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(MEMBER OF S.G. GROUP) 2012

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COMPANY / INFORMATION

Board of Directors

Mr. S.M. Ahmed	Chairman/ Chief Executive
Mst. Zubaida Khatoon	Director
Mrs. Ghazala Ahmed	Director
Mrs. Tania Asim	Director
Mr. Sohail Ahmed	Director
Mr. Akbar Hasan Khan	Director (Nominated by NBP)
Miss. Naheed Sultana	Director (Nominated by NBP)

AUDIT COMMITTEE

Mr. S.M. Ahmed	Chairman
Mrs. Tania Asim	Director
Mr. Sohail Ahmed	Director

BANKERS

My 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.



Notice of Annual General Meeting

Notice is hereby given that the 44th, Annual General Meeting of the Shareholders of M/s S.G. Fibre Limited will be held on Tuesday October 30, 2012 at 8:30 a.m. at its registered office B-40, S.I.T.E., Karachi to transact the following business:

1. To confirm the minutes of 43rd, Annual General Meeting held on October 31, 2011.
2. To receive, consider and adopt the audited accounts of the Company, for the year ended June 30, 2012 together with the Directors' and Auditors' report thereon.
3. To appoint the auditors for the year 2012-2013 and fix their remuneration. The present auditors M/s Muniff Ziauddin Junaidy & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment as Auditors of the Company.

4. SPECIAL BUSINESS

- (i) To consider and approve the sale of old plant and machinery which has become obsolete and to utilize the sale proceeds to repay the long term foreign loan and also other long term loans and to pass the following resolution, with or without modification, as a Special Resolution.

Resolved that the Company be and is hereby authorized to sell the old plant and machinery which has become obsolete by inviting tenders through advertisement in the newspapers.

Further Resolved that Mr.S.M.Ahmed Chairman/Chief Executive of the Company, be and is hereby authorized to take all necessary steps, as deem necessary, for the sale of the old plant and machinery and prepare revival plan.

Further Resolved that Mr.S.M.Ahmed Chairman/Chief Executive of the Company, be and is hereby authorized to repay long term foreign loan and also other long term loans from the sale processed of the old plant and machinery and prepare revival plan after all the liabilities are paid off.

- (ii) To consider and approved the sale of piece of land presently rented out to S.G.Power Limited, at fair market price, so as to settle the outstanding electricity power bills of the Company after adjustment of receivables, and to pass the following resolution, with or without modifications, as a Special Resolution.

Resolved that the Company be and is hereby authorized to sell piece of land measuring 30,475 feet, presently rented out to M/s S.G.Power Limited, at fair market price so as to settle the outstanding liabilities of the Company amount to Rs.82.076 million on account of supply of electricity after adjustment of outstanding receivables of rent and utilities amounting to Rs.6,750 million.



Further Resolved that Mr.S.M.Ahmed, Chairman/Chief Executive of the Company, be and is hereby authorized to take all necessary steps, as deem necessary, for sale of the land to M/s S.G.Power Limited and settlement of the outstanding liabilities.

5. To transact any other business as may be placed in the meeting with the permission of the Chair.

By Order of the Board

Karachi: October 01, 2012

S.M. Ahmed
(Chief Executive)

Notes:

1. The shares Transfer Books of the Company will remain closed from October 26, 2012 to October 30, 2012 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend the meeting and vote instead of him/her. Proxies in order to be effective must reach at the Registered office of the Company not less than 48 hours before the time of the meeting.
3. Members are requested to notify any change in their addresses, if any, immediately to the Share Registered of the Company M/S Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi.
4. CDC Account Holders will further have to follow the guidelines as laid down in Circular 1 Dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.



S.G. FIBRE LIMITED

STATEMENT UNDER SECTION 160(1) OF THE COMPANIES ORDINANCE, 1984.

DISPOSAL OF OBSOLETE PLANT AND MACHINERY & SALE OF LAND RENTED OUT TO S.G. POWER LIMITED

A. DISPOSAL OF OLD PLANT & MACHINERY

Due to adverse market conditions and huge financial losses suffered by the Company the factory stand closed since December 2006 and the entire work force was laid off. Due to continued unfavorable market conditions the Company could not restart its operations. With the closure of plant and machinery for over five years, the plant and machinery has rusted and due to technology advancement, the plant and machinery has become obsolete and its operation is no more viable. It is, therefore, in the best interest of the Company and its shareholders that the obsolete plant and machinery be disposed off. The detail of plant and machinery proposed to be sold is as follows:

SPINNING & CHIP DRYING				
S.No	Plant and Machinery	Quantity	Book Value as on 30-06-2011	Fair Market Value
1	Spinning L#3			
2	Chip Drying 1,2,3			
3	Spinning L#4			
4	Chip Drying			
5	Spinning L#5			
6	Spinning L#6			
7	Spinning L#7			
8	Chip Drying 5,6,7			
TEXTURIZING 1 TO 15				
9	M/C #1			
10	M/C #2			
11	M/C #3			
12	M/C #4			
13	M/C #5			
14	M/C #6			
15	M/C# 11(AIKI)			
16	M/C #13			
17	M/C#14			
18	M/C #3			
19	M/C#7			
20	M/C#8			
21	M/C#9			
22	M/C#10			
23	M/C#12			
24	M/C# (POLITE)			
25	M/C #3			
26	M/C #4			
27	M/C #5			
28	M/C #6			
29	M/C #7			
30	M/C #8			



31	M/C #9			
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TWISTING,RATTI

32	RATTI 1 TO 18	18		
33	RATTI 19 TO 52	34		

TWISTING I.C.B.T

34	I.C.B.T 1 TO 15	15		
35	I.C.B.T 16 TO 37	22		
36	I.C.B.T 38 TO 42	5		

TWISTING CIRAP

37	RATTI 1 TO 5(CIRAP)	5		
38	I.C.B.T 6 TO 17 (CIRAP)	12		

SAURER TWISTING

39	SAURER MACHINE			
40	STEEMER			
41	STEEMER			

IMPORT WINDER

42	WINDER 1 TO 7	7		
43	WINDER 8 TO 12	5		
44	WINDER 13 TO 14	2		
45	Winder 15	1		

COMPRESSOR

46	COMPRESSOR			
47	COMPRESSOR			
48	COMPRESSOR			
49	COMPRESSOR			
50	COMPRESSOR			
51	COMPRESSOR			

CHILLER

52	CHILLER CARRIER			
53	CHILLER CARRIER			
54	CHILLER CARRIER			
55	CHILLER YORK			
56	CHILLER YORK			
57	CHILLER LG			
58	CHILLER CARRIER			
59	JOLING TOWER B/TYPE			
60	COOLING TOWER			
61	COOLING TOWER			
62	COOLING TOWER			
63	COOLING TOWER			

BOILER

64	BOILER			
65	BOILER			
66	BOILER			

SIZZLING

67	SIZZLING MACHINE			
68	BEAMER MACHINE			
69	WARPING MACHINE			



The fair market value of the plant and machinery has been determined by the Valuer Messers Consultancy & Support Services (Pvt) Limited, who are on the approved panel of the Pakistan Banks Association.

