



HALF YEAR REPORT DECEMBER 31, 2016

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S.G FIBRE LIMITED
B-40, SITE, MANGHOPIR ROAD
KARACHI.

COMPANY / INFORMATION

Board of Directors

Mrs. Zubaida Khatoon	Chairperson
Mr. Sohail Ahmed	Chief Executive
Mr. Asim Ahmed	Director
Mrs. Ghazala Ahmed	Director
Mrs. Tania Asim	Director
Mr. Hidayat Ali Shar	Director (Nominated by NBP)
Mr. M. Khurram Khawaja	Director (Nominated by NBP)

AUDIT COMMITTEE

Mr. Sohail Ahmed	Chairman
Mr. Asim 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.Fibre Limited is pleased to present the Half Yearly Financial Statements of the Company for the period ended December 31, 2016. During the period, under review, the Company has suffered a loss of Rs. 3.155 million while for the corresponding period the loss was Rs. 9.795 million. The accumulated loss as on December 31, 2016 stood at Rs. 756.622 million.

Due to closure of the factory operations for the last several years and adverse financial health of the Company, it has no option but to value the directors' loans at historical cost.

The Management will be under taking new line of business which the shareholder have approved in EOGM held on June 06, 2016. The funds requirement will be met from the sale of machinery and additional fund will be mobilized through other means.

FUTURE OUTLOOK

The management is hopeful that the new line of business, as approved by the shareholders in EOGM held on June 06, 2016, will usher new era for the future of the company and revival fruits will be shared by all the shareholders in the near future.

KNOWLEDGEMENT.

The directors of your Company offer their sincere gratitude to the shareholders for their support and assistance. The directors also thank employees of the Company for their dedication and hard work and hope to get the same cooperation from them in future.

Karachi February 27, 2017.

On behalf of the Board of Directors

Sohail Ahmed
Chief Executive

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **S.G FIBRE 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 "interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to draw a conclusion on this 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 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

- As disclosed in note 1.2 to the condensed interim financial information, the operations of the Company have been shut down due to adverse fiscal measures and unfavorable market conditions. The Company owes Rs. 163.919 million as at December 31, 2016 as mentioned in note 10, 11 and 12 to the condensed interim financial information to the associated company, S.G. Power Limited. Due to closure of operations it is unlikely that the Company will pay the principal and mark-up thereon on regular basis, as per direction of SECP in this regard. Moreover, mark-up of Rs. 10.654 million provided by the management in preceding years on the above amount as per direction of the SECP, could not be verified due to non-availability of proper working of the same. Further no mark-up has been provided in the current financial year against the above-mentioned outstanding liability.
- As mentioned in note 1.2 to the condensed interim financial information, the Company has suffered loss of Rs. 3.155 million during the half year and the accumulated loss as at December 31, 2016 stood at Rs. 756.622 million and its business operations have been completely shutdown. This condition along with the other matters explained in note 1.2 to the condensed interim financial information, 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 condensed interim financial information regarding the financing plans under consideration of the management for the revival of the company.
- The interest free loan from directors amounting to Rs. 197.494 million (June 30, 2016: Rs. 197.494 million) is being shown at historical cost in contravention with the requirements of IAS-39 which requires the same to be recorded at fair value or amortized cost as appropriate with an impact on income through profit and loss account, the amount of which has not been determined by the company.
- In the absence of complete details we are unable to identify all related parties transactions in this condensed interim financial information.
- Sales tax and income tax refundable of Rs. 21.070 million and Rs. 9.903 million respectively is doubtful of recovery being pertaining to very old periods.
- 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.
- The net book value of property, plant and equipment as at 31st December 2016 amounts to 573.990 million (June 30, 2016: 584.934 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.
- Property of the company has been lent on rent however the same has not been disclosed according to the requirements of the IAS 40- Investment Property whereof all investment properties should be classified on either fair value model or cost model and should not be depreciated.

