SGC HOLDINGS INC
Form 10QSB
May 13, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X]	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended:	March 31, 2005
Or	
[ ]	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to _____________

Commission File Number: 333-100137

SGC Holdings, Inc.

(Exact name of registrant as specified in its charter)

Nevada	86-1047317
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15911 East Sunburst Drive Fountain Hills, Arizona	85268
(Address of principal executive offices)	(Zip Code)

(480) 837-6029

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 2,720,000

SGC HOLDINGS, INC.

(a Development Stage Company)

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission"). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Annual Report on Form 10-KSB previously filed with the Commission on March 10, 2005, and subsequent amendments made thereto.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Consolidated Balance Sheet

(unaudited)

	March 31, 2005
Assets	
Current assets:	
Cash	$1,248
Total current assets	1,248
	$1,248
Liabilities and Stockholder's Equity	
Current liabilities:	$-
Stockholders' equity:	
Common stock, $0.001 par value, 25,000,00 shares authorized, 2,720,000 shares issued and outstanding	2,720
Additional paid-in capital	35,280
(Deficit) accumulated during development stage	(36,752)
	1,248
	$1,248

The accompanying notes are an integral part of these financial statements.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Consolidated Statements of Operations

(unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004	December 5, 2001 (Inception) to March 31, 2005
Revenue	$3,060	$-	$3,060
Expenses:			
General and administrative expenses	2,463	4,896	38,165
General and administrative expenses - related party	-	-	1,500
Total expenses	2,463	4,896	39,665
Income (loss) before provision for income taxes	597	(4,896)	(36,605)
Provision for income taxes	(45)	(45)	(147)
Net income (loss)	$552	$(4,941)	$(36,752)
Weighted average number of Common shares outstanding - basic and fully diluted	2,720,000	2,720,000	
Net income (loss) per share - basic and fully diluted	$(0.00)	$(0.00)	

The accompanying notes are an integral part of these financial statements.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004	December 5, 2001 (Inception) to March 31, 2005
Cash flows from operating activities			
Net income (loss)	$552	$(4,941)	$(36,752)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Shares issued for services	-	-	1,500
Changes in operating assets and liabilities:			
(Decrease) in accounts payable	-	(36)	-
Net cash provided (used) by operating activities	552	(4,977)	(35,252)
Cash flows from financing activities			
Issuances of common stock	-	-	36,500
Net cash provided by financing activities	-	-	36,500
Net increase (decrease) in cash	552	(4,977)	1,248
Cash - beginning	696	12,931	-
Cash - ending	$1,248	$7,954	$1,248
Supplemental disclosures			
Interest paid	$-	$-	$-
Income taxes paid	$45	$45	$147
Non - cash transactions:			
Shares issued for services	$-	$-	$1,500
Number of shares issued for services	-	-	1,500,000

The accompanying notes are an integral part of these financial statements.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Notes

Note 1 - Basis of presentation

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2004 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

Note 2 - Going concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred a net loss of ($36,752) for the period from December 5, 2001 (inception) to March 31, 2005, and has incurred minimal sales. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its new business opportunities. Management had planned to raise additional funds via an offering of convertible debentures; however, it was cancelled on March 17, 2005 and the $200,000 held in escrow returned to the investors, due to lack of subscriptions. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

In the event additional capital is required, some of the shareholders of the Company have agreed to provide sufficient funds as a loan over the next twelve-month period, as necessary. However, the Company is dependent upon its ability, and will continue to attempt to secure equity and/or debt financing. There are no assurances that the Company will be successful; without sufficient financing it would be unlikely for the Company to continue as a going concern.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might arise from this uncertainty.

Note 3 - Convertible debentures

As part of its funding efforts, the Company has prepared a Private Placement Memorandum dated September 28, 2004 under the terms of which the Company intends to offer, on a "best-efforts" basis (the "Offering"), a minimum of $1,250,000 and a maximum of $1,750,000 of the Company's 7% Convertible Debentures due February 1, 2009 ("Convertible Debentures") in denominations of $1,000 with a minimum investment of $25,000. The holders of the convertible debentures may convert at any time in the event that the shares of the Company trade above $2 for 30 calendar days at a conversion rate of 500 shares of common stock per $1,000 principal amount of the convertible debentures. As of March 17, 2005, the Company has raised a total of $200,000 and has decided to cancel and rescind the private placement. The Company has instructed the escrow agent to return the all funds raised to date.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Notes

Note 4 - Related party transactions

The Company does not lease or rent any property. Office space and services are provided without charge by a director and shareholder. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Item 2. Management's Discussion

Forward-Looking Statements

This Quarterly Report contains forward-looking statements about SGC Holdings, Inc.'s business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, SGC's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, *"believes," "expects," "intends," "plans," "anticipates," "estimates"* and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Management's Discussion and Analysis

We were incorporated on December 5, 2001, and have not yet begun our planned principal operations. Our efforts to date have focused primarily on formation and organization of our company, obtaining seed capital and setting for a business plan. Unfortunately, due to lack of subscriptions, we recently cancelled our Private Placement Offering dated September 28, 2004. The $200,000 that was held in escrow was returned to the subscribers.