It is proposed that the above mentioned plant and machinery may be sold by inviting tenders through advertisement in the newspapers. The sale proceeds may be utilized for repayment of long-term foreign loan amounting to Rs.302.717 million (as on 30-06-2011) payable to Fibre Venture Capital Limited. This loan was obtained in the year 2007 on non-interest basis for five years and the Management is of the view that it should be now be repaid. It is also proposed that from the sale proceeds, interest free loan of the sponsoring directors amounting to Rs.277.192 million (as on 30-06-2011) be also settled. In case the sale proceeds are insufficient to pay off these two liabilities, the loans may be settled on pro-rata basis.

B. SALE OF LAND RENTED TO M/S S.G. POWER LIMITED

M/s S.G. Power Limited is an associated company and used to supply electricity power to the Company. Due to adverse market conditions faced by the Company, it had to close its operations in December 2006. Resultantly, M/s S.G. Power had also to close its operations as it could only sell power to S.G. Fiber Limited. Since the Company has not been able to pay the electricity bills over the years, the liability soared to Rs.71.422 million (as on 30-06-2011). This liability was converted to long term loan in 2008. The accrued interest on this loan now stand at Rs.10.654 million. Since the Company has no means to settled this loan and interest accrued thereon, it is proposed that the Company may sell the piece of land measuring 30,475 rented out to M/s S.G. Power since establishment of the power plant at annual rent of Rs.1.800 million. Total rent outstanding against the sister concern is Rs.6.750 million(as on 30-06-2011). The fair market price of this piece of land has been determined at Rs. 82,076 by the valuer Messers Consultancy & Support Services (Pvt) Limited, who are on the approved list of Pakistan Banks Association. It is proposed that the land be sold at the fair market price to the company in settlement of its liabilities of loan and accrued interest after adjustment of receivables of outstanding rent and utilities.



The Revaluation Report of Messers Consultancy & Support Services (Pvt) Limited is available for inspection of the members on working days from 09:00 AM to 02:00 PM. The report will also be available for inspection at the EOGM.

S. M. Ahmed
Chairman/Chief Executive



DIRECTORS' REPORT

The Board of Directors of S.G. Fibre Limited are pleased to present the 44th, Annual Report and Audited Financial Statement of the Company together with Auditor's Report for the year ended 30th June 2012. The Auditors have expressed their opinion for the year ended June 30, 2012. The directors would like to clarify their view on Auditors report as under:

- i) The Company owes Rs. 297,328 million to the associated company (S.G. Power Ltd.) as mentioned in note 14, 15 and 16 to the financial statements. The operations of the Company have been shut down since December 2006 temporarily due to adverse economic recession and unfavorable market conditions. The Company had managed to obtain unsecured foreign currency loan of US dollars 4.979 million with no markup. With this loan the Company had paid off all the liabilities of its Banks and thus saved substantial financial expenses. Consequently, the management of the Company have been successful in minimizing the business losses and maximizing the wealth of the Company during this critical recession. Moreover, payables to S.G. Power Ltd., are well secured because there are Rs. 638 million (written down value) fixed assets of S.G. Fibre Limited. Hence, there is nothing to apprehend about the Company's inability to settle its liabilities. However, the repayment of long term loan became due in February 2012.

The Company has provided confirmation to its associated undertaking that the amount of Rs. ~~297,328~~ million due from S.G. Fibre Limited and would be settled on priority basis in due course.

As per SECP order we were supposed to charge mark up on outstanding balance of receivables that should not be less than the borrowing cost of the Company. Since the Company has not borrowed any funds from any bank or financial institution, the mark-up accrued has been adequately charged. Therefore the provision of Section 208 of Companies Ordinance 1984 are not attracted.

- ii) The Company has suffered depreciation loss of Rs. 32.433 million during the year and the accumulated loss as at June 30, 2012 stood at Rs. 552.750 million. The Management is desirous to start the Company operation but the Company does not have sufficient cash liquidity. The machinery, plant and equipment needs renovation and replacement with the new technology. Repayment of foreign loan, became due in February 2012 and there are other over due liabilities as well. The funding estimates to Rs. 500 million which can be arranged by selling the outdated machinery and equipment and arranging another loan on no interest basis or through financial institution on normal rate of interest. Keeping in view the aforesaid trivia the management believed that there is no doubt that the Company will remain as a going concern as soon as financial and other conditions improve. The revival plan is under consideration and very soon a short term and long term working plan



will be submitted before Board of Directors and general body for approval and implementation.

- iii) Working and details for exchange gain and loss has been provided to Auditor for checking and observation.
- iv) The observation with regard to non-furnishing of the record for verification is not based on facts. All the relevant records, ledgers are available for checking and verification at all time. There could have been some difficulties due to non-availability of staff at a particular time.

FINANCIAL RESULTS

The performance of your Company during the year under review has not been satisfactory as the operation of the Company is shut down since December 2006 due to adverse market conditions.

Following are financial figures:

In Rupees

Sales	-----
Cost of Sales	(35,097,148)
Gross Loss	(35,097,148)
Admin & selling Expenses	(13,976,784)
Financial Charges	(1,438)
Provision for doubtful debts	-----
Other income / (Loss)	3,501,686
Loss before taxation	(45,573,684)
Loss after taxation	(45,573,684)

FUTURE OUTLOOK

The management is very optimistic that soon the adverse economic and market conditions will improve and your Company will surmount its crisis and the production will recommence. Further, the present government has announced Textile Incentives which will definitely be helpful for revival of polyester yarn industry also. We hope and pray that your Company will be back in production and on profit line.

