

**CONDENSED INTERIM
FINANCIAL INFORMATION
OF
S.G FIBRE LIMITED**

FOR THE HALF YEAR ENDED DECEMBER 31, 2014

**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, 2014 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 for the quarter ended December 31, 2014 and December 31, 2013 in the condensed interim profit and loss account have not been reviewed and we do not express a conclusion on them.

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 Disclaimer Conclusion

- (a) 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. 169.979 million as at December 31, 2014 (June 30, 2014: Rs. 169.979 million) as mentioned in note 11, 12 and 13 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. Moreover no mark up has been provided for the period under review.
- (b) As mentioned in note 1.2 to the condensed interim financial information, the Company has suffered loss of Rs. 169.970 million (December 31, 2013 Rs. 13.335 million) during the half year and the accumulated loss as at December 31, 2014 stood at Rs. 815.904 million (June 30, 2014: Rs. 645.935 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

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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.

- (c) Exchange loss of Rs. 198.053 million (June 30, 2014: Rs. 189.820 million) on foreign currency loan as shown in note 9 has not been provided in this condensed interim financial information.
- (d) In the absence of complete details we are unable to identify all related parties transactions in this condensed interim financial information.
- (e) Sales tax and income tax refundable of Rs. 20.057 million and Rs. 9.913 million respectively is doubt full of recovery being pertaining to very old periods.
- (f) 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.
- (g) The interest free foreign currency loan amounting to Rs. 302.317 million and interest free loan from directors amounting to Rs. 249.994 million (June 30, 2014: Rs. 255.994 million) respectively are 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.
- (h) As disclosed in note 5 to the condensed interim financial information, during the period the Company has disposed off fixed assets having book value of Rs. 167.315 million at a loss of Rs. 153.960 million. In the absence of complete details, we were unable to obtain information whether these disposal transactions were carried out at arm's length price. Moreover, the Company has not accounted for any impairment on the remaining fixed assets.

Disclaimer Conclusion:

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, based on our review, we have not been able to draw a conclusion as to whether the annexed interim financial information presents fairly, in all material respects, the financial position of the company as at December 31, 2014 and of its financial performance and its cash flows for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Karachi: 25 FEB 2015

Muniff Ziauddin & Co
Muniff Ziauddin & Co.
Chartered Accountants
(Salim Sadruddin)

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S.G. FIBRE LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2014

		December 31, 2014 (Un-audited)	June 30, 2014 (Audited)
	Note	----- Rupees -----	
NON-CURRENT ASSETS			
Property, plant and equipment	5	343,191,120	522,822,525
Long term deposits		95,714	95,714
		343,286,834	522,918,239
CURRENT ASSETS			
Stores and spares		22,878,083	22,878,083
Stock-in-trade	6	171,380	180,400
Loans, advances, prepayments and other receivables	7	39,707,642	38,797,612
Cash and bank balances	8	3,275,542	1,171,908
		66,032,646	63,028,004
TOTAL ASSETS		409,319,480	585,946,243
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 15,000,000 (June 30, 2014: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000
Share premium		337,400,000	337,400,000
Accumulated loss		(815,904,382)	(645,934,619)
		(328,504,382)	(158,534,619)
NON CURRENT LIABILITIES			
Deferred liabilities		11,102,213	11,102,213
Long term loans	9	30,231,690	60,463,379
Loan from directors	10	249,994,064	255,994,064
		291,327,967	327,559,656
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	11	92,334,343	92,991,343
Interest on short and long term loans	12	10,654,243	10,654,243
Current portion of long term loans	13	131,885,478	131,885,478
Overdue amount of long term loans	9	211,621,831	181,390,142
		446,495,895	416,921,206
CONTINGENCIES AND COMMITMENTS	14		
EQUITY AND LIABILITIES		409,319,480	585,946,243

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, 2014

	Half year ended		Quarter ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	----- Rupees -----		----- Rupees -----	
Sales	-	-	-	-
Cost of sales	(12,578,811)	(12,238,801)	(6,333,595)	(5,481,785)
Gross loss	(12,578,811)	(12,238,801)	(6,340,195)	(5,481,785)
Administrative and selling expenses	(4,331,081)	(2,467,796)	(1,632,028)	(1,214,956)
Operating loss	(16,909,892)	(14,706,597)	(7,972,224)	(6,696,742)
(Loss) / Profit on sale of property, plant & equipment	(153,959,871)	477,524	(153,959,871)	42,464
Other income	900,000	900,000	450,000	450,000
	(169,969,763)	(13,329,073)	(161,482,095)	(6,204,278)
Financial charges	-	(5,753)	-	(3,423)
Loss before taxation	(169,969,763)	(13,334,826)	(161,482,095)	(6,207,701)
Provision for taxation	-	-	-	-
Loss after taxation	(169,969,763)	(13,334,826)	(161,482,095)	(6,207,701)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(169,969,763)	(13,334,826)	(161,482,095)	(6,207,701)
Loss per share - Basic and diluted	(11.33)	(0.89)	(10.77)	(0.41)

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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, 2014

	December 31, 2014	December 31, 2013
	----- Rupees -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(169,969,763)	(13,334,826)
Adjustment for:		
Depreciation	12,316,535	12,149,239
Financial charges	-	5,753
Loss / (Gain) on sale of property, plant and equipment	153,959,871	(452,521)
	166,276,406	11,702,471
	(3,693,356)	(1,632,355)
(Increase) / decrease in current assets		
Stock-in-trade	9,020	-
Loans, advances, prepayments and other receivables	(910,030)	(885,000)
	(901,010)	(885,000)
	(4,594,366)	(2,517,355)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(657,000)	(2,924,265)
	(657,000)	(2,924,265)
Cash out flow from operations	(5,251,366)	(5,441,620)
Financial charges paid	-	(5,753)
Net cash used in operating activities	(5,251,366)	(5,447,372)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	13,355,000	12,900,000
Net cash generated from investing activities	13,355,000	12,900,000
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loan to directors	(6,000,000)	(5,187,500)
Net cash used in financing activities	(6,000,000)	(5,187,500)
Net increase in cash and cash equivalents	2,103,634	2,265,128
Cash and cash equivalents at the beginning of the period	1,171,908	427,270
Cash and cash equivalents at the end of the period	3,275,542	2,692,398

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


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DIRECTOR

S.G. FIBRE LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Issued, subscribed and paid up capital	Share Premium	Accumulated loss	Total
	----- R u p e e s -----			
Balance as at July 01, 2013	150,000,000	337,400,000	(610,567,881)	(123,167,881)
Total comprehensive loss for the half year	-	-	(13,334,826)	(13,334,826)
Balance as at December 31, 2013	<u>150,000,000</u>	<u>337,400,000</u>	<u>(623,902,707)</u>	<u>(136,502,707)</u>
Balance as at July 01, 2014	150,000,000	337,400,000	(645,934,619)	(158,534,619)
Total comprehensive loss for the half year	-	-	(169,969,763)	(169,969,763)
Balance as at December 31, 2014	<u>150,000,000</u>	<u>337,400,000</u>	<u>(815,904,382)</u>	<u>(328,504,382)</u>

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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, 2014

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. 169.970 million (December 31, 2013: Rs. 13.335 million) during half year ended and accumulated loss as at December 31, 2014 stood at Rs. 815.904 million (June 30, 2014: Rs. 645.935 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 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, 2014. Comparative figures of the balance sheet are extracted from the audited annual financial statements for the year ended June 30, 2014 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, 2013.

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, 2014.

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, 2014.

S.G. FIBRE LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Note	December 31, 2014 (Un-audited)	June 30, 2014 (Audited)
----- Rupees -----			
5 PROPERTY, PLANT AND EQUIPMENT			
Opening written down value		522,822,525	567,304,751
Less: Deletion		(167,314,870)	(22,039,661)
Less: Depreciation		(12,316,535)	(22,442,565)
Closing written down value		<u>343,191,120</u>	<u>522,822,525</u>
6 STOCK-IN-TRADE			
Opening balance		180,400	200,444
Less: Provision made during the period		(9,020)	(20,044)
Closing balance		<u>171,380</u>	<u>180,400</u>
7 LOANS, ADVANCES, PREPAYMENTS & OTHER RECEIVABLES			
Loan to employees		20,000	20,000
Income tax refundable		9,913,124	9,903,094
Margin - Letters of credit		150,000	150,000
Sales tax claim receivables		20,056,506	20,056,506
		<u>30,139,630</u>	<u>30,129,600</u>
Other receivables		9,571,471	8,671,471
Less: Provision for doubtful debts		(3,459)	(3,459)
		<u>9,568,012</u>	<u>8,668,012</u>
		<u>39,707,642</u>	<u>38,797,612</u>
8 CASH AND BANK BALANCES			
Cash in hand		1,758	2,735
Cash with banks		3,273,784	1,169,173
		<u>3,275,542</u>	<u>1,171,908</u>
9 LONG TERM LOANS			
Fibre Venture Capital Limited	9.1	302,316,902	302,316,902
Less: Current portion of long term loans		(60,463,380)	(60,463,381)
Less: Overdue amount of long term loans		(211,621,831)	(181,390,142)
		<u>(272,085,212)</u>	<u>(241,853,523)</u>
		<u>30,231,690</u>	<u>60,463,379</u>
9.1 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.			
10 LOAN FROM DIRECTORS			
Loan from directors	10.1	<u>249,994,064</u>	<u>255,994,064</u>
10.1 This represents interest free loan from sponsoring directors. Repayment terms have not yet been decided by the Company.			

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	Note	December 31, 2014 (Un-audited)	June 30, 2014 (Audited)
----- R u p e e s -----			
11 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Trade creditors		3,148,072	3,648,072
Others		1,284,087	1,441,087
		4,432,159	5,089,159
Due to associated company	11.1	87,902,184	87,902,184
		92,334,343	92,991,343

11.1 These are unsecured and the late payment surcharge has been waived by the associated company i.e. M/s S.G. Power Limited.

12 INTEREST ON SHORT AND LONG TERM LOANS

Interest on short and long term loans	12.1	10,654,243	10,654,243
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12.1 This represents accrued interest on loans payable to associated company i.e. M/s S.G. Power Limited.

13 CURRENT PORTION OF LONG TERM LOANS

Current portion of long term loan - Fibre Venture Capital Limited		60,463,381	60,463,381
Current portion of long term loan - 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, 2014: 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, 2014. (June 30, 2014: 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 companies and related parties other than those which have been specifically disclosed elsewhere in this condensed interim financial information are given below:

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	----- R u p e e s -----	
S.G. Power Limited - Associated company		
Rental income	<u>900,000</u>	<u>900,000</u>

16 DATE OF AUTHORIZATION

This condensed interim financial information was authorized for issue on 25 FEB 2015 by the Board of Directors of the Company.

17 GENERAL

Figures have been rounded off to the nearest rupee.

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CHIEF EXECUTIVE



DIRECTOR