



FIBRE LIMITED

**QUARTERLY REPORT
MARCH 31, 2017**

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

COMPANY / INFORMATION

DIRECTORS' REPORT

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, Shahra-e-Quaideen,

Karachi,

REGISTERED OFFICE

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

The Board of Directors of S.G. Fibre Limited (SGF) is pleased to present the 48th Annual Report and Audited Financial Statements of the Company together with Auditor's Report for the year ended 30th June 2016.

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

- The Company owes Re.165.343 million, as mentioned in note 14, 15 and 16 to the financial statements, to the associated Company S. G. Power Ltd. The operations of the Company have been shut-down for the last many years temporarily due to unfavourable market conditions. Payables to S.G. Power Ltd. are well secured because SGF have fixed assets of Rs.585 million at revalued amount. Hence, there is nothing to apprehend about the Company's inability to settle its liabilities. The Company has provided confirmation to its associated undertaking that the amount of Rs. 165.343 million is due from the Company and would be settled on priority basis once the operations recommence. As per SECP order we were required to charge mark-up on outstanding balance of receivables that should not be less than the borrowing cost of the Company. Mark-up of Rs.10.654 million was provided as per the said directive. Since the Company has not borrowed any funds from any bank or financial institution, the mark-up accrued has been adequately charged for earlier period and it has not been provided in the current financial year.
- The Company has suffered loss of Rs.23.655 million (before tax) and loss of Rs.14.600 million after tax for the year and the accumulated losses as at June 30, 2016 stand at Rs.760.013 million. The management will be undertaking new lines of businesses which the shareholders have approved in the EOGM held on June 06, 2016. The funds requirement will be met from the sale of machinery and additional funds will be mobilized through other means. Keeping in view the new lines of businesses to be undertaken, the management believes that there is no doubt over the Company's ability to become a going concern in due course of time. Hence, the financial statements do not need any adjustment.
- Due to closure of the factory operations for the last many years and adverse financial health of the Company, it has no option but to value the directors' loans at historical costs. As such it has not been found possible to comply with requirements of IAS-39.
- The related parties transaction, records and ledger are available with the Company. However, there have been some difficulties in tracing the old record due to non-availability of staff.
- The management is of the view that the sales tax and income tax refunds could be settled. However, the management is considering about writing off the same in due course of time if the present status continued.
- The factory has remained 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 your Company during the year under review has not been satisfactory as the operation of the Company shut down since December 2006 due to adverse market conditions.

However, the Company has been able to dispose off some additional old machinery and gained profit of Rs.6.186 million. It was necessary to dispose of the old plant and machinery as the market value is falling each year and the directors have decided to enter into new lines of businesses which have been approved by the shareholders in EOGM held on June 06, 2016. Moreover, the Company has rented out a small portion of its premises to generate adequate income for managing day to day expenses of the Company. Rental income of Rs.14.857 million has been earned during the year.

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

	Rupees
Sales	---
Cost of Sales	(4,374,418)
Gross Loss	(4,374,418)
Admin & Selling Expenses	(38,523,429)
Other Income/Loss	(19,242,892)
Financial charges	(17,995)
Loss before taxation	(23,672,950)
Loss after taxation	(14,600,240)

FUTURE OUTLOOK

The management is hopeful that the new lines of businesses, 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 coming years.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In accordance with the requirement of the Code of Corporate Governance 2012 of Securities and Exchange Commission of Pakistan, the Directors hereby confirm that:

- The financial Statements for the year ended June 30, 2016 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 judgement.
- There are no significant doubts upon the Company's ability to continue as a going concern after it enters into new lines of businesses.
- 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 business.

The Board held six meeting during the year. The attendance by each Director was as follows:

Name of Director	No. of meeting attended
Mst. Zubaida Khatoon	4
Mrs. Ghazala Ahmed	4
Mrs. Tania Asim	3
Mr. Sohail Ahmed	4
Mr. Asim Ahmed	2
Mr. Hidayat Ali Shar	1
Mr. M. Khuram Khawaja	1

Leave of absence was granted to directors who could not attend some of the Board meeting.

AUDITORS

The present Auditors M/S Muniff Ziauddin & Co., Chartered Accountants, retires and being eligible, offers themselves for re-appointment. Audit Committee recommended for their re-appointment for the year ending June 30, 2017.