CORPORATE GOVERNANCE

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

The Financial Statements for the year ended June 30, 2012 has been 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 judgments.

There are no significant doubts upon the Company's ability to continue as a going concern, but due to adverse economic and recession the operation was shut down for the time being.

The Company's system of internal control is sound in design and has been effectively implemented and continuously monitored.

The has been no material departure from the best practice of code of corporate governance as detailed in the listing regulations.

The Directors, CEO, CFO, Company Secretary and their spouse 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 six years in summarized for is annexed.

Compliance of Code of Corporate Governance is annexed.

The Board has four meeting during the year. The attendance by each Director was as follows:

<u>Name of Directors</u>	<u>No. of Meeting Attended</u>
Mr. S.M. Ahmed	4
Mst. Zubaida Khatoon	4
Mst. Ghazala Ahmed	4
Mrs. Tania Asim	4
Mr. Sohail Ahmed	4
Miss. Naheed Sultana	-
Mr. Akbar Hasan Khan	-

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

AUDIT COMMITTEE

The meeting of Audit Committee was held during the ended June 30, 2012 as required by Code of Corporate Governance for review of quarterly accounts, annual accounts, and the related matters. The meeting was also attended by Chief Financial Officer and External Auditors as and when required:-

Mr. S.M Ahmed	Chairman
Mrs. Tania Asim	Member
Mr. Sohail Ahmed	Member

Key Operating and Financial Data of Last Six years of S.G. Fibre Limited is attached.

ACKNOWLEDGEMENT

The Directors of your Company offer their sincere gratitude to the shareholders and bankers for their support and assistance. I also thank executives and employees of the Company for their dedication and hard work with hope to get the same cooperation in the future.

SHARE HOLDINGS

The pattern of Share holding as on June 30, 2012 is also annexed herewith.

On behalf of the Board of Directors
S.M. AHMED
Chief Executive

Karachi October 01, 2012.



Key Operating and Financial Data of Last Six years of S.G. Fibre Limited

	2012	2011	2010	2009	2008	2007
Earning & Distribution						
Sales	--	--	--	--	--	384,282,218
Profit/(Loss) before Tax	(45,573,684)	(55,284,828)	(39,909,735)	(44,312,452)	(48,338,869)	(341,804,398)
Taxes	--	--	--	--	(103,930)	(1,791,663)
Net Earnings	(45,573,684)	(55,284,828)	(39,909,735)	(44,312,452)	(48,442,799)	(343,596,061)
Dividend	--	--	--	--	--	--
Retained in Business	(45,573,684)	(55,284,828)	(39,909,735)	(44,312,452)	(48,442,799)	(343,596,061)
Net Earning per Share (Rs.)	(3.04)	(3.69)	(2.67)	(0.31)	(3.23)	(22.91)
Dividend Declared per Share (Rs.)	--	--	--	--	--	--
Break up value per Share	(1.30)	(1.32)	2.37	2.55	5.34	8.57
Financial Position						
Share Capital	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Capital & Revenue Reserve	(84,649,197)	(16,977,712)	(114,492,298)	(111,811,822)	(69,888,220)	(21,445,421)
Shareholders Equity	(65,350,803)	(19,777,126)	35,507,702	38,188,178	80,111,780	128,554,579
Long Term Loans and deferred Liabilities	470,527,876	590,548,546	587,515,009	619,527,090	812,363,458	816,599,808
Total Capital Employed	405,177,073	570,771,420	623,022,711	657,715,268	892,475,238	945,154,387
Represented by						
Fixed Assets	638,149,754	670,899,262	705,804,302	743,027,349	782,835,895	825,114,182
Long Term Deposits and Deferred costs	95,714	95,714	95,714	95,714	1,540,206	1,505,206
Net Current Assets	702,505,669	(100,223,556)	(82,877,295)	(85,407,795)	108,099,137	118,534,999



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No. 37(xiv) of the Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance.

1. The Board comprises 07 Directors including Chief Executive. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board included 05 non-executive directors.
2. The Company Secretary has confirmed that one of the Directors is serving as a director in more than ten listed companies,
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs.
4. Casual vacancies were immediately filled up in accordance with the requirement of Companies Ordinance, 1984 in the Board during the current year.
5. The Company has prepared a Statement of Ethics and Business Practice which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors' report has been prepared in compliance with the requirement of the code and fully describes the salient matters required to be disclosed.
10. The financial statements of the company were duly endorsed by Chief Executive and CFO before approval of the Board.
11. The directors, Chief Executive and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholder.
12. The Company has complied with all the corporate and financial reporting requirements of the Code.
13. The Board has formed an audit committee. It comprises 3 members, of whom 2 are non executive directors.



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

14. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
15. The Board has set-up and effective internal audit function and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
16. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountant of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants(IFAC) guidelines on code of ethics as adopted by institute of Chartered Accountants of Pakistan.
17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all material principals contained in the Code have been complied with.

On behalf of the Board of Directors

S.M. AHMED
Chief Executive

Karachi:

October 01, 2012.



VISION STATEMENT

To be nationally & internationally recognized as trendsetter of polyester filament yarn. Producing and introducing new varieties of highly value added Products to our customers both in Pakistan & abroad.

MISSION STATEMENT

Our mission is to exceed the expectations of our customers in producing highest quality product.

With determination of greater returns to shareholders and good opportunities to employees. To make the company a high flyer of all times.

CORPORATE OBJECTIVES & DEVELOPMENT STRATEGY

From the beginning we have been producing exceptionally high quality products. Every time we introduced new varieties in the market which was followed by others later on

Alhamdulillah we Become the only export of polyester filament yarn from Pakistan. We wish to strive continuously to achieve higher levels of excellence by employing most Modern manufacturing technology Operational & Financial Managemnt.

To extend our maximum contribution to our beloved Country in almost all possible Fields specially to National exchequer.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE ON TRANSFER PRICING

The Company has fully complied with the best practice on Transfer Pricing as contained in the regulation No. 38 of the Karachi Stock Exchange (G) Limited.

On behalf of the Board of Directors

S.M. AHMED
Chief Executive



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012 prepared by the Board of Directors of **S.G. FIBRE LIMITED** to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our Responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of Karachi Stock Exchange require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, following observations were made.

(a) We could not verify that;

Each director of the Company has National Tax Number (NTN) as required by the Code of Corporate Governance.