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. FIBRE LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016**

	Notes	Un-audited December 31, 2016	Audited June 30, 2016
----- Rupees -----			
NON-CURRENT ASSETS			
Property, plant and equipment	5	580,545,167	584,934,845
Long term deposits		95,714	95,714
CURRENT ASSETS			
Loans, advances, prepayments and other receivables	6	39,087,362	38,891,612
Cash and bank balances	7	7,158,739	8,090,740
		46,246,101	46,982,353
		626,886,982	632,012,913
SHARE CAPITAL AND RESERVES			
Authorized share capital			
15,000,000 Ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid-up capital			
Share premium		150,000,000	150,000,000
Accumulated loss		337,400,000	337,400,000
		(756,622,922)	(760,013,467)
		(269,222,922)	(272,613,467)
Surplus on revaluation of fixed assets			
	8	456,547,771	463,093,374
		187,324,849	190,479,907
NON CURRENT LIABILITIES			
Deferred liabilities		53,821,112	57,819,808
Loan from directors	9	197,494,064	197,494,064
		251,315,176	255,313,872
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	10	106,050,917	104,023,094
Interest on short term and long term loan	11	10,654,243	10,654,243
Current portion of long term loan	12	71,422,097	71,422,097
Provision for taxation		119,700	119,700
		188,246,957	186,219,134
CONTINGENCIES AND COMMITMENTS			
	13	626,886,982	632,012,913

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

CHIEF EXECUTIVE

DIRECTOR

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

Notes	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Sales	-	-	-	-
Cost of sales	(11,030,109)	(13,437,995)	(5,514,238)	(7,040,287)
Gross loss	(11,030,109)	(13,437,995)	(5,514,238)	(7,040,287)
Administrative and selling expenses	(6,476,696)	(3,810,991)	(3,252,936)	(1,891,442)
Operating loss	(17,506,805)	(17,248,986)	(8,767,174)	(8,931,729)
Profit on sale of property plant and equipment	-	6,185,935	-	6,185,935
Other income	10,353,051	4,247,130	6,672,360	2,010,258
	(7,153,754)	(6,815,921)	(2,094,814)	(735,537)
Financial charges	-	(8,361)	-	(8,361)
Loss before taxation	(7,153,754)	(6,824,282)	(2,094,814)	(743,898)
Provision for taxation - Current Tax	-	-	-	-
- Deferred Tax	3,998,695	-	-	-
Loss after taxation	(3,155,059)	(6,824,282)	(2,094,814)	(743,898)
Other comprehensive income	-	-	-	-
Total comprehensive income	(3,155,059)	(6,824,282)	(2,094,814)	(743,898)
Loss per share - basic and diluted	(0.21)	(0.45)	(0.14)	(0.05)

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

CHIEF EXECUTIVE

DIRECTOR

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

	Issued subscribed and paid up capital	Capital reserve	Accumulated loss	Total
----- Rupees -----				
Balance as at July 01, 2015	150,000,000	337,400,000	(759,652,591)	(272,252,591)
Correction of error	-	-	23,431,774	23,431,774
Balance as at July 01, 2015	-	-	(736,220,817)	(736,220,817)
Loss for the half year ended December 31, 2015	-	-	(9,795,871)	(9,795,871)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	2,866,475	2,866,475
Balance as at December 31, 2015	150,000,000	337,400,000	(743,150,213)	(255,750,213)
Balance as at July 01, 2016	150,000,000	337,400,000	(760,013,467)	(272,613,467)
Loss for the half year ended December 31, 2016	-	-	(3,155,059)	(3,155,059)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	6,545,604	6,545,604
Balance as at December 31, 2016	150,000,000	337,400,000	(756,622,922)	(269,222,922)

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

 CHIEF EXECUTIVE

 DIRECTOR

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

	Un-audited December 31, 2016	Un-audited December 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(7,153,754)	(9,795,871)
Adjustment for:		
Depreciation	10,944,481	14,344,899
Financial charges	-	8,361
(Gain) on sale of fixed assets	-	(6,185,935)
	10,944,481	8,167,325
	3,790,727	(1,628,546)
(Increase) / decrease in current assets		
Stock in trade	-	-
Loans, advances and other receivables	(195,750)	-
	(195,750)	-
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	2,027,823	(1,780)
Cash out flow from operations	5,622,801	(1,630,326)
Financial charges paid	-	(4,798)
Net cash from operating activities	5,622,801	(1,635,124)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	18,025,000
Capital expenditure	(6,554,803)	-
Net cash used in investing activities	(932,002)	18,025,000
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan from directors	-	(12,000,000)
Net cash out flow from financing activities	(932,002)	(12,000,000)
Net increase in cash and cash equivalents	(932,002)	4,389,876
Cash and cash equivalents at the beginning of the period	8,090,740	15,262
Cash and cash equivalents at the end of the period	7,158,739	5,105,138

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

 CHIEF EXECUTIVE

 DIRECTOR

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

1. STATUS OF THE COMPANY

1.1 The Company was incorporated in Pakistan as a public limited company and its shares are listed at Karachi Stock Exchange. The principal activity of the Company is manufacturing of polyester filament yarn. The registered office and production facility of the company are situated at B-40, S.I.T.E., Karachi.

1.2 GOING CONCERN

The company has suffered loss of Rs.3.155 million (December 31, 2015: Rs. 9,795 million) during half year ended and accumulated loss as at December 31, 2016 stood at Rs. 756.622 million and Filament Yarn Industry in Pakistan is in ominous situation due to adverse fiscal measures and unfavorable market conditions resulting in high cost of production and dumping of cheap product from China and other countries. Frequent increases in the cost of energy and hike in cost of financing is leading this industry towards crisis. Consequently the management of the company had decided to disengage temporarily the operations of the company as of December 2006 to safeguard the interest of stakeholders. The Filament Yarn Association is negotiating with the government to take initiatives to revive the industry and to avoid resulting unemployment. In the meanwhile the company has rented out its premises to meet its administrative cost and to reduce its losses. Moreover, the company is working on starting the new line of business activities in order to diversify its business operations.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

This condensed interim financial information of the company for the half year ended December 31, 2016 is un-audited and has been prepared in accordance with the requirements of the International Accounting standard 34- 'Interim Financial Reporting' and provisions of and directives issued under the companies ordinance 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. The figures for the half year ended December 31, 2016 have, however, been subjected to limited scope review by the auditors as required by the Code Of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 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.

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

	Note	December 31, 2016	June 30, 2016
----- Rupees -----			
5 PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed Assets	5.1	573,990,364	584,934,847
Capital Work in Progress		6,554,803	-
		580,545,167	584,934,847
5.1 Operating Fixed Assets			
Opening written down value		584,934,845	624,925,325
Revaluation surplus / (deficit)		-	-
✓ Deletion		-	(26,340,000)
Depreciation		(10,944,481)	(13,650,480)
Closing written down value		573,990,364	584,934,845
6 LOANS, ADVANCES, PREPAYMENTS & OTHER RECEIVABLES			
Income tax refundable		9,903,094	9,903,094
Advance income tax		-	-
Margin - Letter of credit		150,000	150,000
Sales tax claim receivable		21,070,506	21,070,506
Other receivables		9,767,221	9,571,471
Less: provision for irrecoverable rent		(1,800,000)	(1,800,000)
Less: provision for doubtful debts		(459)	(3,459)
		7,963,762	7,768,012
		39,087,362	38,891,612
7 CASH AND BANK BALANCES			
Cash in hand		5,388	9,563
Cash with banks		7,153,351	8,081,177
		7,158,739	8,090,740
8 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net			
Opening balance		509,810,969	533,242,743
Surplus arisen on revaluation carried out during the year:			
		509,810,969	533,242,743
Less: Transferred to unappropriated profit on account of:			
- incremental depreciation for the year		(10,544,298)	(23,431,774)
- in realized on disposal of plant & machinery		-	-
		499,266,671	509,810,969
Related deferred tax of:			
- balance at beginning of the year		46,717,594	55,910,005
- surplus arising during the year		-	-
- incremental depreciation for the year		(3,268,733)	(7,498,168)
- effect of change in tax rate		(729,962)	(1,694,243)
- balance at year end		42,718,899	46,717,594
Balance at end of the year		456,547,771	463,093,375

December 31, 2016 June 30, 2016
----- Rupees -----

9 LOAN FROM DIRECTOR

Loan from directors 9.1 197,494,064 197,494,064

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

10 CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	18,245,072	14,715,072
Security deposit payable	3,800,545	3,849,195
Others	2,162,302	2,191,687
	24,207,919	20,755,954
Due to associated undertaking	10.1 <u>81,842,998</u>	<u>83,267,140</u>
	<u>106,050,917</u>	<u>104,023,094</u>

10 These are unsecured and the late payment surcharge has been waived by the associated undertaking S.G. Power Limited.

11 INTEREST ON SHORT AND LONG TERM LOANS 10,654,243 10,654,243

This represent accrued interest on loans payable to S.G Power Limited.

12 CURRENT PORTION OF LONG TERM LOAN

Current portion of long term loan payable to S.G Power Limited 71,422,097 71,422,097
71,422,097 71,422,097

13 CONTINGENCIES AND COMMITMENTS

Contingencies

- (i) Legal claim filed against the Company from suppliers were not acknowledged as debts amounting to Rs. 0.418 million (June 30, 2016: Rs. 0.418 million)
- (ii) A dispute is persisting between the company and National Bank of Pakistan regarding the alleged "Buy Back Agreement" and declaration of dividend. Brief facts of the dispute are that underwriting of public floatation of the shares of the company was jointly undertaken by National Bank of Pakistan and Allied Bank of Pakistan. National Bank of Pakistan agreed to underwrite 3,851,200 shares of Rs 10 each at a premium of Rs. 48.50 per share. However the Bank insisted to impose a condition on the sponsors to enter into a "Buy Back Agreement" in respect of the share underwritten by them. Corporate Law Authority (Securities and Exchange Commission of Pakistan) desired with their letter dated September 18, 1995 to furnish an unqualified underwriting commitment without any "Buy Back Agreement" and the NBP vide its letter dated October 27, 1994 confirmed that this condition will be deleted. The Corporate Law Authority through its various letter emphasized for unconditional arrangement.

National Bank of Pakistan vide its letter No. CCD: BE 096/48 dated March 01, 1995 confirmed that they have no objection to the publication of the prospectus of the company in the newspaper also mentioning in the said letter that Bank has not made any buy back agreement with the sponsors or any other person. The prospectus of the Company published in the newspaper also contained this fact that "their underwriter has not entered any buy back/ repurchase agreement with the sponsors or any other person". After public floatation, National Bank of Pakistan imposed the alleged condition of declaration of dividend at the rate of 15 to 16 percent and the undertaking from the sponsors to buy back the shares of the Company after 3 years within a period of one year was also obtained by the bank. The Company declared dividend for 1996, 1997 and 1998 at 15 percent, 20 percent and 16 percent respectively. However, due to the following reason Company could not declare dividend for the year 1999.

- (a) The object for public floatation was to raise funds for investment in new plants and machineries to produce high quality value added products for which a new Hot Channel Stretching plant along with other plants and machineries was imported. After completion of process of installation and commissioning, the sum of Rs.454.8 million being the cost of the plant, was capitalized which resulted in the charge of depreciation amounting to Rs.93.170 million which can be attributed as a major reason of loss of Rs.97.60 million sustained during the year 1999.
- (b) Subsequent to filing of the above suit, National Bank of Pakistan also filed a Suit No. B-200 of 2000 dated 21st October, 2000 in the High Court of Sindh against the company and the sponsors seeking enforcement of "Buy Back Agreement" and payment of resultant amount with profit at 18 percent per annum from the date of suit till the payment by the company and a direction that shares of the company be sold in the market and the net sale proceeds be applied towards the adjustment of the decretal amount.

The sponsors are confident that they will succeed in their case in view of their sound legal position.

- (c) Legal claims have been lodged by ex-employees of the company for recovery of their outstanding emoluments on account of their employment with the company.
- (iii) Two appeals bearing no. K-137/2008 and K-138/2008 both dated March 18, 2008 passed by the Collector of Sales Tax and Federal Excise (Appeals) Karachi is pending before the Inland Appellate Tribunal, Bench, Karachi. One appeal bearing no. K-190/2010 dated March 24, 2010 filed against the Order-in-appeal no. 3254/2010, dated February 02, 2010 passed by the Collector of Customs (Appeals) Karachi is pending before the Customs Appellate Tribunal, Bench-II, Karachi. The management is of view that the aforesaid cases involve certain law points and there is every likelihood of having a favorable verdict in these matters.

Commitments

There are no commitments existing as on December 31, 2016. (June 30, 2016: Nil)

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, staff retirement funds, directors and key management personnel. Transaction 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. Significant transactions with associated undertakings and related parties other than those which have been specifically disclosed elsewhere in this condensed interim financial information are given below.

	December 31, 2016	June 30, 2016
	----- Rupees -----	
S.G. Power Limited - Associated undertaking		
Rental income	900,000	1,800,000
Less: Irrecoverable rental income from associated undertaking	(900,000)	(1,800,000)
	<u>-</u>	<u>-</u>

The status of outstanding balances with associated undertaking S.G Power Limited is as under

Long term loan payable to S.G. Power Limited	71,422,097	71,422,097
Current portion of long term loan.	<u>-</u>	<u>-</u>
	<u>71,422,097</u>	<u>71,422,097</u>

15 DATE OF AUTHORIZATION

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

16 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR