



**QUARTERLY REPORT
SEPTEMBER 30
2018**



Sargodha Spinning Mills Limited

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Sargodha Spinning Mills Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	Mian FarrukhNaseem Mian Shahzad Aslam Mian Aamir Naseem Mr. Sajjad Aslam Mr.Saad Naseem Mr.Ahmad aseem Mr. Mr.Umair Abid Mr. Muhammad Shams Amin	Chief Executive Chairman
AUDIT COMMITTEE	Mr.Umair Abid Mian Aamir Naseem Mr. Sajjad Aslam	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr.Umair Abid Mr. Sajjad Aslam Mr. Ahmad Naseem	Chairman Member Member
CHIEF FINANCIAL OFFICER	Mr. Mazhar Hussain	
COMPANY SECRETARY	Mr. Mazhar Hussain	
AUDITORS	Riaz Ahmad & Company Chartered Accountants	
BANKERS	National Bank of Pakistan	
SHARE REGISTRAR	Corptec Associates (Pvt) Limited 503-E, Johar Town, Lahore Tel:042-35170336-37 Fax:042-35170338	
REGISTERED OFFICE	A-601/B, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore. Ph: 042-35788758-59	
WEBSITE ADDRESS	www.sargodhaspinning.com	
MILLS	8 - K.M. Sargodha Road, Faisalabad. Ph: 041-8868132-5	

Sargodha Spinning Mills Limited

DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present you the un-audited financial statements of the Company for the quarter ended September 30, 2018.

During the period under review, the Company sustained after tax loss of Rs.5.258 million as compared to after tax profit of Rs. 0.498 million of the corresponding period.

The Company closed its units in April 2015 and September 2015 due to shortage of liquidity, high cost of energy, global recession and adverse condition of textile industry.

Updating on Sale of Assets

As already informed to the shareholder through annual report of 2018 that entire assets have been sold or agreement for sale has been executed. The total sale proceed will be received before June 2019. The following assets sold and repaid liabilities from 01 July 2018 to 30 September 2018:-

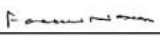
S. No.	Machinery Sold	Description	Rs. in million
1	Blow Room & Auxiliaries	Auxiliaries	0.750
2	Drawing Frames	07 Nos.	1.446
3	Simplex Frames	02 No.	1.133
4	Ring Frames	13 Nos.	7.650
5	Yarn Conditioning Machine	01 Nos.	0.784
			11.763
Other Receipts –			
	Advance for Sale of – Building Structure (Malba)		7.350
			19.113
Liabilities Paid			
1	Bank guarantee margin		16.172
2	Creditors		0.176
3	Salaries & wages		3.460
4	Sales & income tax		0.177
5	Administrative expenses		2.986
			22.971

The Board of directors in their meeting held on 28 May 2018, has approved the delisting of the Company from Pakistan Stock Exchange Limited through buy back of shares by sponsors at the rate of Rupees 40.33 per share (intrinsic value) subject to the approval of Pakistan Stock Exchange Limited. In this regard, a formal application for voluntary delisting of the Company through buy back of shares from majority shareholders has been filled by the Company to Pakistan Stock Exchange Limited.

The Company has received a notice from a shareholder who intends, in accordance with the provisions of section 246(3) of the Companies Act 2017 to propose the name of M/s. Horwath Hussain Chaudhury & Co. Chartered Accountants, 25-E, Main Market, Gulberg-II, Lahore for appointment as the Company's Auditors in place of retiring Auditors M/s. Riaz Ahmad Co. Chartered Accountants at the forthcoming Annual General Meeting scheduled to be held on October 27, 2018 at 11 a.m. at the 6th Floor City Towers, Gulberg-II, Lahore.

The board avail the opportunity to appreciate the devoted work done by the devoted executives, officers, staff and workers of the Company

For and on behalf of the Board


(Mian Farrukh Naseem)
Chief Executive


(Saad Naseem)
Director

Lahore: October 25, 2018

ڈائریکٹرز رپورٹ

محترم حصص یافتگان،

ہم کہنی کے غیر آڈٹ شدہ حسابات اختصار کے گوشوارے برائے ختم ہونے والی مدت سرمایہ 30 ستمبر 2018 کو آپ کی خدمت میں پیش کر رہے ہیں۔
 زیر نظر مدت کہنی نے ٹیکس ادا کرنے سے بعد 5,258 ملین روپے کا نقصان اٹھایا، جوگزشتہ سال اسی مدت کے لیے 0.498 ملین روپے کا منافع تھا۔
 کہنی نے لیگنڈی ٹی بی ٹکٹ، بجلی کی عالمی لاگت، عالمی اقتصاد بازاری اور گینا سٹائل صنعت کی متضاد حالات کے باعث اپریل 2015 اور ستمبر 2015 میں اپنے پینس بند کر دیے۔

اٹاٹوں کی فروخت پر ماہ ڈیٹ:

جیسا کہ پہلے ہی 2018 کی سالانہ رپورٹ میں حصص یافتگان کو مطلع کیا گیا ہے کہ پورے اٹاٹے فروخت کر دیئے گئے ہیں یا فروخت کے لیے معاہدہ طے پا گیا ہے۔ فروخت کی وصولی جون 2019 سے پہلے مکمل ہو جائے گی۔ یکم جولائی 2018 سے 30 ستمبر 2018 تک مندرجہ ذیل اٹاٹے فروخت اور ادراجات ادا ہو چکے ہیں۔

نمبر شمار	فروخت شدہ شیری	تفصیل	روپے ملین میں رقم
1	بلوروم اینڈ معادناٹ	معادناٹ	0.750
2	ڈرائنگ فریز	07 عدد	1.446
3	سمپلکس فریز	02 عدد	1.133
4	رنگس فریز	13 عدد	7.650
5	یارن کنٹریشنک مشین	01 عدد	0.784
11.763		میزان	
7.350	دیگر اٹاٹوں کی فروخت (لیو آؤٹس برائے طلبہ فروخت)		
19.113		میزان	
ادوار اجبات			
1	بینک گارنٹی مارٹن		16.172
2	قرض دہندگان		0.176
3	تنخواہ اور اجرت		3.460
4	آئٹم ٹیکس		0.177
5	انتظامی اخراجات		2.986
		میزان	22.971

28 مئی کو مستقر ہونے والے اجلاس میں بورڈ آف ڈائریکٹرز نے پاکستان اسٹاک ایکچینج کیٹلیڈ سے کہنی کی ڈی اسٹیک بڈر لیا اسپانسرز کے 40.33 روپے فی شیئر پر واپس خریدنے کی منظوری دی ہے بشرطیکہ پاکستان اسٹاک ایکچینج کہنی کیٹلیڈ منظوری دے دے۔ اس ضمن میں کہنی کی رضا کارانہ ڈی اسٹیک بڈر لیا تین حصص یافتگان سے حصص واپس خریدنے کے لیے ایک ریوری درخواست بھی پاکستان اسٹاک ایکچینج کو جمع کروادی ہے۔

کہنی کو شیئر ہولڈرز کی طرف سے فوش موصول ہوا ہے جو کہ کہنی ایکٹ 2017 کے سیکشن (3) 246 کے تحت کہنی کے آڈیٹرز ریاض احمد اینڈ کہنی چارٹڈ اکاؤنٹنٹس کی جگہ حسین چوہدری اینڈ کہنی چارٹڈ اکاؤنٹنٹس 25-E، مین مارکیٹ بلیگرگ II، لاہور کی تقریری کار ادارہ دکتا ہے، آنے والے سالانا اجلاس میں جو کہ 27 اکتوبر 11 بجے ٹی ٹاؤرز، 6th فلور بلیگرگ II، لاہور میں ہونے طے پایا ہے۔

بورڈ کہنی کے ایگزیکٹوز، افسران، کہنی کے عملے اور کارکنوں کی انتھک کوششوں کا شکر گزار ہے۔

مخمسب بورڈ

محمد نسیم
(ڈائریکٹر)

مخمسب بورڈ

میاں فرخ نسیم
(چیف ایگزیکٹو)


لاہور: 25 اکتوبر 2018ء

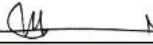
Sargodha Spinning Mills Limited

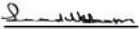
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	(Rupees in thousand)	
		30 Sept. 2018	30 June 2018
		Un-audited	Audited
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
42,000,000 (30 June 2017 : 42,000,000) ordinary shares of Rupees 10 each		420,000	420,000
Issued, subscribed and paid-up share capital			
31,200,000 (30 June 2017 : 31,200,000) ordinary shares of Rupees 10 each fully paid up in cash		312,000	312,000
Equity portion of sponsor' advances		10,407	10,407
Surplus on revaluation of property, plant and equipment		1,158,468	1,158,468
Accumulated loss		(650,937)	(645,679)
TOTAL EQUITY		829,938	835,196
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables		500,194	495,652
Sponsors' advances		1,702	1,702
Unclaimed dividend		1,066	1,066
Provision for taxation		926	926
		503,888	499,346
TOTAL LIABILITIES		503,888	499,346
CONTINGENCIES AND COMMITMENTS			
	6		
TOTAL EQUITY AND LIABILITIES		1,333,826	1,334,542
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	520	542
Deferred income tax	8	-	-
		520	542
CURRENT ASSETS			
Stores and spare parts		1,365	1,499
Short term deposits and prepayments		19,141	2,660
Other receivables		9,008	8,996
Cash and bank balances		76,680	82,792
		106,194	95,947
Non-current assets available for sale	9	1,227,112	1,238,053
		1,333,306	1,334,000
TOTAL ASSETS		1,333,826	1,334,542

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer


(Saad Naseem)
Director


Sargodha Spinning Mills Limited


STATEMENT OF PROFIT OR LOSS (Un-audited) FOR THE QUARTER ENDED 30 SEPTEMBER 2018

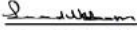
(Rupees in thousand)
Quarter ended 30 Sept.
2018 2017

Sales	-	-
Cost of sales	-	(406)
Gross loss	-	(406)
Distribution cost	(94)	-
Administrative expenses	(5,973)	(3,095)
Other expenses	-	-
	(6,067)	(3,095)
	(6,067)	(3,501)
Other income	822	5,696
Profit / (loss) from operations	(5,245)	2,195
Finance cost	(13)	(1,595)
Profit / (loss) before taxation	(5,258)	600
Taxation	-	(102)
Profit/ (loss) after taxation	(5,258)	498
Earning / (loss) per share -basic and diluted (rupees)	(0.17)	0.02

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer


(Saad Naseem)
Director

Sargodha Spinning Mills Limited

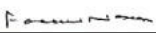
STATEMENT OF COMPREHENSIVE INCOME (Un-audited)


FOR THE QUARTER ENDED 30 SEPTEMBER 2018

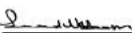
(Rupees in thousand)
Quarter ended 30 Sept.
2018 2017

Profit / (loss) after taxation	(5,258)	498
Other comprehensive income / (loss)		
Items that will not be reclassified to profit or loss	-	-
Item that may be reclassified subsequently to profit or loss:	-	-
Other comprehensive income / (loss) for the period	-	-
Total comprehensive income / (loss) for the period	<u>(5,258)</u>	<u>498</u>

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer


(Saad Naseem)
Director


Sargodha Spinning Mills Limited

STATEMENT OF CHANGES IN EQUITY (Un-audited) FOR THE QUARTER ENDED 30 SEPTEMBER 2018


(Rupees in thousand)

	Issued, subscribed and paid-up share capital	Equity portion of sponsors' advances	Surplus on revaluation of property (plant & equipment - net of deferred tax	Accumulated loss	Total equity
Balance as at 30 June 2017 - (Restated)	312,000	10,407	1,177,152	(488,175)	1,011,384
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax			(517)	517	
Profit for the quarter ended 30 September 2017				498	498
Total comprehensive income for the quarter ended on 30 September 2017				498	498
Balance as at 30 September 2017 - (Un-audited)	312,000	10,407	1,176,635	(487,160)	1,011,882
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax			(4,522)	4,522	
Loss for the nine months ended 30 June 2018				(163,041)	(163,041)
Other comprehensive loss			(13,786)		(13,786)
Total comprehensive loss for the nine months ended on 30 June 2018 (Audited)			(13,786)	(163,041)	(176,827)
Surplus on property plant equipment - adjustment due to change in tax rate			141		141
Balance as at 30 June 2018 - (Audited)	312,000	10,407	1,158,468	(645,679)	835,196
Loss for the quarter ended 30 September 2018				(5,258)	(5,258)
Total comprehensive loss for the quarter ended on 30 September 2018				(5,258)	(5,258)
Balance as at 30 September 2018 - (Un-audited)	312,000	10,407	1,158,468	(650,937)	829,938

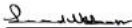
The annexed notes form an integral part of these financial statements.



(Mian Farrukh Naseem)
Chief Executive



(Mazhar Hussain)
Chief Financial Officer




(Saad Naseem)
Director


Sargodha Spinning Mills Limited

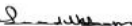
STATEMENT OF CASH FLOWS (Un-audited) FOR THE QUARTER ENDED 30 SEPTEMBER 2018

	(Rupees in thousand)	
	Quarter ended 30 Sept. 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(5,258)	600
Adjustments for non-cash charges and other items:		
Depreciation	22	39
Interest expense due to impact of IAS - 39	-	502
Finance cost	13	1093
Gain on sale of fixed assets	-	(5666)
Gain on sale of non-current assets held for sale	(822)	-
Credit balances written off	-	(30)
Cash flows from operating activities before working capital changes	(6,045)	(3,462)
Working capital changes:		
(Increase) / decrease in current assets		
Stores and spare parts	134	-
Trade deposits and short term prepayments	(16,481)	-
	(16,347)	-
(Decrease) in trade and other payables	4,542	(8,173)
Effect on cash flows due to working capital changes	(11,805)	(8,137)
Cash (used in) / generated from operations	(17,850)	(11,849)
Finance cost paid	(13)	(11)
Income tax paid	(12)	(239)
Net cash used in operating activities	(17,875)	(11849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Property, plant and equipment	-	13,117
Proceeds from sale of non-current assets held for sale	11,763	-
Net cash generated from investing activities	11,763	13,117
CASH FLOWS FROM FINANCING ACTIVITIES		
Sponsor's Advance - Interest free	-	380
Net cash from financing activities	-	-
Net (decrease) / increase in cash and cash equivalents	(6,112)	1,648
Cash and cash equivalents at the beginning of the period	82,792	353
Cash and cash equivalents at the end of the period	76,680	2,001

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer


(Saad Naseem)
Director

Sargodha Spinning Mills Limited

SELECTED NOTES TO THE FINANCIAL STATEMENT (Un-audited) FOR THE QUARTER ENDED 30 SEPTEMBER 2018

1. THE COMPANY AND ITS OPERATIONS

Sargodha Spinning Mills Limited ('the Company') is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office is situated at A-601/ B, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore. The primary object of the Company is manufacturing and trading of yarn made from raw cotton and synthetic fiber and trading of fabric of all types and to generate electricity for internal use.

Geographical location and business units of the Company are as follows:

Business Unit	Address
Head Office	A-601/ B, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore
Mills	8 – KM Sargodha Road, Faisalabad

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Accounting Standard (IAS) 34, "Interim Financial Reporting," issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Act 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

4. ACCOUNTING CONVENTION

These financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements are in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no material change in contingencies from the preceding audited financial statements of the Company for the year ended 30 June 2018.

Sargodha Spinning Mills Limited

		(Rupees in thousand)	
		Un-audited 30 Sept. 2018	Audited 30 June 2018
6.2	Commitments	-	-
7.	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets - owned (Note 7.1)	<u>520</u>	<u>542</u>
7.1	Operating fixed assets – owned		
	Opening book value	542	1189
	Less: Book value of deletions during the period / year	-	-
	Less: Depreciation charged during the period / year	22	158
	Less: Impairment loss during the period	-	489
	Closing book value	<u>520</u>	<u>542</u>
8.	DEFERRED INCOME TAX		
	The asset for deferred income tax originated due to temporary differences relating to:		
	Accelerated tax depreciation	(9,154)	(97,55)
	Surplus on revaluation of property, plant and equipment	<u>(4,052)</u>	<u>(4,052)</u>
		(13,206)	(13,807)
	Accumulated tax losses	<u>100,063</u>	<u>100,510</u>
	Deferred income tax asset - net	86,857	86,703
	Less: Deferred income tax asset not recognized	<u>86,857</u>	<u>86,703</u>
		-	-
8.1	The net deferred income tax asset of Rupees 86.857 million (30 June 2017: Rupees 86.703 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits will not be probably available against which the temporary differences can be utilized.		
		(Rupees in thousand)	
		Un-audited 30 Sept. 2018	Audited 30 June 2018
9	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale - (Note 9.1)	<u>1,227,112</u>	<u>1,238,053</u>
9.1	Non-current assets held for sale		
	Opening book value	1,238,053	1,401,037
	Less: Impairment loss recognized as reversal of surplus on revaluation		19,694
	Less: Impairment loss recognized in the statement of profit or loss	-	47,210
	Less: Book value of deletions during the period / year (Note 9.1.1)	10,941	96,080
		<u>1,227,112</u>	<u>1,238,053</u>
9.1.1	Book value of deletions		
	Plant and machinery	10,941	96,080
		<u>10,941</u>	<u>96,080</u>

Sargodha Spinning Mills Limited

10. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties is as follows:

	(Rupees in thousand)	
	Quarter ended 30 Sept.	
	30 Sept. 2018	30 June 2018
i) Transactions		
Associated company	-	-
Other related parties		
The Company's contributions to employees' provident fund trust	69	487
Remuneration to Chief Executive and Directors	1,071	1,071
	(Rupees in thousand)	
	Un-audited	Audited
	30 Sept.	30 June
	2018	2018
ii) Period end balances		
Associated company	-	-
Other related party		
Payable to employee's provident fund trust	1,706	1,703

11. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

12. DATE OF AUTHORIZATION FOR ISSUE

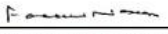
These financial statements were approved by the Board of Directors of the Company and authorized for issue on October 25, 2018

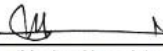
13. CORRESPONDING FIGURES

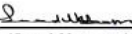
In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the balance sheet and statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the profit and loss account, statement of comprehensive income and cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

14. GENERAL

Figures have been rounded off to nearest thousand of Rupees.


 (Mian Farrukh Naseem)
 Chief Executive


 (Mazhar Hussain)
 Chief Financial Officer


 (Saad Naseem)
 Director