Audit committee meetings were properly held during the year as required by the Code of Corporate Governance.

HR & Remuneration committee was formed as required by the Code of Corporate Governance.

Internal Audit function was formed as required by the Code of Corporate Governance.



Except as disclosed in Para (a), nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

Karachi:

**CHARTERED ACCOUNTANTS
(Mohammad Moin Khan)**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **S. G. FIBRE LIMITED** as at June 30, 2012 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended on that date and we state that except for the matters described in paragraphs (i) to (v) below we have obtained all the information and explanations to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matters described in paragraphs (i) to (v) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- i. As disclosed in note 1.2 to the financial statements, the operations of the Company have been shut down completely due to adverse fiscal measures and unfavourable market conditions. The Company owes Rs. 172.212 million as at June 30, 2012 as mentioned in note 14, 15 and 16 to the financial statements to the associated company, S.G. Power Limited. Due to closure of operation the Company has not been able to repay 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 on the above amount as per direction of the SECP in earlier financial years could not be verified due to non-availability of proper working of the same. Furthermore no mark-up has been provided in the current financial year against the afore-mentioned outstanding liability.
- ii. As mentioned in note 1.2 to the financial statements, the Company has suffered loss of Rs. **45.57** million during the year and the accumulated loss as at June 30, 2012 stood at Rs. **552.75** million. This condition along with the discontinuance of business operations as mentioned above, indicate the existence of material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. These financial statements do 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 financial statements regarding the financing plans under consideration of the management for the revival of the company.



- iii. Exchange loss of Rs. 147.305 million on foreign currency loan as shown in note 12 to the financial statements has not been provided in these financial statements.
- iv. In the absence of complete details we are unable to identify all related parties transaction in these financial statements.
- v. Sales tax and income tax refundable of Rs. 20.783 million and Rs. 9.176 million respectively is doubt full of recovery being pertaining to very old periods.

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion:

- (i) Except for the effects of the matters referred to in paragraph (i) to (v) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (ii) the expenditure incurred during the year was for the purpose of the company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) Due to the significance of the matters referred to in paragraphs (i) to (v) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan and, do not give the information required by the Companies Ordinance, 1984, in the manner so required. Further in our opinion such financial statements do not give a true and fair view of the state of the company's affairs at June 30, 2012 and of the loss, its changes in equity and cash flows for the year then ended and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KARACHI:

CHARTERED ACCOUNTANTS
(Mohammad Moin Khan)



**S.G. FIBRE LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012**

	NOTES	2012 RUPEES	2011 RUPEES
NON-CURRENT ASSETS			
Property, plant and equipment	4	638,149,754	670,899,262
Long term deposits	5	95,714	95,714
CURRENT ASSETS			
Stores and spares	6	25,420,091	36,314,416
Stock - in - trade	7	1,959,032	3,932,843
Loans, advances, prepayments and other receivables	8	36,872,244	38,379,375
Cash and bank balances	9	8,835	609,919
		64,260,201	79,236,553
		702,505,669	750,231,529
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		(552,750,803)	(507,177,119)
		(65,350,803)	(19,777,119)
NON-CURRENT LIABILITIES			
Deferred liabilities	11	11,102,213	11,102,213
Long term loan	12	181,390,141	302,316,902
Loan from directors	13	278,035,522	277,129,431
		470,527,876	590,548,546
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	14	94,325,489	97,383,763
Interest on short term and long term loan	15	10,654,243	10,654,243
Current portion of long term loan	16	192,348,858	71,422,097
		297,328,590	179,460,103
CONTINGENCIES AND COMMITMENTS			
	17	-	-
		702,505,669	750,231,529

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

Chief Executive

Director



**S.G. FIBRE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012**

	NOTES	2012 RUPEES	2011 RUPEES
Sales	18	-	-
Cost of sales	19	(35,097,148)	(48,577,635)
Gross loss		(35,097,148)	(48,577,635)
Administrative and selling expenses	20	(13,976,784)	(10,683,765)
Operating loss		(49,073,932)	(59,261,400)
Other income	21	3,501,686	4,064,939
		(45,572,246)	(55,196,461)
Financial charges	22	(1,438)	(88,360)
Provision for doubtful debts		-	-
		(1,438)	(88,360)
Loss before taxation		(45,573,684)	(55,284,821)
Provision for taxation			
-Current		-	-
-Deferred		-	-
		-	-
Loss after taxation		(45,573,684)	(55,284,821)
Other comprehensive income		-	-
Total comprehensive income		(45,573,684)	(55,284,821)
Loss per share - basic and diluted	23	(3.04)	(3.69)

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 YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Capital reserve	Accumulated loss	Total
	-----Rupees-----			
Balance as at July 01,2010	150,000,000	337,400,000	(451,892,298)	35,507,702
Loss for the year ended June	-	-	(55,284,821)	(55,284,821)
Balance as at July 01,2011	150,000,000	337,400,000	(507,177,119)	(19,777,119)
Loss for the year ended June	-	-	(45,573,684)	(45,573,684)
Balance as at July 01,2012	150,000,000	337,400,000	(552,750,803)	(65,350,803)

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

Chief Executive

Director



**S.G. FIBRE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012 RUPEES	2011 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before taxation	(45,573,684)	(55,284,821)
Adjustment for:		
-Depreciation	32,433,638	34,869,646
Gain on sale of fixed assets	(1,236,966)	(89,609)
-Loss on revaluation on stores and spares	12,853,356	18,751,345
	1,438	88,360
-Finance charges	44,051,466	53,619,743
	(1,522,218)	(1,665,078)
(Increase) / decrease in current assets		
Stores and spares	-	-
Stock - in - trade	14,780	-
Trade debts	-	-
Loans, advances, prepayments and other receivables	1,507,131	(37,310)
	1,521,911	(37,310)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	(3,058,274)	(3,412,178)
Finance charges paid	(1,438)	(88,360)
Net cash generated from operating activities	(3,060,019)	(5,202,927)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds from disposal of fixed assets	1,552,836	125,000
Long term deposits	-	-
Net cash used in investing activities	1,552,836	125,000
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans from directors	906,091	3,033,537
Net cash from financing activities	906,091	3,033,537
Net increase / (decrease) in cash and cash equivalent	(601,092)	(2,044,382)
Cash and cash equivalent at the beginning of the year	609,919	2,654,307
Cash and cash equivalent at the end of the year	8,835	609,919

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

Chief Executive

Director



S.G. FIBRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2012

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. 45.57 million during the year (55.284 million in 2011) and accumulated loss as at June 30, 2012 stood at Rs. 552.751 million (507.177 million in 2011) 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 February 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 Management has decided to resume its operation in two phases, in first phase to run the twisting machines and produce commodity yarns, and in second phase to start the line-7 and producing both commodity and specialty yarns.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial reporting Standards (IFRS) issued by the International Accounting Standards board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for measurement of held-for-trading investment which are stated at fair value.