AUDIT COMMITTEE

The meeting of Audit Committee were held during the year ended June 30, 2016 as required by Code of Corporate Governance for review of Quarterly/Half Yearly, Annual Account 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. Sohail Ahmed	Chairman
Mr. Asim Ahmed	Member
Mrs. Ghazala Ahmed	Member

ACKNOWLEDGEMENT

The Directors of your Company offer their sincere gratitude to the shareholders, institutions for their support and assistance.

SHARE HOLDINGS PATTERN

The Pattern of Shareholding as on June 30, 2016 is annexed.

On behalf of the
Board of Directors

Sohail Ahmed
(Chief Executive)

Karachi March 31, 2017

S.G. FIBRE LIMITED CONDENSED INTERIM BALANCE SHEET AS AT MARCH 31, 2017

Notes	Un-audited	
	March 31, 2017	March 31, 2016
----- Rupees -----		
NON-CURRENT ASSETS		
Property, plant and equipment	566,871,391	593,637,848
Long term deposits	95,714	95,714
CURRENT ASSETS		
Stores and spares	-	-
Stock-in-trade	-	-
Loans, advances, prepayments and other receivables	39,241,612	40,795,525
Cash and bank balances	17,670,809	13,073,103
	56,912,421	53,868,628
	<u>623,879,526</u>	<u>647,602,190</u>
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	150,000,000	150,000,000
Share premium	337,400,000	337,400,000
Accumulated loss	(753,596,828)	(775,225,021)
	(266,196,828)	(287,825,021)
Surplus on revaluation of fixed assets	456,547,772	477,332,738
	190,350,943	189,507,717
NON CURRENT LIABILITIES		
Deferred liabilities	67,012,218	67,012,218
Long term loans	-	-
Loan from directors	197,244,064	205,994,064
	264,256,282	273,006,282
CURRENT LIABILITIES		
Creditors, accrued and other liabilities	87,076,261	102,916,854
Interest on short term and long term loan	10,654,243	10,654,243
Current portion of long term loan	71,422,097	71,422,097
Overdue amount of long term loan	-	-
Provision for taxation	119,700	119,700
	169,272,301	185,112,894
CONTINGENCIES AND COMMITMENTS		
	-	-
	<u>623,879,526</u>	<u>647,626,892</u>

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 PERIOD ENDED MARCH 31, 2017

Notes	July to March 2017	January to March 31, 2017	July to March 2016	January to March 31, 2016
Sales	20	-	-	-
Cost of sales	21	(17,833,989)	(6,803,881)	(19,751,493)
Gross loss		(17,833,989)	(6,803,881)	(6,313,498)
Administrative and selling expenses	22	(10,729,010)	(4,252,314)	(8,538,839)
Operating loss		(28,563,000)	(11,056,195)	(28,290,332)
(Loss) / Profit on sale of Assets		19,641,008	19,641,008	6,185,935
Other income	23	15,338,630	4,985,579	6,540,528
		6,416,639	13,570,392	(15,563,869)
Financial charges	24	-	-	(8,561)
Loss before taxation		6,416,639	13,570,392	(15,572,430)
Provision for taxation		-	-	-
Loss after taxation		6,416,639	13,570,392	(15,572,430)
Other comprehensive income		-	-	-
Total comprehensive income		<u>6,416,639</u>	<u>13,570,392</u>	<u>(15,572,430)</u>
Loss per share - basic and diluted		0.43	0.90	(1.04)
				(0.58)

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

CHIEF EXECUTIVE

S.G. FIBRE LIMITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2017

	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)
Loss for the half year ended March 31, 2016	-	-	(15,572,430)	(15,572,430)
Balance as at March 31, 2016	<u>150,000,000</u>	<u>337,400,000</u>	<u>(775,225,021)</u>	<u>(287,825,021)</u>
Balance as at July 01, 2016	150,000,000	337,400,000	(760,015,467)	(272,613,467)
Loss for the period ended March 31, 2017	-	-	6,416,639	6,416,639
Balance as at March 31, 2017	<u>150,000,000</u>	<u>337,400,000</u>	<u>(753,596,828)</u>	<u>(266,196,828)</u>

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 PERIOD ENDED MARCH 31, 2017

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 made a gain of Rs. 6.417 million, (however, in the corresponding period of March 31, 2016 company has suffered a loss of Rs. 15.472 million) during third quarter ended and accumulated loss as at March 31, 2017 stood at Rs. 753.596 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 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. Earlier the management had decided to resume its operation in two phases, in first phase to run the twisting machines and produce commodity yarns, in second phase to start the line-7 and producing both commodity and specialty yarns. On December 22, 2011 the Company decided in its board of directors' meeting that the company would pay off its

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

This condensed interim financial information is un-audited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial information is presented in condensed form in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting". This does not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2016. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended June 30, 2016 whereas comparative profit and loss account, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial information for the period ended March 31, 2017.

