



FIBRE LIMITED

**HALF YEARLY REPORT
DECEMBER 31, 2013**

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S.G FIBRE LIMITED
B-40, SITE, MANGHOPPIR 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, Shahra-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, 2013. During the period under review, the Company suffered a loss of Rs.13.335 million as compared to the corresponding period loss of Rs.6.208 million. The accumulated loss as on December 31, 2013 stood at Rs.623.902 million.

During the closure period of more than seven years, the management of the Company has been able to contain the book losses. The management remains hopeful about the revival of the production and awaits for the favorable market conditions to recommence production activities. Present government has announced textile incentives which are likely to help in revival of polyester yarn industry.

The Management of Company is also faced with the non-availability of funds for Balancing/Modernization/Replacement (BMR). The funds requirements is estimated at Rs.500 million which can be arranged by selling old machinery and equipment and obtaining new loan(s) from financial institutions.

ACKNOWLEDGEMENT

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 20, 2014.

Sohail Ahmed
Chief Executive

S.G. FIBRE LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013

Notes	Un-audited		Audited	
	December 31, 2013		June 30, 2013	
	Rupees			
NON-CURRENT ASSETS				
Property, plant and equipment	6	542,708,036	567,304,752	
Long term deposits		95,714	95,714	
CURRENT ASSETS				
Stores and spares		25,420,092	25,420,092	
Stock-in-trade	7	200,444	200,444	
Loans, advances, prepayments and other receivables	8	37,897,612	37,012,612	
Cash and bank balances	9	2,692,398	427,270	
		66,210,546	63,060,418	
		609,014,296	630,460,884	
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	
		(623,902,707)	(610,567,884)	
		(136,502,707)	(123,167,884)	
NON CURRENT LIABILITIES				
Deferred liabilities		11,102,213	11,102,213	
Long term loans	10	90,695,071	120,926,760	
Loan from directors	11	255,994,064	261,181,564	
		357,791,347	393,210,537	
CURRENT LIABILITIES				
Creditors, accrued and other liabilities	12	94,027,484	96,951,749	
Interest on short term and long term loan	13	10,654,243	10,654,243	
Current portion of long term loan		131,885,477	131,885,478	
Overdue amount of long term loan		151,158,451	120,926,761	
		387,725,655	360,418,231	
CONTINGENCIES AND COMMITMENTS				
	14	609,014,296	630,460,884	

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, 2013

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	Rupees			
Sales				
Cost of sales	(12,238,801)	(12,841,299)	(5,481,785)	(5,154,737)
Gross loss	(12,238,801)	(12,841,299)	(5,481,785)	(5,154,737)
Administrative and selling expenses	(2,467,796)	(1,153,238)	(1,214,956)	(440,444)
Operating loss	(14,706,597)	(13,994,537)	(6,696,742)	(5,595,181)
(Loss) / Profit on sale of Assets				
Stock & Spares	477,524		42,464	(18,045,943)
Other income	900,000	(18,045,943)	450,000	450,000
	(13,329,073)	(32,040,480)	(6,204,278)	(23,191,124)
Financial charges	(5,753)	(3,884)	(3,423)	(41)
Loss before taxation	(13,334,826)	(32,044,363)	(6,207,701)	(23,191,165)
Provision for taxation	-	-	-	-
Loss after taxation	(13,334,826)	(32,044,363)	(6,207,701)	(23,191,165)
Other comprehensive income	-	-	-	-
Total comprehensive income	(13,334,826)	(32,044,363)	(6,207,701)	(23,191,165)
Loss per share - basic and diluted	(0.89)	(2.14)	(0.41)	(1.55)

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, 2013

	Un-audited		Audited	
	December 31, 2013		December 31, 2012	
	Rupees			
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before taxation		(13,334,826)	(32,044,363)	
Adjustment for:				
Depreciation		12,149,239	12,697,289	
Financial charges		5,753	3,884	
Less/(Gain) on sale of fixed assets		(452,521)	17,405,060	
		11,702,471	30,106,233	
		(1,632,355)	(1,938,130)	
(Increase) / decrease in current assets				
Stock in trade		-	1,758,588	
Loans, advances and other receivables		(885,000)	(2,024,799)	
		(885,000)	(266,211)	
		(2,517,355)	(2,204,341)	
Increase / (decrease) in current liabilities				
Creditors, accrued and other liabilities		(2,924,265)	(735,847)	
Cash out flow from operations		(5,441,620)	(2,940,188)	
Financial charges paid		(5,753)	(3,884)	
Net cash from operating activities		(5,447,372)	(2,944,072)	
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of fixed assets		12,900,000	3,807,100	
Net cash used in investing activities		12,900,000	3,807,100	
CASH FLOW FROM FINANCING ACTIVITIES				
Long term loan from directors		(5,187,500)	133,120	
Net cash out flow from financing activities		(5,187,500)	133,120	
Net increase in cash and cash equivalents		2,265,128	996,141	
Cash and cash equivalents at the beginning of the period		427,270	8,835	
Cash and cash equivalents at the end of the period		2,692,398	1,004,976	