2.3 Accrual basis of accounting

These financial statements are prepared under accrual basis of accounting except cash flow statement which is prepared under cash basis of accounting.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting

2.5 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the company's functional currency.

2.6 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.6.1 Amendments to published approved standards that are effective in current year and are relevant to the Company

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation;

		Effective Date (accounting periods beginning on or after)
IAS-01	Presentation of Financial Statements (Amendment)	January 01, 2011
IAS-24	Related Party Disclosures (Revised)	January 01, 2011
IFRS-7	Financial Instruments: Disclosures	July 01, 2011
IFRIC-14 & IAS-19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interpretation	January 01, 2011

2.6.2 Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company

There are other new interpretations and amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.6.3 Standards and amendments to published approved standards that are not yet effective

		Effective Date (accounting periods beginning on or after)
IAS-27	Separate Financial Statements	January 01, 2013
IAS-28	Investments in Associates and Joint Ventures	January 01, 2013
IFRS-9	Financial Instruments	January 01, 2015
IFRS-10	Consolidated Financial Statements	January 01, 2013
IFRS-11	Joint Arrangements	January 01, 2013
IFRS-12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS-13	Fair Value Measurement	January 01, 2013
IAS-12	Income Taxes (Amendments)	January 01, 2012
IAS-19	Employee Benefits	January 01, 2013
IAS-01	Presentation of Financial Statements (Amendment)	July 01, 2012
IFRS-7	Financial Instruments: Disclosures (Amendment)	January 01, 2013
IAS-32	Financial Instruments: Presentation	January 01, 2014

The Company expects that the adoption of the above standards and interpretations will not have material effect on the Company's financial statements in the period of initial application except for the following:

IAS-19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognized in Other Comprehensive Income as they occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

IFRS-9 - Financial Instruments: Classification and Measurement, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of interests in Other Entities may effect certain disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Tangible assets

Fixed assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost. Depreciation is charged to income applying the reducing balance method without considering extra shift worked.

Depreciation on additions is charged for the full month in which an asset is put to use and on disposals up to the month immediately preceding the disposals.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Profit or loss on disposal on fixed assets is recognized in income currently.

3.2 Intangible assets

Computer software licenses acquired are capitalized on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of five years using the diminishing balance method.

3.3 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred and advances made in respect of tangible and intangible assets in the course of their construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

3.4 Stores and spares

Stores and spares excluding items in transit are valued at lower of average cost or net realizable value.

Provision is made for slow moving and obsolete items. Net realizable value signifies the estimated selling price in the ordinary course of businesses less estimated cost of completion and estimated cost necessary to make the sale.

Item in transit are valued at cost comprising invoice values plus other charges incurred thereon accumulation to the balance sheet date.

3.5 Stock-in-trade

Stock of raw and packing materials, except those in transit, and semi-processed and finished goods are valued at the lower of moving average cost and net realizable value. Average cost in relation to finished goods represent prime cost and appropriate portion of manufacturing expenses and excise duty paid thereon. Semi-processed goods are valued at direct cost only. Items in-transit are stated at cost comprising invoice values plus other charges paid thereon to the balance sheet data. Net realizable value is determine on the basis of estimated selling price of the product in the ordinary course of business less cost necessarily to be incurred for its sale.

3.6 Trade debts

These are recognized and carried at original invoice amount less an allowance for uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

3.7 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. For cash flow statement, cash and cash equivalents comprise cash in hand, deposit held with banks and outstanding balance of running finance facilities availed by the company.

3.8 Impairment of assets

Where indications exist that the carrying amount of an asset is greater than it's estimated recoverable amount it is written down immediately to its recoverable amount.

3.9 Assets under finance lease

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined on the basis of the discounted value of minimum lease payments. Financial charges in respect of leases entered into are allocated in a manner so as to produce a constant periodic rate of change on the outstanding liability. Depreciation is charged to income applying the diminishing balance method at the rate stated in respective note to the financial statements.

3.10 Financial liabilities

Financial liabilities are classified according to the substances of the contractual agreement entered into. Significant financial liabilities are loans, short-term finances, running finance, deposits, creditors, accrued and other liabilities.

All financial liabilities are initially recognized at cost, which is the fair value of the consideration received at initial recognition. After initial recognition financial liabilities held for trading are carried at fair value and all other financial liabilities are measured at amortized cost.

3.11 Compensated absences

The company accounts for these benefits in the period in which the absences are earned.

3.12 Taxation

Current

Provision for current taxation is based on taxable income at the rate of taxation after taking into account tax credit and tax rebate available, if any, or minimum tax 0.5 percent of turnover, whichever is higher.

Deferred

Deferred tax is provided using liability method providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or estimating of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax asset is recognized only to the extent it is probable that future taxable profit will be available and the credits can be utilized.

3.13 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all employees. Provision is made annually based on management's estimates which are adjusted periodically to agree with actuarial estimates. The actuarial valuation is normally carried out once in every three years. Actuarial gains and losses are recognized on a straight line basis over a period of 3 years. Since the Company's operations have been shut down, there was no employee in service during the period and the amount payable to employees has been determined, there is no actuarial issue involved. The Project Unit Credit Method of valuation was used to generate actuarial values. Principal actuarial assumptions consisted of the following:

Rate of discount	9%
Expected rate of increment of salary	8%
Expected retirement age	60 years

3.14 Revenue recognition

Sales are recorded on dispatch of goods to customers. Other income is accounted for on accrual basis.

3.15 Foreign exchange translation

Transactions in foreign currencies are recorded at the rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange ruling on the balance sheet date except foreign exchange forward contracts which are recorded at contractual rates.

3.16 Borrowing cost

All borrowing costs are capitalized up to the date of commissioning of the respected assets acquired out of the proceeds of such borrowing. All other borrowing costs are charged to income.

3.17 Related party transactions and transfer pricing

Transactions with related parties are stated at arm's length prices determined in accordance with the methods prescribed under the Companies Ordinance, 1984. Administrative expenses are apportioned on cost basis whereas store and spares are sold at average

3.18 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate

Contingent assets are not recognized and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

3.19 Dividends and appropriation to general reserve

Dividends and appropriation to general reserves are recognized in the financial statements in the period in which these are approved.



4. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Rate %	Depreciation			Written-down value
	As on July 01, 2011	Addition / (disposal)	As at June 30, 2012		As on July 01, 2011	For the year / (adjustment for disposal)	As at June 30, 2012	As at June 30, 2012
	Rupees				Rupees			Rupees
Owned assets:								
Leasehold land	64,893,485	-	64,893,485	-	-	-	-	64,893,485
Building on leasehold land	170,494,925	-	170,494,925	10%	139,272,158	3,122,277	142,394,435	28,100,490
Plant and machinery	1,513,986,105	(6,091,120)	1,507,894,985	5%	953,654,983	27,712,000 (5,818,468)	975,548,515	532,346,470
Factory equipment	21,324,720	-	21,324,720	10%	16,008,863	531,586	16,540,449	4,784,271
Office equipment	21,547,604	-	21,547,604	10%	16,190,150	535,745	16,725,895	4,821,709
Motor vehicles	15,167,995	(322,000)	14,845,995	20%	12,982,269	372,745 (278,782)	13,076,232	1,769,763
Furniture and fixtures	3,513,918	-	3,513,918	10%	2,750,650	76,327	2,826,977	686,941
Trolleys and fork lifters	4,242,562	-	4,242,562	10%	3,577,783	66,478	3,644,261	598,301
OTIS lifts	1,196,982	-	1,196,982	10%	1,032,179	16,480	1,048,659	148,323
Total owned assets	1,816,368,296		1,809,955,176		1,145,469,034	32,433,638	1,171,805,422	638,149,754
Disposal / deletion		(6,413,120)				(6,097,250)		

4.1 Depreciation charge for the year has been allocated as follows:

Cost of sales
Administrative and selling expense

**2012
RUPEES** **2011
RUPEES**

	21,893,532	29,491,112
	<u>10,540,106</u>	<u>5,378,535</u>
	<u>32,433,638</u>	<u>34,869,646</u>

4.2 Disposal/ deletion of fixed assets during the year with original cost or book value:

Particulars	Cost	Accumulating Depreciation	Book Value	Sales Price	Gain on Disposal	Mode of Disposal
Vehicles	322,000	278,782	43,218	75,000	31,782	Sold through negotiation
Texturing machine	4,602,761	4,399,348	203,414	615,086	411,672	
Boiler Standard Kassid West Germany	1,488,359	1,419,120	69,238	862,750	793,512	
	<u>6,413,120</u>	<u>6,097,250</u>	<u>315,870</u>	<u>1,552,836</u>	<u>1,236,966</u>	

4.3 During the year no assets were disposed-off to Chief Executive , Director, Executive or a Shareholder not less then ten percent of the voting shares of the Company or any related party.



PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Rate %	Depreciation			Written-down value
	As on July 01, 2010	Addition / (disposal)	As at June 30, 2011		As on July 01, 2010	For the year / (adjustment for disposal)	As at June 30, 2011	As at June 30, 2011
	-----Rupees-----				-----Rupees-----			Rupees
Owned assets:								
Leasehold land	64,893,485	-	64,893,485	-	-	-	-	64,893,485
Building on leasehold land	170,494,925	-	170,494,925	10%	135,802,962	3,469,196	139,272,158	31,222,767
Plant and machinery	1,513,986,105	-	1,513,986,105	5%	924,163,871	29,491,112	953,654,983	560,331,122
Factory equipment	21,324,720	-	21,324,720	10%	15,418,212	590,651	16,008,863	5,315,857
Office equipment	21,547,604	-	21,547,604	10%	15,594,877	595,273	16,190,150	5,357,454
Motor vehicles	15,988,482	(820,487)	15,167,995	20%	13,220,934	546,431 (785,096)	12,982,269	2,185,726
Furniture and fixtures	3,513,918	-	3,513,918	10%	2,665,842	84,808	2,750,650	763,268
Trollies and fork lifters	4,242,562	-	4,242,562	10%	3,503,919	73,864	3,577,783	664,779
OTIS lifts	1,196,982	-	1,196,982	10%	1,013,867	18,312	1,032,179	164,804
Total owned assets	1,817,188,783		1,816,368,296		1,111,384,484	34,869,646	1,145,469,034	670,899,262
Disposal / deletion		(820,487)				(785,096)		

Depreciation charge for the year has been allocated as follows:

Cost of sales
Administrative and selling expense

	2011 RUPEES	2010 RUPEES
	29,491,112	31,043,275
	5,378,535	6,060,891
	<u>34,869,646</u>	<u>37,104,166</u>

Disposal/ deletion of fixed assets during the year with original cost or book value:

Particulars	Cost	Accumulating Depreciation	Book Value	Sales Price	Gain on Disposal	Mode of Disposal
Vehicles	820,487	785,096	35,391	125,000	89,609	Sold through negotiation

During the year no assets were disposed-off to Chief Executive , Director, Executive or a Shareholder not less then ten percent of the voting shares of the Company or any related party.