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.

3.1 Standards, amendments to published approved accounting standards and interpretations effective from July 01, 2017.

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.

3.2 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods on or after July 01, 2016 but are considered not be relevant or do not have any significant effect on company's operations and are, therefore, not detailed 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 PERIOD ENDED MARCH 31, 2017

	March 31 2017	June 30, 2016
	Rupees	
6 PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	584,934,845	624,925,325
Revaluation surplus / (deficit)		
Deletion	(8,130,992)	(11,839,066)
Depreciation	(17,705,024)	(28,151,414)
Capital work in progress	7,772,563	
Closing written down value	<u>559,096,829</u>	<u>584,934,845</u>
7 STOCK IN TRADE		
Raw material	-	-
Finished goods	-	-
8 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	9,571,471	9,571,471
Less: provision for irrecoverable rent	(1,450,000)	(1,800,000)
Less: provision for doubtful debts	(3,459)	(3,459)
	<u>8,118,012</u>	<u>7,768,012</u>
	<u>39,241,612</u>	<u>38,891,612</u>
9 CASH AND BANK BALANCES		
Cash in hand	30,838	9,563
Cash with banks	17,639,971	8,081,177
	<u>17,670,809</u>	<u>8,090,740</u>
10 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:		
	<u>509,810,969</u>	<u>533,242,743</u>
Less: Transferred to unappropriated profit on account of:		
- incremental depreciation for the year	(10,544,298)	(23,431,774)
- inc realized on disposal of plant & machinery	(10,544,298)	(23,431,774)
	<u>499,266,671</u>	<u>509,810,969</u>
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	(3,268,732)	(7,498,168)
- effect of change in tax rate	(729,962)	(1,694,243)
- balance at year end	<u>42,718,899</u>	<u>46,717,594</u>
Balance at end of the year	<u>456,547,772</u>	<u>463,093,375</u>
	March 31 2017	June 30, 2016
	Rupees	
11 LONG TERM LOANS		
Fibre Venture Capital Limited	11.1	-
Less: Current portion of long term loan	-	-
Less: Overdue amount of long term loan	-	-
10.1 Foreign currency loan from Fibre Venture Capital Limited has been obtained on non-interest basis. Re-payment was due from February 2012 and loan was to be repaid in equal installments over a period of five years. However, due to financial constraints the repayment of the same could not be made.		
12 LOAN FROM DIRECTOR		
Loan from directors	12.1	197,244,064
12.1 This represents interest free loan from sponsoring directors. Repayment terms have not yet been decided by the company.		
13 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Trade creditors	1,423,072	14,715,072
Security deposit payable	5,771,615	3,849,196
Others	959,476	2,191,667
	<u>8,154,163</u>	<u>20,755,954</u>
Due to associated undertaking	13.1	78,922,098
	<u>87,076,261</u>	<u>104,023,094</u>
13.1 These are unsecured and the late payment surcharge has been waived by the associated undertaking S.G. Power Limited.		
14 INTEREST ON SHORT AND LONG TERM LOANS		
This represent accrued interest on loans payable to S.G Power Limited.		10,854,243
15 CURRENT PORTION OF LONG TERM LOAN		
Current portion of long term loan-Fibre Venture Capital Limited		
Less: Reversal of Current portion of long term loan due to loan waiver	71,422,097	71,422,097
Current portion of long term loan payable to S.G Power Limited	<u>71,422,097</u>	<u>71,422,097</u>
16 CONTINGENCIES AND COMMITMENTS		
Contingencies		
(f) Legal claim filed against the Company from suppliers were not acknowledged as debts amounting to Rs. 0.416 million (June 30, 2014: Rs. 0.416 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) desisted 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, 2014. (June 30, 2014: Nil)

17 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.

	March 31 2017	June 30, 2016
	Rupees	
S.G. Power Limited - Associated undertaking		
Rental income	1,500,000	1,500,000
Less: Irrecoverable rental income from associated undertaking	(1,500,000)	(1,500,000)
	<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>71,422,097</u>	<u>71,422,097</u>

18 DATE OF AUTHORIZATION

This condensed interim financial information was authorized for issue on _____ by the Board of Directors of the Company.

19 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR