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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 Mehmud

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:

NIB Bank Limited
National Bank of Pakistan
Habib Bank Limited
Bank Al-Falah Limited

Share Registrar:

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

Registered Office:

A-601/B, City Towers,
6-K Main Boulevard,
Gulberg-II, Lahore
Ph: No. 042 - 35788758-59

Mills:

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



DIRECTORS' REPORT

Dear Shareholders,

We are pleased to present un-audited condensed interim financial statements of the Company for the 1st quarter ended September 30, 2009.

During the period under review, the company earned a pretax profit of Rs.5.088 million as compared to pretax profit of Rs. 1.528 million during the corresponding previous quarter. Sales were made amounting to Rs. 377.325 million including export sales of Rs. 334.178 million. At present our company is working on production of cotton carded yarn which is being exported. Spinning Unit No.1, which is closed since March, 2009 has partially restarted its production and it is expected that it will be operative at maximum available capacity upto the period ending 31 March 2010. Earning per share is Rs. 0.05 as against Rs. 0.04 of pervious quarter.

The export market of yarn is showing stability by improving its demand but higher cost of raw material other input costs and reduction in productivity due to load shedding of both Electricity & Gas is affecting the profitability of the company. The Sui Gas department has issued notices for curtailment of gas supply from November 2009 to March 2010.

Financial package announced for the industry in textile policy will help in improving the performance of the textile sector. The management is negotiating with the banks to restructure the outstanding liabilities at the reasonable rate of mark up and other soft terms. Moreover, with better cotton crop and stable prices of yarn, it is expected that the company will yield better results.

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: October 28, 2009



BALANCE SHEET AS

	NOTE	Un-Audited 30-Sep. 2009 (RUPEES IN THOUSAND)	Audited 30-June 2009
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 42,000,000 (30 June 2009: 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 2009: 31,200,000) ordinary shares of Rupees 10 each fully paid up in cash		312,000	312,000
Reserves		(344,329)	(347,668)
Total equity		(32,329)	(35,668)
Surplus on revaluation of property, plant and equipment		584,915	586,720
NON-CURRENT LIABILITIES			
Sponsors' advances - interest free		30,644	30,644
Long term financing-Secured	5	126,293	139,368
Liabilities against assets subject to finance lease	6	6,848	9,353
		163,785	179,365
CURRENT LIABILITIES			
Trade and other payables		200,605	180,762
Accrued mark-up		44,031	43,856
Short term borrowings-Secured		204,008	148,079
Current portion of non-current liabilities		126,861	114,101
Provision for taxation		8,637	5,083
		584,142	491,881
TOTAL LIABILITIES		747,927	671,246
CONTINGENCIES AND COMMITMENTS	7	-	-
TOTAL EQUITY AND LIABILITIES		1,300,513	1,222,298

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


(Mian Farrukh Naseem)
Chief Executive Officer



AS AT SEPTEMBER 2009

	NOTE	Un-Audited 30-Sep. 2009 (RUPEES IN THOUSAND)	Audited 30-June 2009
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,030,653	1,042,697
Long term investments		190	190
Long term Security deposits		5,807	5,807
		<u>1,036,650</u>	<u>1,048,694</u>
Deferred tax	9	-	-
CURRENT ASSETS			
Stores and spare parts		20,185	21,472
Stock in trade		172,363	107,324
Trade debts		33,622	15,453
Loans and advances		3,142	148
Trade deposits and short term prepayments		3,412	1,579
Other receivables		26,907	25,139
Cash and bank balances		4,232	2,489
		263,863	173,604
TOTAL ASSETS		<u><u>1,300,513</u></u>	<u><u>1,222,298</u></u>


(Mian Aamir Naseem)
Director

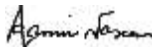


PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED 30 SEPTEMBER 2009
(UN-AUDITED)

	30-Sep. 2009	30-Sep. 2008
	(RUPEES IN THOUSAND)	
SALES	377,325	439,091
COST OF SALES	<u>333,569</u>	<u>407,612</u>
GROSS PROFIT	43,756	31,479
DISTRIBUTION COST	<u>16,751</u>	<u>5,603</u>
ADMINISTRATIVE EXPENSES	<u>5,428</u>	<u>6,776</u>
OTHER OPERATING EXPENSES	<u>268</u>	<u>1,589</u>
	<u>22,447</u>	<u>13,968</u>
PROFIT FROM OPERATIONS	<u>21,309</u>	<u>17,511</u>
FINANCE COST	16,221	15,983
PROFIT BEFORE TAXATION	<u>5,088</u>	<u>1,528</u>
PROVISION FOR TAXATION	(3,554)	(333)
PROFIT AFTER TAXATION	<u>1,534</u>	<u>1,195</u>
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	<u>0.05</u>	<u>0.04</u>

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


(Mian Farrukh Naseem)
Chief Executive Officer


(Mian Aamir Naseem)
Director



CASH FLOW STATEMENT
FOR THE QUARTER ENDED 30 SEPTEMBER 2009
(UN-AUDITED)

	(RUPEES IN THOUSAND)	
	30 SEP. 2009	30 SEP. 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,088	1,528
Adjustments for non-cash charges and other items:		
Depreciation	12,044	13,310
Exchange Loss	-	1,509
Interest expense due to impact of IAS-39	1,563	1,445
Finance cost	14,658	14,538
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	33,353	32,330
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stores and spare parts	1,287	(1,784)
Stock in trade	(65,039)	2,359
Trade debts	(18,169)	18,819
Loans and advances	(2,994)	(4,950)
Trade deposits and short term prepayments	(1,833)	(262)
Other receivables	1,554	706
	(85,194)	14,888
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	19,843	(3,443)
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	(65,351)	11,445
CASH (USED IN) / GENERATED FROM OPERATIONS	(31,998)	43,775
Finance cost paid	(14,483)	(15,694)
Income tax paid	(3,322)	(590)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(49,803)	27,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on Property, plant and equipment	-	(789)
NET CASH USED IN INVESTING ACTIVITIES	-	(789)



(RUPEES IN THOUSAND)

30 SEP. 2009	30 SEP. 2008
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CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long term financing - secured	(2,400)	(5,716)
Repayment of liabilities against assets subject to finance lease	(1,983)	(535)
Short term borrowings- net	55,929	(20,889)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	51,546	(27,140)
<hr/>		
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,743	(438)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,489	1,695
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	4,232	1,257

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

(Mian Farrukh Naseem)
Chief Executive Officer

(Mian Aamir Naseem)
Director

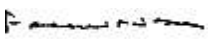


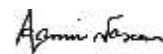
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2009
(UN-AUDITED)

(RUPEES IN THOUSAND)

	SHARE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL RESERVE	REVENUE RESERVE	TOTAL	
		FAIR VALUE RESERVE	ACCUMULATED LOSSES		
Balance as at 30 September 2007	312,000	(2,604)	(182,543)	(185,147)	126,853
Fair value adjustment on investment	-	(321)	-	(321)	(321)
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	-	-	6,607	6,607	6,607
Loss for the nine months ended 30 June 2008	-	-	(51,084)	(51,084)	(51,084)
Balance as at 30 June 2008	312,000	(2,925)	(227,020)	(229,945)	82,055
Fair value adjustment on investment	-	169	-	169	169
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	-	-	1,990	1,990	1,990
Profit for the quarter ended 30 September 2008	-	-	1,195	1,195	1,195
Balance as at 30 September 2008	312,000	(2,756)	(223,835)	(226,591)	85,409
Fair value adjustment on investment	-	2,756	-	2,756	2,756
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	-	-	5,971	5,971	5,971
Loss for the nine months ended 30 June 2009	-	-	(129,804)	(129,804)	(129,804)
Balance as at 30 June 2009	312,000	-	(347,668)	(347,668)	(35,668)
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax	-	-	1,805	1,805	1,805
Profit for the quarter ended 30 September 2009	-	-	1,534	1,534	1,534
Balance as at 30 September 2009	312,000	-	(344,329)	(344,329)	(32,329)

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


(Mian Farrukh Naseem)
Chief Executive Officer


(Mian Aamir Naseem)
Director



NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2009
(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 manufacture and trading of yarn made from raw cotton and synthetic fibre 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 annual financial statements for the year ended 30 June 2009.

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

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 annual published financial statements of the company for the year ended 30 June 2009.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these financial statements are the same as those applied to the preceding annual published financial statements of the company for the year ended 30 June 2009.

	Un-Audited 30 Sep. 2009	Audited 30 June 2009
	(Rupees in thousand)	
5. LONG TERM FINANCING - SECURED		
Opening balance	242,435	243,700
Add: Interest expense due to impact of IAS-39	1,563	8,520
	<u>243,998</u>	<u>252,220</u>
Less: Repayments during the period/ year	(2,400)	(9,785)
	<u>241,598</u>	<u>242,435</u>
Less: Current portion shown under current liabilities	(115,305)	(103,067)
	<u><u>126,293</u></u>	<u><u>139,368</u></u>
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments	21,032	23,888
Less: Un-amortized finance charges	(2,628)	(3,501)
	<u>18,404</u>	<u>20,387</u>
Less: Current portion shown under current liabilities	(11,556)	(11,034)
	<u><u>6,848</u></u>	<u><u>9,353</u></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 amounting to Rupees 14.129 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.		
iii) Other receivables include an amount of Rupees 2.313 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		
i) Letters of credit for other than capital expenditure are Rupees Nil (30 June 2009: Rupees 0.535 million).		



	Un-Audited 30 Sep. 2009 (Rupees in thousand)	Audited 30 June 2009
8. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 8.1)	1,011,406	1,022,956
Assets subject to finance lease (Note 8.2)	<u>19,247</u>	<u>19,741</u>
	<u><u>1,030,653</u></u>	<u><u>1,042,697</u></u>
8.1 OPERATING FIXED ASSETS		
Opening book value	1,022,956	1,072,560
Add: Cost of additions during the year (Note 8.1.1)	<u>-</u>	<u>1,525</u>
	1,022,956	1,074,085
Less: Depreciation charged for the quarter / year	<u>(11,550)</u>	<u>(51,129)</u>
	<u><u>1,011,406</u></u>	<u><u>1,022,956</u></u>
8.1.1 Cost of additions during the year		
Plant and machinery	-	1,504
Furniture and fixtures	<u>-</u>	<u>21</u>
	<u><u>-</u></u>	<u><u>1,525</u></u>
8.2 ASSETS SUBJECT TO FINANCE LEASE		
Opening book value	19,741	21,934
Less: Depreciation charged for the quarter / year	<u>(494)</u>	<u>(2,193)</u>
	<u><u>19,247</u></u>	<u><u>19,741</u></u>

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 628.307 million (30 June 2009: Rupees 631.084 million).

9. DEFERRED TAX

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

Accelerated tax depreciation	(43,303)	(54,557)
Surplus on revaluation of property, plant and equipment	(9,591)	(44,275)
	(52,894)	(98,832)
Finance lease	(35)	150
Accumulated tax losses	177,478	179,459
Minimum tax available for carry forward	<u>19,503</u>	<u>19,503</u>
	144,052	100,280
Less: Deferred tax asset not recognized	<u>(144,052)</u>	<u>(100,280)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

- 9.1 The net deferred income tax asset of Rupees 144.052 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.



10. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related companies and key management personnel. The company in the normal course of business carried out transactions with various related parties. Detail of transactions with related parties are as follows:

(UN-AUDITED)

	30 Sep. 2009	30 Sep. 2008
Associated companies		
Purchase of goods and services	1,488	-
Expense charged in respect of retirement benefit plan	479	695
Remuneration to key management personnel	817	630

(RUPEES IN THOUSAND)

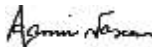
11. AUTHORIZED FOR ISSUE

These financial statements have been approved by the Board of Directors of the company and authorised for issue on 28 October, 2009.

12. GENERAL

Figures have been rounded off to nearest thousand of rupees.


(Mian Farrukh Naseem)
Chief Executive Officer


(Mian Aamir Naseem)
Director