	NOTES	2012 RUPEES	2011 RUPEES
5. LONG TERM DEPOSITS			
Security deposits		95,714	95,714
		<u>95,714</u>	<u>95,714</u>
6. STORES AND SPARES			
Stores		986,703	1,409,576
Spares		24,433,388	34,904,840
		<u>25,420,091</u>	<u>36,314,416</u>
7. STOCK - IN - TRADE			
Raw material		1,731,723	3,478,226
Finished goods		227,309	454,617
		<u>1,959,032</u>	<u>3,932,843</u>
8. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Loans:			
Loan to employees		-	3,000
Less: provision for doubtful debts		-	-
		-	3,000
Advances - considered good:			
Income tax refundable		9,176,218	10,527,035
Prepayments:		-	153,314
Other receivables:			
Margin - letter of credit		150,000	150,000
Sales tax claims receivable		20,783,389	20,783,389
		20,933,389	20,933,389
Others	8.1	6,766,096	6,766,096
Less: provision for doubtful debts		(3,459)	(3,459)
		6,762,637	6,762,637
		27,696,026	27,696,026
		<u>36,872,244</u>	<u>38,379,375</u>
8.1 This includes receivables from S.G. Power Limited on account of rent and utilities amounting to Rs 6.750 million. However as disclosed in note the 14,15, and 16 a sum of Rs.172.212 million is payable to S.G Power Limited			
9. CASH AND BANK BALANCES			
Cash in hand		175	1,191
Cash with banks - current account		8,660	608,728
		<u>8,835</u>	<u>609,919</u>
10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
5,200,000 Ordinary shares of Rs. 10 each fully paid in cash		52,000,000	52,000,000
5,415,610 Ordinary shares of Rs. 10 each as fully paid bonus shares		54,156,100	54,156,100
2,384,390 Ordinary shares of Rs. 10 each as fully paid right shares		23,843,900	23,843,900
2,000,000 Ordinary shares of Rs. 10 each fully paid in cash (foreign placement)		20,000,000	20,000,000
		<u>150,000,000</u>	<u>150,000,000</u>
11. DEFERRED LIABILITIES			
Provision for gratuity	11.1	5,363,785	5,363,785
Deferred Karachi Electric Supply Corporation bill	11.2	5,738,428	5,738,428
		<u>11,102,213</u>	<u>11,102,213</u>

11.1 The break-up of amount recognized as liability in the balance sheet is as follows:

Reconciliation of the recognized liability with the last year figure is as follows:

Liability as on June 30, 2010	5,363,785	5,363,785
Provision for the year	-	-
Actuarial loss recognized during the year	-	-
Excess of book provision over transitional liability recognized	-	-
Charge for the year reported as salaries and benefits	-	-
	<u>5,363,785</u>	<u>5,363,785</u>
Benefits paid during the year	-	-
Liability as on June 30, 2011	<u>5,363,785</u>	<u>5,363,785</u>

11.2 This represents the difference between the expected liability of KESC bills to be finally settled and payment made by the Company for the period from Oct, 1988 to Nov,1990 due to excess billing. The petition filed by the company was decided by the Electrical Inspector, Government of Sindh Karachi region allowing a relief of Rs.4,785,376 to the Company but decision has been appealed before the Secretary Irrigation and Power, Government of Sindh by both the parties. Judgment on appeal is still awaited and the company expects a further relief of Rs. 7,690,996.

11.3 Taxable Temporary Differences

Fixed Assets	159,294,683	170,672,430
Deferred tax assets on gratuity	(1,877,325)	(1,877,325)
	<u>157,417,358</u>	<u>168,795,105</u>
	<u>(590,749,267)</u>	<u>(579,371,520)</u>

Deferred tax asset has not been recognized as management is of the view that future earnings to the extent of such asset may not be available.

12. LONG TERM LOAN

Fibre Venture Capital Limited	302,316,902	302,316,902
Less: Current portion of long term loan	(120,926,761)	-
	<u>181,390,141</u>	<u>302,316,902</u>

12.1 Foreign currency loan from Fibre Venture Capital Limited has been obtained on non-interest basis. Repayment is due from February 2012 and loan is to be repaid in equal installments over a period of five years.

13. LOAN FORM DIRECTORS

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

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	1,293,072	1,397,208
Taxes payables	-	1,352,243
Others	2,896,173	2,698,068
	<u>4,189,245</u>	<u>5,447,519</u>
Due to associated undertaking	90,136,244	91,936,244
	<u>94,325,489</u>	<u>97,383,763</u>

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 term loan	120,926,761	-
	<u>192,348,858</u>	<u>71,422,097</u>



17. CONTINGENCIES AND COMMITMENTS

(i) Legal claim filed against the Company from suppliers were not acknowledged as debts amounting to Rs.0.418 million (2011: 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 under the Payment of Wages Act, West Division, Karachi u/s 15 of the PW Act, 1936.

(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 Custom Appellate Tribunal, Bench, Karachi.

One appeal filed against the order of the Custom Appellate Tribunal before the High Court of Sind at Karachi for refund of sales tax along with additional tax that was deposited by the company under protest with Custome and Salestax appellate tribunal. In this metter summons have been reserved upon the respondents and as such the service held good. the metter is pending for regular hearing.

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.

	NOTES	2012 RUPEES	2011 RUPEES
18. SALES			
Local		-	-
Export		-	-
Less: Sales Tax		-	-
		-	-
19. COST OF SALES			
Electricity, gas, steam and water		350,260	335,178
Depreciation expense		21,893,532	29,491,112
		22,243,792	29,826,290
Write off of Stores		10,894,325	18,751,345
Write off of stock-in-trade		1,959,032	-
		12,853,356	-
		35,097,148	48,577,635

20. ADMINISTRATIVE AND SELLING EXPENSES

Directors' remuneration and amenities	20.1	-	250,000
Salaries, allowances and benefits		1,861,940	2,558,224
Entertainment		15,942	31,193
Advertisement expense		93,800	47,395
Generator Fuel		74,069	-
Generator Repairment		85,728	-
Mutual Security Services		8,262	-
Repairs and maintenance		21,665	428,238
Rent, rates and taxes		-	428,033
Depreciation expense		10,540,106	5,378,535
Legal and professional		541,000	197,900
Fees, subscriptions, newspapers and periodicals		-	277,242
Auditor's remuneration		185,000	75,000
Property Tax		323,977	-
Stationery		13,822	-
Conveyance		13,664	30,371
Postage and Shipping		3,020	918,334
Telephone and Fax		17,850	28,651
Printing & Stationary		20,625	30,970
Others		-	3,680
Write off Loan to Staff		3,000	-
Write off prepayments		153,314	-
		<u>13,976,784</u>	<u>10,683,765</u>

20.1 Auditor's remuneration

Audit fee	75,000	75,000
Tax consultancy services	70,000	-
Review fee	40,000	-
	<u>185,000</u>	<u>75,000</u>

21. OTHER INCOME

Rental income	1,800,000	1,800,000
Sale of waste and material net of cost	1,669,904	2,175,330
Gain on sale of fixed assets	31,782	89,609
	<u>3,501,686</u>	<u>4,064,939</u>

22. FINANCIAL CHARGES

Bank charges and commission	1,438	88,360
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23. EARNINGS PER SHARE

23.1 Basic earnings per share

Loss after taxation - rupees	(45,573,684)	(55,284,821)
Weighted average number of shares	15,000,000	15,000,000
Loss per share - rupees	<u>(3.04)</u>	<u>(3.69)</u>

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	1,800,000	1,800,000
	<u>1,800,000</u>	<u>1,800,000</u>

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 year.

