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Sargodha Spinning Mills Limited

COMPANY INFORMATION

Board of Directors:

Mian Farrukh Naseem
Mian Aamir Naseem
Mian Shahzad Aslam
Mrs. Hina Farrukh
Syed Arif Hussain
Mr. Irfan Qamar
Mr. Shahid Mahmud

Chairman/Chief Executive Officer

Audit Committee:

Mian Aamir Naseem
Mian Shahzad Aslam
Syed Arif Hussain

(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
NIB Bank Limited
Habib Bank Limited
Bank Alfalah Limited

Registrar:

Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
Ph: 042-35839182, 35887262, 35916719
Fax: 042-35869037

Registered Office:

A-601/B, City Towers,
6-K Main Boulevard,
Gulberg-II, Lahore
Ph: (042) 35788758-59

Mills

8-K.M. Sargodha Road, Faisalabad.
Ph: (041) 8868132-5



Sargodha Spinning Mills Limited

DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present the un-audited financial statements of the company for the period and 3rd quarter ended 31 March 2010 .

During the period under review, the company earned a pretax profit of Rs. 26.335 million as compared to pretax loss of Rs. 93.226 million in comparative period. Sales were made amounting to Rs. 1,350.754 million including export sales of Rs. 867.961 million representing an increase of 23% against previous period sales. The financial results of the Company for three months period from January to March 2010 have improved mainly due to favourable domestic as well as international yarn markets inspite of unprecedented increase in prices of cotton & fiber, long hours load shedding and suspension of gas supply.

At present the price of cotton prevails at Rs. 7,000/- per maund and shortage of electricity and gas has emerged as main issue. However, we expect that favourable yarn market, regularly supply of gas & electricity and rescheduling of long term finances made by NBP will provide quite relief to the company's financial liquidity and will help in carrying out its operation smoothly and recoup its accumulated losses. Insha Allah, we endeavor to achieve positive results in the coming quarter ending June 30, 2010.

The board avails the opportunity to appreciate the devoted work done by the executives, officers, staff and workers of the company.

For and on behalf of the Board

(MIAN FARRUKH NASEEM)
Chairman/Chief Executive Officer

Lahore: April 28, 2010



Sargodha Spinning Mills Limited

BALANCE SHEET AS

	NOTE	(RUPEES IN THOUSAND)	
		31 March 2010 Un-Audited	30 June 2009 Audited
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 42,000,000 (30 June 2009: 42,000,000) ordinary shares of Rupees 10 each		<u>420,000</u>	<u>420,000</u>
Issued, subscribed and paid up share capital 31,200,000 (30 June 2009: 31,200,000) ordinary shares of Rupees 10 each		312,000	312,000
Reserves		<u>(327,009)</u>	<u>(347,668)</u>
Total equity		(15,009)	(35,668)
Surplus on revaluation of property, plant and equipment		580,901	586,720
NON-CURRENT LIABILITIES			
Sponsor's advances - interest free		30,644	30,644
Long term financing - secured	5	201,496	139,368
Liabilities against assets subject to finance lease	6	1,925	9,353
		<u>234,065</u>	<u>179,365</u>
CURRENT LIABILITIES			
Trade and other payables		156,881	180,762
Accrued markup		20,735	43,856
Short term borrowings - secured		359,116	148,079
Current portion of non-current liabilities		123,825	114,101
Provision for taxation		11,211	5,083
		<u>671,768</u>	<u>491,881</u>
Total Liabilities		905,833	671,246
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		<u>1,471,725</u>	<u>1,222,298</u>

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

(Mian Farrukh Naseem)

CHIEF EXECUTIVE OFFICER



Sargodha Spinning Mills Limited

AT 31 MARCH 2010

	NOTE	(RUPEES IN THOUSAND)	
		31 March 2010 Un-Audited	30 June 2009 Audited
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,006,135	1,042,697
Long term investments		190	190
Long term security deposits		6,011	5,807
		<u>1,012,336</u>	<u>1,048,694</u>
Deferred tax asset	9	-	-
CURRENT ASSETS			
Stores and spare parts		20,326	21,472
Stock-in-trade		370,262	107,324
Trade debts		29,306	15,453
Loans and advances		4,230	148
Trade deposits and short term prepayments		2,159	1,579
Other receivables		29,432	25,139
Cash and bank balances		3,674	2,489
		<u>459,389</u>	<u>173,604</u>
TOTAL ASSETS		<u>1,471,725</u>	<u>1,222,298</u>

Aamir Naseem

(Mian Aamir Naseem)

DIRECTOR



Sargodha Spinning Mills Limited

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH 2010 (UN-AUDITED)

(RUPEES IN THOUSAND)

	NINE MONTHS ENDED		QUARTER ENDED	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
SALES	1,350,754	1,098,815	501,224	338,185
COST OF SALES	1,192,611	1,091,721	438,632	345,306
GROSS PROFIT / (LOSS)	158,143	7,094	62,592	(7,121)
DISTRIBUTION COST	48,159	23,562	13,320	12,235
ADMINISTRATIVE EXPENSES	18,020	19,019	6,225	5,846
OTHER OPERATING EXPENSES	1,951	1,195	1,066	(5,276)
	68,130	43,776	20,611	12,805
	90,013	(36,682)	41,981	(19,926)
OTHER OPERATING INCOME	168	39	152	39
PROFIT / (LOSS) FROM OPERATIONS	90,181	(36,643)	42,133	(19,887)
FINANCE COST	63,846	56,583	27,734	21,708
PROFIT / (LOSS) BEFORE TAXATION	26,335	(93,226)	14,399	(41,595)
PROVISION FOR TAXATION	(11,086)	(2,571)	(3,927)	(1,732)
PROFIT / (LOSS) AFTER TAXATION	15,249	(95,797)	10,472	(43,327)
EARNINGS PER SHARE- BASIC AND DILUTED (RUPEES)	0.49	(3.07)	0.34	(1.39)

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


(Mian Farrukh Naseem)
CHIEF EXECUTIVE OFFICER


(Mian Aamir Naseem)
DIRECTOR



Sargodha Spinning Mills Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2010 (UN-AUDITED)

(RUPEES IN THOUSAND)

	NINE MONTHS ENDED		QUARTER ENDED	
	31 Mar. 2010	31 Mar. 2009	31 Mar. 2010	31 Mar. 2009
PROFIT / (LOSS) AFTER TAXATION	15,249	(95,797)	10,472	(43,327)
OTHER COMPREHENSIVE INCOME				
Defecit on measurement of available for sale investment	-	(335)	-	(159)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	<u>15,249</u>	<u>(96,132)</u>	<u>10,472</u>	<u>(43,486)</u>

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

(Mian Farrukh Naseem)

CHIEF EXECUTIVE OFFICER

(Mian Aamir Naseem)

DIRECTOR



Sargodha Spinning Mills Limited

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2010 (UN-AUDITED)

(RUPEES IN THOUSAND)

	31 March 2010	31 March 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	26,335	(93,226)
Adjustments for non cash charges and other items:		
Depreciation	36,151	39,979
Gain on disposal of property, plant and equipment	(168)	-
Interest expense due to impact of IAS-39	4,080	5,694
Exchange loss	-	1,195
Finance cost	59,766	50,889
	<u>126,164</u>	<u>4,531</u>
CASH FLOW FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spare parts	1,146	(1,939)
Stock-in-trade	(262,938)	(27,634)
Trade debts	(13,853)	14,897
Loans and advances	(4,082)	(1,421)
Trade deposits and short term prepayments	(580)	534
Other receivables	105	2,451
	<u>(280,202)</u>	<u>(13,112)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	<u>(23,881)</u>	<u>45,453</u>
	<u>(177,919)</u>	<u>36,872</u>
CASH GENERATED FROM / (UTILIZED IN) OPERATIONS		
Finance cost paid	(49,251)	(26,089)
Income tax paid	(9,356)	(3,827)
	<u>(236,526)</u>	<u>6,956</u>
NET CASH GENERATED FROM / (UTILIZED IN) OPERATING ACTIVITIES		



Sargodha Spinning Mills Limited

(RUPEES IN THOUSAND)

	31 March 2010	31 March 2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,419)	(1,525)
Proceeds from sale of property, plant and equipment	2,589	-
Long term security deposits	(204)	(257)
NET CASH USED IN INVESTING ACTIVITIES	(34)	(1,782)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing - secured	57,000	-
Short term borrowings - net	211,037	10,042
Repayment of long term financing - secured	(21,659)	(8,286)
Repayment of finance lease liabilities	(8,633)	(1,597)
NET CASH FROM FINANCING ACTIVITIES	237,745	159
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,185	5,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,489	1,695
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,674	7,028

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


(Mian Farrukh Naseem)
CHIEF EXECUTIVE OFFICER


(Mian Aamir Naseem)
DIRECTOR



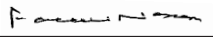
Sargodha Spinning Mills Limited

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2010 (UN-AUDITED)

(RUPEES IN THOUSAND)

	R E S E R V E S				TOTAL EQUITY
	SHARE CAPITAL	Capital	Revenue	Total	
		Fair Value	Accumu- lated Loss		
Balance as at 30 June 2008 - (Audited)	312,000	(2,925)	(227,020)	(229,945)	82,055
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	5,972	5,972	5,972
Fair value adjustment on investment	-	(335)	-	(335)	(335)
Total comprehensive loss for the nine months ended on 31 March 2009	-	-	(95,797)	(95,797)	(95,797)
Balance as at 31 March 2009 - (Un-audited)	312,000	(3,260)	(316,845)	(320,105)	(8,105)
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	1,989	1,989	1,989
Fair value adjustment on investment	-	3,260	-	3,260	3,260
Total comprehensive loss for the period ended on 30 June 2009	-	-	(32,812)	(32,812)	(32,812)
Balance as at 30 June 2009 - (Audited)	312,000	-	(347,668)	(347,668)	(35,668)
Transferred from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	5,410	5,410	5,410
Total comprehensive income for the nine months ended on 31 March 2010	-	-	15,249	15,249	15,249
Balance as at 31 March 2010 - (Un - Audited)	312,000	-	(327,009)	(327,009)	(15,009)

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


(Mian Farrukh Naseem)
CHIEF EXECUTIVE OFFICER


(Mian Aamir Naseem)
DIRECTOR



Sargodha Spinning Mills Limited

SELECTED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

These financial statements are unaudited and being submitted to shareholders as required under section 245 of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). These financial statements should be read in conjunction with the audited annual published financial statements for the year ended 30 June 2009.

3. ACCOUNTING POLICIES

The accounting policies and method 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 2009.

The following amendment to published approved accounting standards relevant to the company has been adopted in the current period:

IAS 1 (Revised) 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The company has preferred to present two statements, a profit and loss account and a statement of comprehensive income. In these financial statements comparative information has been re-presented in conformity with the revised standards. Since this change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

In addition to above, there are other new standards and amendments to published approved accounting standards which are mandatory for financial statements for annual period beginning on or after 01 January 2009 and are also relevant to the company. However, the adoption of these new standards and amendments to standards did not have any significant impact on these financial statements of the company, therefore, are not analyzed in detail.



Sargodha Spinning Mills Limited

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experiences 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 judgements 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 2009.

	(RUPEES IN THOUSAND)	
	31 March 2010 Un-Audited	30 June 2009 Audited
5. LONG TERM FINANCING - SECURED		
Opening balance	242,435	243,700
Add: Obtained during the period	57,000	-
Add: Mark up deferred	33,636	-
Add: Adjustment of IAS-39 during the period / year	4,080	8,520
	<u>337,151</u>	<u>252,220</u>
Less: Repayment during the period/ year	(21,659)	(9,785)
Closing balance	<u>315,492</u>	<u>242,435</u>
Less: Current portion shown under current liabilities	<u>(113,996)</u>	<u>(103,067)</u>
	<u>201,496</u>	<u>139,368</u>
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments	12,657	23,888
Less: Un-amortized finance charges	<u>(903)</u>	<u>(3,501)</u>
Present value of minimum lease payments	11,754	20,387
Less: Current portion shown under current liabilities	<u>(9,829)</u>	<u>(11,034)</u>
	<u>1,925</u>	<u>9,353</u>
7. CONTINGENCIES AND COMMITMENTS		
Contingencies		
i) The company is contingently liable for Rupees 4.161 million (30 June 2009: Rupees 4.161 million) on account of custom duty on humidification plant and excise duty on yarn.		
ii) The company has issued counter-guarantees of Rupees 16.172 million (30 June 2009: Rupees 14.129 million) in favour of the bank for issuing letters of guarantee favouring Sui Northern Gas Pipelines Limited for gas connection.		



