February 6, 1999 at 11:30 a.m. at the registered office of the Company at B - 40, S. I. T. E., Karachi to transact the following business:

1. To confirm the minutes of the Last Annual General Meeting held on Saturday the November 29, 1997.
2. To receive consider and adopt the audited accounts of the Company for the year ended June 30, 1998 together with the Auditors' and Directors' report thereon.
3. To declare the dividend as recommended by the Directors.
4. To appoint the Auditors of the Company for the year ended June 30, 1999 and to fix their remuneration.
5. To transact such other business with the permission of the Chair.

By Order of the Board

Mr. Asim Ahmed
Director/Company Secretary

NOTES:

1. The Share transfer books of the company shall remain close from February 1, 1999 to February 7, 1999 (both days inclusive)
2. Transfer received at the registered office of the Company at B-40, S.I.T.E., Karachi at the close of business on January 31, 1999 will be treated in time.
3. A member of the company entitled to attend and vote may appoint another member as his/her proxy to attend & vote instead of him/her. Proxies in order must be received at the registered office of the Company not less than 48 hours before the time of holding of Annual General Meeting.
4. The Members are requested to communicate to the Company of any change in their Addresses.

Karachi:
January 14, 1999

DIRECTORS' REPORT

Dear Shareholders,

Your Board of Directors takes the pleasure in presenting the 5th Annual Report of the Company for the year ended June 30, 1998 alongwith the audited accounts.

The Financial results for the year are as under:

Un-appropriated profit brought forward	Rs.	7,054,558
Net profit for the year	Rs.	51,346,172
	-----	-----
Total available	Rs.	58,400,730

APPROPRIATION

Proposed Dividend @ 25% (1997 - 25%)	Rs.	44,583,167
Un-Appropriated profit carried forward	Rs.	13,817,563

REVIEW

It has been mentioned in the previous reports that our only consumer of power and steam is our associated company S. G. Fibre Limited. Although we desire to sell our surplus power to other companies also but our request for the same has so far not been accepted by the concerned government authorities. Hence for the time being we have been left with no other alternative but to confine our business to S. G. Fibre Limited only.

During the period under review we generated and sold total electricity of 49,809,900 KWH to S. G. Fibre Limited as against 48,198,2000 KWH during the last financial year i.e. the increase of 1,611,700 KWH over the previous year. Whereas the quantity of steam sold in 1997-98 was 30,882,043 Kgs as against 31,165,877 kgs in 1996-97. Our total capacity remained at electricity 84,954,240 KWH and steam 57,456,000 kgs for the year ended June 30, 1998. The over all generation and selling cost during 1997-98 amounted to Rs. 2.032 per KWH against Rs. 1.914 per KWH in 1996-97. This increase in the cost is mainly attributed to increase in the gas charges and services charges charged by an associated undertaking. We have however continued to charge the same rate of Rs. 3.10 per KWH for electricity and Rs. 0.15 per Kgs for steam for the year 1997-98 as we charged in 1996-97.

DIVIDEND

As mentioned, the Directors have recommended a Cash Dividend of 25% for the financial year 1997-98.

FUTURE OUTLOOK

i

The S. G. Fibre Limited has finally installed the new machinery in September, 1998 as planned for Phase-II of their expansion project. With the operation of this new machinery the annual requirement of electricity of S. G. Fibre Limited is expected to increase considerably. Since we are the sole feeder of electricity and steam requirement of S. G. Fibre Limited, the portion of our power surplus shall be utilised which will increase the overall earnings of the Company. S. G. Fibre Limited has the intention of further expansion in its production capacity in the coming years and the time will soon come when the total capacity of our company will be utilised by the S. G. Fibre Limited alone.

AUDITORS

The Directors being the majority shareholders of the company wish to change the auditors of the company for the year ended June 30, 1999 in place of retiring auditors M/s. M. Yousuf Adil Saleem & Co., Chartered

Accountants.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Karachi:
January 11, 1999

S. M. AHMED
Chairman & Chief executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of S. G. Power Limited as at June 30, 1998 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 except for the fact that advance made by the Company to associated undertaking as referred to in note 9 is not in accordance with section 208 of the Companies Ordinance, 1984;

c) In our opinion and to the best of our information and according to the explanation 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, 1998 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:
January 1, 1999

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 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 17,833,267 Ordinary shares of Rs. 10/= each fully paid in cash		178,332,670	178,332,670
Capital reserve			
Share premium		89,116,330	89,116,330

Unappropriated profit		13,817,563	7,054,558
		-----	-----
		281,266,563	274,503,558
DEFERRED LIABILITY			
Staff gratuity		451,317	349,112
CURRENT LIABILITIES			
Creditors, accrued and Other liabilities	3	15,253,246	11,798,074
Dividend	4	45,278,310	44,593,792
		-----	-----
		60,531,556	56,391,866
CONTINGENCIES			
	5	-----	-----
		342,249,436	331,244,536
		=====	=====
OPERATING FIXED ASSETS			
	6	224,045,984	249,009,706
LONG -TERM DEPOSITS AND DEFERRED COST			
	7	6,357,362	8,036,035
CURRENT ASSETS			
Stores and spares		471,227	308,248
Debtors	8	62,158,867	72,190,860
Advance to associated undertaking	9	44,200,000	-
Advances, deposits and prepayments	10	1,042,866	1,053,472
Other receivables	11	3,941,305	-
Cash at banks in current accounts		31,825	646,215
		-----	-----
		111,846,090	74,198,795
		-----	-----
		342,249,436	331,244,536
		=====	=====

The annexed notes from 1 To 21 form
an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
Revenue	12	154,229,557	146,272,964
Generation cost	13	(94,817,527)	(88,048,480)
		-----	-----
Gross profit		59,412,030	(58,224,484)
Administration expenses	14	(6,411,081)	(4,216,842)
		-----	-----
		53,000,949	54,007,642
Other income	15	3,944,759	-
		-----	-----
		56,945,708	54,007,642
Financial charges		(1,169,958)	(591,574)
		-----	-----
		55,775,750	53,416,068
Other allocations	16	(4,429,578)	(4,280,609)

Profit for the year	51,346,172	49,135,459
Unappropriated profit brought forward	7,054,558	2,502,267
	58,400,730	51,637,726
Appropriations		
Proposed cash dividend @ 25% (1997- @ 25 %)	(44,583,167)	(44,583,168)
Unappropriated profit carried forward	13,817,563	7,054,558
	=====	=====

The annexed notes from I to 21 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, 1998**

	1998 Rupees	1997 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year	51,346,172	49,135,459
Adjustment to reconcile profit to net cash provided by operating activities		
Depreciation	24,963,722	27,754,903
Deferred cost amortized	1,678,673	1,678,673
Provision for gratuity - net	102,205	50,985
	26,744,600	29,484,561
Cash from operating activities before working capital changes	78,090,772	78,620,020
Changes in working capital (Increase)/Decrease in current assets		
Stores and spares	(162,979)	(1,617)
Debtors	10,031,993	(40,044,244)
Advances, deposits and prepayments	10,606	449,046
Other receivables	(3,941,305)	-
	5,938,315	(39,596,815)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	3,455,172	(3,346,228)
	87,484,259	35,676,977
Dividend paid	(43,898,649)	(35,655,910)
Net cash from operating activities	43,585,610	21,076
	=====	=====
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	-	(516,300)
Long term deposits	-	750,000
Advance to associated undertaking	(44,200,000)	-
Net cash (used in)/from investing activities	(44,200,000)	233,700
	-----	-----
Net (Decrease)/Increase in cash and cash equivalents	(614,390)	254,767
Cash and cash equivalents at the beginning of the year	646,215	391,448
	-----	-----
Cash and cash equivalents at the end of the year	31,825	646,215

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CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS**JUNE 30, 1998****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 Stock Exchange. 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 cost

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. Item 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.

