



FIBRE LIMITED

**QUARTER ENDED
SEPTEMBER 30, 2016**

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S.G FIBRE LIMITED

**B-40, SITE, MANGHOPUR 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 (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. Khurram 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 October 06, 2016

S.G. FIBRE LIMITED BALANCE SHEET AS AT SEPTEMBER 30, 2016

NOTES	September 2016 Rupees	September 2015 Rupees
NON-CURRENT ASSETS		
Property, plant and equipment	4 579,462,605	618,650,225
Long term deposits	5 95,714	95,714
CURRENT ASSETS		
Stores and spares	6 -	-
Stock - in - trade	7 -	-
Loans, advances, prepayments and other receivables	8 40,691,612	40,691,612
Cash and bank balances	9 45,930,496	42,382,581
	625,488,815	661,128,521
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	10 150,000,000	150,000,000
Share premium	337,400,000	337,400,000
Accumulated loss	(765,072,406)	(765,732,976)
	(277,672,406)	(278,332,976)
Surplus on revaluation of fixed assets	463,093,374	477,332,738
	185,420,968	198,999,762
NON-CURRENT LIABILITIES		
Deferred liabilities	11 57,819,808	67,012,218
Long term loan	12 0	0
Loan from directors	13 197,494,064	206,994,064
	255,313,872	274,006,282
CURRENT LIABILITIES		
Creditors, accrued and other liabilities	14 102,557,936	106,046,136
Interest on short term and long term loan	15 10,654,243	10,654,243
Current portion of long term loan	16 71,422,097	71,422,097
Overdue amount of long term loan	16 0	0
Provision for Taxation	119,700	0
	184,753,976	188,122,476
CONTINGENCIES AND COMMITMENTS		
	17 -	-
	625,488,815	661,128,520

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

S.G. FIBRE LIMITED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2016

NOTES	2016 RUPEES	2015 RUPEES
Sales	18	
Cost of sales	19 (5,515,870)	(6,397,708)
Gross loss	(5,515,870)	(6,397,708)
Administrative and selling expenses	20 (3,223,760)	(1,919,549)
Operating loss	(8,739,630)	(8,317,257)
Other income	21 3,680,691	2,236,872
	(5,058,939)	(6,080,385)
Financial charges	22	
Provision for doubtful debts		
Loss before taxation	(5,058,939)	(6,080,385)
Provision for taxation		
-Current		
-Deferred		
Loss after taxation	(5,058,939)	(6,080,385)
Loss per share - basic and diluted	23 (0.34)	(0.41)

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

S.G. FIBRE LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Issued, subscribed and paid-up capital	Capital reserve	Accumulated loss	Total
	[-----Rupees-----]			
Balance as at July 1, 2015	150,000,000	337,400,000	(759,652,591)	(272,252,591)
Loss for the quarter ended September 30, 2015			(5,058,939)	(5,058,939)
Balance as at Sep 30, 2015	300,000,000	674,800,000	(764,711,530)	(444,760,419)
Balance as at July 1, 2016	150,000,000	337,400,000	(760,013,467)	(272,252,591)
Loss for the quarter ended September 30, 2016			(5,058,939)	(5,058,939)
Balance as at Sep 30, 2016	450,000,000	1,012,200,000	(765,072,406)	(722,071,949)

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

	NOTES	2016 RUPEES	2015 RUPEES
Trade creditors		14,715,072	16,826,999
Security deposit payable		3,407,695	1,652,700
Others		1,465,311	1,379,087
Due to associated undertaking	14.1	19,588,078	19,858,786
		82,969,858	86,187,350
		102,557,936	106,046,136

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

15. INTEREST ON SHORT TERM AND LONG TERM LOAN

Accrued interest on long term loan payable to S.G. Power Limited		10,654,243	10,654,243
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16. CURRENT PORTION OF LONG TERM LOANS

Long term loan payable to S.G. Power Limited		71,422,097	71,422,097
Current portion of long loan		-	60,463,381
		-	(60,463,381)
		71,422,097	71,422,097

OVERDUE AMOUNT LONG TERM LOAN

Overdue amount of long term loan		-	241,853,521
Less: Reversal of overdue amount due to loan waiver	13.1	-	(241,853,521)
		-	-

17. CONTINGENCIES AND COMMITMENTS

(i) Legal claim filed against the Company from suppliers were not acknowledged as debts amounting to Rs.0.418 million (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 October 21, 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.

18. SALES

Local
Export

NOTES	2016 RUPEES	2015 RUPEES
	-	-
	-	-
	-	-

19. COST OF SALES

Electricity, gas, steam and water
Depreciation expense

	63,392	147,310
	5,452,478	6,250,398
	5,515,870	6,397,708

20. ADMINISTRATIVE AND SELLING EXPENSES

Directors' remuneration and amenities
Salaries, allowances and benefits
Building maintenance
Generator Fuel/Repair
Repairs and maintenance
Rent, rates and taxes
Depreciation expense
Professional Fee
Security
Postage and Shipping
Telephone and Fax
Printing & Stationery
Utility
Commission

NOTES	2016 RUPEES	2015 RUPEES
	450,000	450,000
	1,358,183	1,140,068
	316,400	-
	167,000	24,040
	-	197,950
	15,500	5,000
4	19,762	24,703
	807,215	63,350
20.1	-	1,400
	440	280
	7,500	4,000
	760	3,408
	12,000	-
	69,000	5,350
	3,223,760	1,919,549

21. OTHER INCOME

Rental income

	3,680,691	2,236,872
	3,680,691	2,236,872

22. FINANCIAL CHARGES

Bank charges and commission

	-	-
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23. EARNINGS PER SHARE

23.1 Basic earnings per share

Loss after taxation - rupees

Weighted average number of shares

Loss per share - rupees

	(5,058,939)	(6,080,385)
	15,000,000	15,000,000
	(0.34)	(0.41)

23.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the company as there are no such commitments.

24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Transaction with associated undertakings are as follows:

S.G. Power Limited:

Payment of SUI gas bill

Repayment of liability

Rental income

25. RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

The company had sustained losses during the financial year due to that no provision for income tax is required for the said year.

26. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 31 OCT 2016 by the Board of Directors of the Company.

27. GENERAL

Figures have been rounded off to the nearest rupee.