In the three months ended March 31, 2005, we began to generate revenues in the amount of $3,060. This was the first revenues received by our company since we were incorporated.

Total expenses for the three months ended March 31, 2005 were $2,463, consisting solely of general and administrative expenses. For the three months ended March 31, 2004, we incurred $4,896 in expenses. Total expenses since our inception to March 31, 2005 were $39,665, all of which is accredited to general and administrative. We expect to continue to incur general and administrative expenses for the foreseeable future, although we cannot estimate the extent of these costs. As we pursue establishing our base of operations, we expect aggregate expenses to increase.

As a result of our expenditures and limited amount of revenues, we have incurred a very small level of net income for the three months ended March 31, 2005 of $552; however, our net losses for the three month period ended March 31, 2004 were $4,941. From the date of our inception to March 31, 2005, we had a cumulative deficit of $36,752. We do not anticipate maximizing income during the remainder of fiscal year 2005 because we have not fully begun our planned principal operations.

On April 1, 2003, SGC Holdings, Inc. contracted GEC Consultants, an independent consulting firm, to perform a feasibility study. The main part of the study addressing financial requirements, break-even analysis, and projections was completed in June 2003. The cost of the study was $4,000.

The preliminary estimates indicate that SGC Holdings, Inc. will need approximately $2,000,000 to satisfy its cash requirements to open the first restaurant of approximately 10,000 square feet in the next 12 months. With this amount of capital, SGC Holdings, Inc. intends to establish its first prototype restaurant, using the SGC Holdings, Inc. theme. The following table presents a summary breakdown of this cash requirement:

Professional development	$ 300,145
Location site realty	600,000
Fixtures, equipment, and furnishings	397,900
Build-out & improvements	489,269
Working capital	212,686
Total Facilities Cost	$2,000,000

The specific steps required to open the first restaurant are (time frames are included in parentheses):

1)

Feasibility study (already complete).

2)

Additional capital to be raised (the next three to six months).

3)

Determination of a location in Fountain Hills, Scottsdale, or Phoenix in Maricopa County, Arizona (three to six months after funding).

4)

Demographic study of location selected (to be completed once location is found).

5)

Development of kitchen/architectural plans (to be completed once location and demographic study are completed).

6)

Construction (four to 12 months after completion of step 5).

The feasibility study concluded that a loan package of $1,750,000 at 7% interest for a period of 240 months together with equity from shareholders of $250,000 should permit the project to proceed. As of September 30, 2004, we have $200,000 in subscriptions in Escrow from a Private Placement Offering of our 7% Convertible Debentures. These funds will not be dispersed unless the minimum offering amount of $1,250,000 is achieved. In March of 2005 this offering was cancelled due to lack of subscriptions and the $200,000 in Escrow was returned to the subscribers.

We believe that our cash on hand as of March 31, 2005 of $1,248 is not sufficient to continue operations for the next 12 months unless we are able to generate significant revenues or obtain additional capital infusions. Since our incorporation, we have raised capital through sales of our common equity. All told, we raised $36,500 in cash from sales of our common stock. In addition, we issued shares of our common stock in lieu of cash to pay for services rendered to us.

We currently do not have any recurring financial obligations that require immediate capital to finance. However, we expect to have negative cash flows for the fiscal year 2005. We may need to raise additional capital by issuing equity or debt securities in exchange for cash. There can be no assurance that we will be able to secure additional funds in the future to stay in business. Our principal accountants have expressed substantial doubt about our ability to continue as a going concern because we have limited operations and have not commenced planned principal operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations. Additionally, we do not believe that our business is subject to seasonal factors.

Our management does not anticipate the need to hire additional full- or part-time employees over the next 12 months, as the services provided by our officers and directors appear sufficient at this time. We believe that our operations are currently on a small scale that is manageable by our officers and directors.

We currently do not own any significant plant or equipment that we would seek to sell in the near future.

Our management does not expect to incur research and development costs.

We do not have any off-balance sheet arrangements.

We have not paid for expenses on behalf of any of our directors. Additionally, we believe that this fact shall not materially change.

Item 3. Controls and Procedures

Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and our Chief Financial Officer, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

PART II - OTHER INFORMATION

Item 6. Exhibits

Exhibit Number	Name and/or Identification of Exhibit
3	Articles of Incorporation & By-Laws
	(a) Articles of Incorporation (1)
	(b) By-Laws (1)
31	Rule 13a-14(a)/15d-14(a) Certification (a) Christos E. Loukas
32	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

(1) Incorporated by reference to the exhibits to the Company's Registration Statement on Form SB-2 on September 27, 2002.

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SGC HOLDINGS, INC.
(Registrant)

By: /s/ Christos E. Loukas
Christos E. Loukas, President

Date: May 12, 2005