Sargodha Spinning Mills Limited

iii) Other receivables include an amount of Rupees 2.290 million (30 June 2009: Rupees 3.090 million) deferred by sales tax department against which company has filed appeals to the Sales Tax Collectorate, Faisalabad and Appellate Tribunal, Lahore.

Commitments

Letters of credit for other than capital expenditure are Rupees 1.605 million (30 June 2009: Rupees 0.535 million)

		(RUPEES IN THOUSAND)	
		31 March 2010	30 June 2009
		Un-Audited	Audited
8.	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets:-		
	Owned assets (Note 8.1)	987,875	1,022,956
	Assets subject to finance lease (Note 8.2)	18,260	19,741
		<u>1,006,135</u>	<u>1,042,697</u>
8.1	OWNED ASSETS		
	Opening book value	1,022,956	1,072,560
	Add: Cost of additions during the period / year (Note 8.1.1)	2,419	1,525
		<u>1,025,375</u>	<u>1,074,085</u>
	Less: Book value of deletions during the period (Note 8.1.2)	2,830	-
		<u>1,022,545</u>	<u>1,074,085</u>
	Less: Depreciation charged during the period / year	34,670	51,129
	Closing book value	<u>987,875</u>	<u>1,022,956</u>
8.1.1	Cost of additions		
	Plant and machinery	2,350	1,504
	Furniture and fixtures	-	21
	Office and other equipment	69	-
		<u>2,419</u>	<u>1,525</u>
8.1.2	Book value of deletions		
	Cost of deletions:		
	Plant and machinery	16,842	-
	Vehicles	478	-
		<u>17,320</u>	<u>-</u>
	Less: Accumulated depreciation	14,490	-
	Book value of deletions during the period	<u>2,830</u>	<u>-</u>
8.2	ASSETS SUBJECT TO FINANCE LEASE		
	Opening book value	19,741	21,934
	Less: Depreciation charged during the period / year	1,481	2,193
	Closing book value	<u>18,260</u>	<u>19,741</u>



Sargodha Spinning Mills Limited

- 8.3 Property, plant and equipment of the company were revalued as at 30 September 1995, 31 March 2004 and 31 December 2007 by independent valuers. The latest revaluation as at 31 December 2007 was carried out only for freehold land by Messers Masud Associates, the approved valuers. Had there been no revaluation, the value of the assets would have been lower by Rupees 619.741 million (30 June 2009: Rupees 631.084 million).

(RUPEES IN THOUSAND)
31 March 2010 30 June 2009
Un-Audited Audited

9. DEFERRED TAX ASSET

The (liability) / asset for deferred taxation originated due to temporary differences relating to:

Deferred tax liability:		
Accelerated tax depreciation	(28,948)	(54,557)
Surplus on revaluation of property, plant and equipment	(40,305)	(44,275)
Finance lease	(835)	-
	(70,088)	(98,832)
Deferred tax asset:		
Finance lease	-	150
Accumulated tax losses	168,938	179,459
Minimum tax available for carry forward	17,103	19,503
	186,041	199,112
	115,953	100,280
Less: Deferred tax asset not recognized	115,953	100,280
	-	-

- 9.1 The net deferred income tax asset of Rupees 115.953 million (30 June 2009: Rupees 100.280 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.



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)
(Un-Audited)

	Nine Months Ended		Quarter Ended	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Associated companies				
Purchase of goods and services	2,058	-	-	-
Sale of goods and Services	4,631	-	-	-
Other related parties				
Company's contribution to employees' provident fund trust	1,636	1,958	627	615
Remuneration paid to chief Executive, directors and executives	2,697	1,890	980	630

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 2009.

12. AUTHORIZED FOR ISSUE

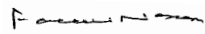
These financial statements have been approved by the Board of Directors of the company and authorised for issue on 28 April 2010.

13. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison. However, no major rearrangement/ regrouping has been made.

14. GENERAL

Figures have been rounded off to nearest thousand rupees.


(Mian Farrukh Naseem)
CHIEF EXECUTIVE OFFICER


(Mian Aamir Naseem)
DIRECTOR