	1998	1997
	Rupees	Rupees

3. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	5,222,883	5,423,431
Capital expenditure payable	86,358	978,646
Accrued expenses	1,255,216	432,250
Workers' profit participation fund (3.1)	8,584,087	4,912,153
Withholding tax	4,802	5,694
Others	99,900	45,900
	-----	-----
	15,253,246	11,798,074

=====

3.1 Workers profit participation fund

Opening Balance	4,912,153	2,008,884
Interest on fund utilized in company's business	921,029	301,333
	-----	-----
	5,833,182	2,310,217
Allocation for the year	2,750,905	2,601,936
	-----	-----
	8,584,087	4,912,153
Paid to workers	-	-
	-----	-----
	8,584,087	4,912,153
	=====	=====

4. DIVIDEND

Proposed dividend	44,583,167	44,583,168
Unclaimed dividend	695,143	10,624
	-----	-----
	45,278,310	44,593,792
	=====	=====

1998 **1997**
Rupees **Rupees**

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
=====	=====

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 Custom in respect of duties on import of generators is expected.

6. OPERATING FIXED ASSETS

Particulars	Cost at July 01, 1997	Addition/ (Deletion)	Cost at June 30, 1998	Accumulated depreciation at June 30, 1998	Written down Value at June 30, 1998	Depreciation for the year	Rate %
Generators	297,388,459	-	297,388,459	75,198,344	222,190,115	24,687,790	10
Air handling unit	475,420	-	475,420	128,839	346,581	38,509	10
Electric fitting	102,990	-	102,990	27,910	75,08	8,342	10
Gas installation	1,101,542	-	1,101,542	298,518	803,024	89,225	10
Factory equipment	159,700	-	159,700	30,537	129,163	14,351	10
Vehicles	1,023,700	-	1,023,700	521,679	502,021	125,505	20
	-----	-----	-----	-----	-----	-----	-----
Rupees	300,251,811	-	300,251,811	76,205,827	224,045,984	24,963,722	
	=====	=====	=====	=====	=====	=====	=====
1997 Rupees	299,735,511	516,300	300,251,811	51,242,105	249,009,706	27,754,903	
	=====	=====	=====	=====	=====	=====	=====

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

1998 **1997**
Rupees **Rupees**

6.2 Depreciation for the year has been allocated as under

Generation cost	24,838,217	27,598,021
Administration expenses	125,505	156,882
	-----	-----
	24,963,722	27,754,903
	=====	=====

7. LONG TERM DEPOSITS AND DEFERRED COST

Long term margin deposits	3,000,000	3,000,000
Deferred Cost (7.1)	3,357,362	5,036,035
	-----	-----
	6,357,362	8,036,035
	=====	=====

1998	1997
Rupees	Rupees

7.1 Deferred Cost

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
Other	1,779,751	1,779,751
	-----	-----
	8,144,490	8,144,490
	-----	-----
	8,393,381	8,393,381
Amortized		
Opening balance	3,357,346	1,678,673
During the year	1,678,673	1,678,673
	-----	-----
	(5,036,019)	(3,357,346)
	-----	-----
	3,357,362	5,036,035
	=====	=====

8. DEBTORS

Unsecured - Considered good		
Associated undertaking	62,158,867	72,190,860
	=====	=====

Maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 157,721,574 (1997 - Rs. 72,190,860/-). After 30 days from date of issue of bill, late payment surcharge @ 14% per annum is recovered.

1998	1997
Rupees	Rupees

9. ADVANCE TO ASSOCIATE UNDERTAKING

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. 88,400,000/-

10. ADVANCES, DEPOSIT AND PREPAYMENTS

Advances		
Staff	30,000	1,880
Suppliers	599,172	694,430
Income Tax	337,735	281,968
Prepayments	75,959	75,194
	-----	-----
	1,042,866	1,053,472
	=====	=====
	1998	1997
	Rupees	Rupees

11. OTHER RECEIVABLES - Considered good

Interest on loan-to associated undertaking	3,396,288	-
Interest on deposits	174,057	-

Interest on bank guarantee refundable	370,960	-
	-----	-----
	3,941,305	-
	=====	=====

12. REVENUE

Sale of electricity including late payment surcharge	149,597,247	141,598,081
Sale of steam	4,632,310	4,674,883
	-----	-----
	154,229,557	146,272,964
	=====	=====

13. GENERATION COST

Gas	59,200,898	52,513,601
Oil and lubricants	2,493,141	1,742,894
Salaries, wages and benefits	2,571,086	2,758,725
Stores and spares	374,069	76,194
Rent, rates and taxes	2,100,000	1,440,000
Water	1,906,529	1,741,028
Depreciation	24,838,217	27,598,021
Others	1,333,587	178,017
	-----	-----
	94,817,527	88,048,480
	=====	=====

14. ADMINISTRATION EXPENSES

Service charges to associated undertaking	6,000,000	3,600,000
Postage	51,014	48,324
Printing and stationery	19,746	108,144
Rent, rates and taxes	25,898	103,400
Fees and subscription	58,500	74,206
Audit fee	50,000	50,000
Vehicles running	24,912	50,806
Advertisement	42,242	17,880
Repairs and maintenance	7,000	-
Entertainment	6,264	7,200
Depreciation	125,505	156,882
	-----	-----
	6,411,081	4,216,842
	=====	=====

15. OTHER INCOME

Interest on loan to associated undertaking	3,396,288	-
Return on deposits - net off zakat	482,671	-
Scrap sale	65,800	-
	-----	-----
	3,944,759	-
	=====	=====

16. OTHER ALLOCATION

Amortization of deferred cost	1,678,673	1,678,673
Workers' profit participation fund	2,750,905	2,601,936
	-----	-----
	4,429,578	4,280,609
	=====	=====

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 UNDERTAKINGS

Transactions with associated undertakings include sale of electricity with late payment surcharge, steam and advances with interest amounting to Rs. 149,597,247/- (1997 - Rs. 141,598,081/-), Rs. 4,632,310/- (1997 - Rs. 4,674,883/-) and Rs. 91,796,288/- (1997 - Nil) respectively.

19. REMUNERATION TO DIRECTORS AND EXECUTIVES

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

meeting fee.

	1998 Rupees	1997 Rupees
Executives		
Basic Salary	331,763	328,258
House rent allowance	149,299	147,765
Utility allowance	69,571	77,458
	-----	-----
	550,633	553,481
	=====	=====
No. of persons	2	2

20. PLANT CAPACITY AND ACTUAL PRODUCTION

	ELECTRICITY KWH		STEAM KGS	
	1998	1997	1998	1997
Annual capacity	84,954,240	84,954,240	57,456,000	57,456,000
Actual generation	49,809,900	48,198,200	30,882,043	31,165,877

Reason for low generation

The capacity is in excess of present demand.

21. Figures have been rounded off nearest to rupee.

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING AS AT June 30, 1998

Number of Shareholders	From	Holdings		Total Shares Held
		-	To	
51	1	-	100	5,100
2,620	101	-	500	1,305,100
80	501	-	1000	79,400
100	1001	-	5000	293,000
31	5001	-	10000	250,500
10	10001	-	15000	124,500
3	15001	-	20000	52,500
6	20001	-	25000	139,900
3	35001	-	40000	109,000
2	40001	-	45000	82,500
3	45001	-	50000	150,000
2	75001	-	80000	155,500
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	180001	-	185000	184,500
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

	2,933			17,833,267
	=====			=====

CATEGORIES OF SHARE HOLDERS	NUMBERS	SHARES HELD	% AGE
1. INDIVIDUALS	2,921	12,741,634	71.45
2. FINANCIAL INSTITUTIONS	5	1,452,980	8.15
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	2,933	17,833,267	100.00
	=====	=====	=====