	2012	2011
26. CAPACITY AND PRODUCTION		
Capacity	10,500	10,500
Actual production	-	-

* The capacity is based on 75 Deniers.

27. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- (Rupees) -----					
Remuneration	-	-	-	-	-	-
House rent	-	-	-	-	-	-
Retirement benefits	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
	-	-	-	-	-	-
Number of persons	1	1	2	2	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

28. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to stakeholders through the optimization of the debt and equity balance.

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management objectives

The company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not

29.1 Credit risk

Credit risk represents the risk of loss that would be recognized at the reporting date if counter parties failed to perform as

	2012	2011
	RUPEES	RUPEES
Loans, advances, prepayments and other receivables	36,872,237	38,379,375
Cash and bank balances	8,835	609,919
	36,881,072	38,989,295

29.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the

29.2.1 Currency risk

The Company is exposed to currency risk on long term loan that are denominated in a currency other than the respective

	2012	2011
	RUPEES	RUPEES
Long term loan and current maturity	302,316,902	302,316,902
Balance sheet exposure	302,316,902	302,316,902

The following significant exchange rates applied during the year:

	2012	2011	2012	2011
	Average rates		At balance sheet rates	
US Dollar to PKR	90.23	85.76	94.20	86.26

29.2.2 Interest rate risk

Interest rate risk represents the risk that the future cash flows of a financial instrument will fluctuate because of changes in market

29.3 Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the carrying amount and maturities of the Company's financial liabilities.



	2012		
	-----Rupees-----		
	Carrying amount	Upto one year	After one year
Long term loan	181,390,141	-	181,390,141
Loan from directors	278,035,522	-	278,035,522
Creditors, accrued and other liabilities	94,325,489	94,325,489	-
Current portion of long term loan	192,348,858	192,348,858	-
Interest on short term and long term loan	10,654,243	10,654,243	-
	756,754,253	297,328,590	459,425,663

	2011		
	-----Rupees-----		
	Carrying amount	Upto one year	After one year
Long term loan	302,316,902	-	302,316,902
Loan from directors	277,129,431	-	277,129,431
Creditors, accrued and other liabilities	97,383,763	97,383,763	-
Current portion of long term loan	71,422,097	71,422,097	-
Interest on short term and long term loan	10,654,243	10,654,243	-
	758,906,436	179,460,103	579,446,333

29.4 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

30. NUMBER OF EMPLOYEES

Number of employees at the year-end

	2012	2011
	20	23

31. DATE OF AUTHORIZATION

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

32. GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive

Director



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Number of Shareholders	Form	Shareholdings To	Total Shares held
5	101	500	2,500
5	5001	10000	43,000
2	10001	15000	27,000
1	20001	25000	20,500
1	25001	30000	29,500
6	35001	40000	240,000
8	170001	175000	1,400,000
1	195001	200000	200,000
1	395001	400000	400,000
1	785001	790000	788,800
1	3235001	3240000	3,237,200
1	3750001	3755000	3,754,900
1	4850001	4900000	4,856,600
34			15,000,000

Categories of Shareholder	Numbers	Shares Held	Percentage
Directors, CEO, Their Spouses & Minor Children	7	8,096,300	53.98
Financial Institutions	2	4,543,700	30.29
Foreign Investors	10	2,000,000	13.33
Individuals	15	360,000	2.40
TOTAL	34	15,000,000	100.00



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

DETAILS OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2012

	No of Shareholders	Shares Held
Financial Institutions		
National Bank of Pakistan		3,754,900
Allied Bank of Pakistan		788,800
	2	4,543,700
DIRECTORS, CEO, THEIR SPOUSES & MINOR CHILDREN		
Mr. S.M. Ahmed		4,856,600
Mst. Zubaida Khatoon		3,237,200
Mrs. Tania Asim		500
Mst. Ghazala Ahmed		500
Mst. Aliya Shahid		500
Mr. Sohail Ahmed		500
Mr. Asim Ahmed		500
	7	8,096,300
FOREIGN INVESTORS		
Mr. Mohammad Akbar		400,000
Mrs. Seema Akbar		200,000
Mr. Shakeel Ahmed		175,000
Mrs. Naseema Shakeel		175,000
Mr. Shoukat Ali		175,000
Mrs. Bilqis Shoukat		175,000
Mr. Faisal Jalil Burney		175,000
Mrs. Seema Faisal		175,000
Mr. Mohammad Irshad		175,000
Mr. Tavab Ali		175,000
	10	2,000,000
INDIVIDUALS	15	360,000
GRAND TOTAL	34	15,000,000

**Shareholders Holding 10% or More Voting Interest in the Company
As at June 30, 2011**

Directors, CEO, Their Spouse & Minor Children

	Shares Held	Percentage
Mr. S.M. Ahmed	4,856,600	32.38
Mst. Zubaida Khatoon	3,237,200	21.58

FINANCIAL INSTITUTION

National Bank of Pakistan	3,754,900	25.03
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FORM OF PROXY

The Secretary
S.G. FIBRE Limited,
B-40, S.I.T.E.,
Karachi.

I/We _____ of _____ being a member of **S.G. FIBRE LIMITED**, and holder
Of _____ Ordinary shares hereby appoint _____ of
_____ as _____ me/our proxy to attend and vote for me/our behalf at
the 43rd Annual General Meeting of the Company to be held on Tuesday the October 30, 2012 8:30a.m and at
Any adjournment thereof;

In witness my/our hand seal this _____ day of _____ 2012

Signed by _____

**Please affix
Rs. 5/-
Revenue
Stamp**

In the presence of _____ Signature of Member _____

Folio No. _____

IMPORTANT

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company, B-40, S.I.T.E., Karachi, not less than 48 hours before the time of holding the meeting and must be duly signed and witnessed.
2. A Proxy need not be a member of the Company.
3. If a member appoint more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities::

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original passport at the time of the meeting.
4. In case of Government of Pakistan, State Bank of Pakistan, Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the compan



**AFFIX
CORRECT
POSTAGE**

**The Company Secretary
S.G. Fibre Limited
B-40, S.I.T.E.
Karachi**