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, 2013

	Issued subscribed and paid up capital	Capital reserve	Accumulated loss	Total
	Rupees			
Balance as at July 01, 2012	150,000,000	337,400,000	(552,750,803)	(65,350,803)
Loss for the half year ended December 31, 2012	-	-	(32,044,363)	(32,044,363)
Balance as at December 31, 2012	150,000,000	337,400,000	(584,795,166)	(97,395,166)
Balance as at July 01, 2013	150,000,000	337,400,000	(610,567,881)	(123,167,881)
Loss for the half year ended December 31, 2013	-	-	(13,334,826)	(13,334,826)
Balance as at December 31, 2013	150,000,000	337,400,000	(623,902,707)	(136,502,707)

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, 2013

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. 13.334 million (December 31, 2012: Rs. 32.004 million) during half year ended and accumulated loss as at December 31, 2013 stood at Rs. 623.902 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 speciality yarns. On December 22, 2011 the Company decided in its board of directors' meeting that the company would pay off its outstanding liabilities by selling off the plant and part of land.

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, 2013. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended June 30, 2013 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 December 31, 2012.

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, 2013.

3.1 Standards, amendments to published approved accounting standards and interpretations effective from July 01, 2013.

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, 2013 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, 2013 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, 2013.

S.G. FIBRE LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2013

December 31,
2013
June 30,
2013
Rupees

6 PROPERTY, PLANT AND EQUIPMENT

Opening written down value	567,304,751	638,149,754
Deletion	(12,447,476)	(40,652,334)
Depreciation	(12,149,239)	(30,192,670)
Closing written down value	542,708,036	567,304,751

7 STOCK IN TRADE

Raw material	200,444	200,444
Finished goods	-	-
	200,444	200,444

8 LOANS, ADVANCES, PREPAYMENTS & OTHER RECEIVABLES

Loan to employees	20,000	35,000
Income tax refundable	9,903,094	9,903,094
Margin - Letter of credit	150,000	150,000
Sales tax claim receivable	20,056,506	20,056,506
Other receivables	7,791,471	6,871,471
Less: provision for doubtful debts	(3,459)	(3,459)
	7,788,012	6,868,012
	37,897,612	37,012,612

9 CASH AND BANK BALANCES

Cash in hand	5,030	729
Cash with banks	2,687,368	426,541
	2,692,398	427,270

10 LONG TERM LOANS

Fibre Venture Capital Limited	10.1	302,316,902	302,316,902
Less: Current portion of long term loan		(60,463,380)	(60,463,381)
Less: Overdue amount of long term loan		(151,158,451)	(120,926,761)
		90,695,071	120,926,760

10.1 Foreign currency loan from Fibre Venture Capital Limited has been obtained on non-interest basis. Repayment 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.

11 LOAN FROM DIRECTOR

Loan from directors	11.1	255,994,064	261,181,564
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11.1 This represents interest free loan from sponsoring directors. Repayment terms have not yet been decided by the company.

December 31,
2013
June 30,
2013
Rupees

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	4,043,072	6,323,074	
Taxes payable	-	-	
Others	1,782,228	2,426,491	
	5,825,300	8,749,565	
Due to associated undertaking	12.1	88,202,184	88,202,184
	94,027,484	96,951,749	

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

13. 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.

13. CURRENT PORTION OF LONG TERM LOAN

Current portion of long term loan-Fibre Venture Capital Limited	60,463,381	60,463,381
Current portion of long term loan payable to S.G Power Limited	71,422,097	71,422,097
	131,885,478	131,885,478

14. 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, 2013: 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, 2013. (June 30, 2013: Nil)

15. 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, 2013	December 31, 2012
	----- Rupees -----	
S.G. Power Limited - Associated undertaking		
Rental income	900,000	900,000
Repayment made during the year	-	-

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

	December 31, 2013	June 30, 2013
	----- Rupees -----	
Current portion of long term loan.	71,422,097	71,422,097
Creditor for purchase of electricity.	88,202,184	88,202,184
Interest payable on long term loan.	10,654,243	10,654,243
	<u>170,278,524</u>	<u>170,278,524</u>

16. DATE OF AUTHORIZATION

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

17. GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR