

ANNUAL REPORT 2017



SARGODHA SPINNING MILLS LIMITED

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mian Farrukh Naseem Mian Shahzad Aslam Mian Aamir Naseem Mr. Sajjad Aslam Mr. Saad Naseem Mr. Ahmad Naseem Mr. Umair Abid Mr. Muhammad Shams Amin	Chief Executive Chairman
AUDIT COMMITTEE	Mian Aamir Naseem Mr. Sajjad Aslam Mr. Umair Abid	Chairman Member Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Sajjad Aslam Mr. Ahmad Naseem Mr. Umair Abid	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 Bank Al-Falah Limited	
SHARE REGISTRAR	Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35887262, 35839182 Fax: 042-35869037	
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	



VISION STATEMENT

To Strive for excellence through commitments, integrity, honesty and team work.

MISSION STATEMENT

To be a model amongst the textile spinning, capable of producing high quality blended and hundred percent cotton yarn both for knitting and weaving.

- Complete satisfaction of Buyers/Consumers is our Motto.
- Manufacturing of blended and hundred percent cotton yarn as per the customers' requirements and market demand.
- Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Betterment of Mills Employees as quality policy.
- Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given to all the shareholders of Sargodha Spinning Mills Limited (the "Company") that 31st Annual General Meeting of the Company will be held on Saturday, October 28, 2017 at 10:30 a.m. at A-601/B, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended 30th June, 2017 together with the Directors' and Auditors' Reports thereon.
2. To appoint Auditors and to fix their remuneration for the year ending June 30, 2018.

By Order Of The Board

(Mazhar Hussain)
Company Secretary

Lahore: October 06, 2017

Notes:

1. The Members' Register will remain closed from 22-10-2017 to 28-10-2017 (both days inclusive). Transfers received at Corplink (Pvt.) Limited, Wings Arcade, I-K, Commercial, Model Town, Lahore, the Independent Share Registrar of the Company by the close of business on 21-10-2017 will be treated in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at Registered Office not later than 48 hours before the time for holding the Meeting.
3. Any Individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original C.N.I.C or Passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her C.N.I.C or Passport. Representative of corporate members should bring the usual documents required for such purposes and will further have to follow the guidelines as laid down in circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
4. Submission of Copies of Valid CNICs: Shareholders are requested to submit copy of their valid CNIC mentioning company name & Folio Number at our Share Registrar's address for compliance of SECP SRO No. 831(1)/2012. In case of non-receipt of copy of valid CNIC, the company may be constrained to withhold dispatch of dividend warrants.
5. Transmission of Annual Financial Statements through Email: SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email, those shareholders who are interested in receiving the annual reports electronically in future are required to submit their e-mail address at Registered Office of the Company on a standard request form which is available on Company's website: www.sargodhaspinning.com.
6. Unclaimed Dividend/Shares: Shareholders who could not collect their dividend/physical shares are advised to contact at registered office of the company to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 of the Companies Act, 2017 after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.
7. In compliance with SECP notification No. 634(1)/2014 dated July 10, 2014, the audited financial statements of the Company for the year ended June 30, 2017 are being placed on the Company's website: www.sargodhaspinning.com.
8. Shareholders are requested to immediately notify the change of address, if any to Share Registrar of the Company.



CHAIRMAN'S REVIEW

I am pleased to present the report on the overall performance of the Board and effectiveness of its role in achieving the Company's objective.

During the year, the Board of Directors focused on the future restructuring. The Board regularly tracked the progress against the business plan approved by them. The committees of the board worked diligently and focused on their terms of reference during the year under review.

The Board evaluating the performance of individual Directors, Board Committees and the Board as a whole, and I am confident that your Board continues to function effectively and is focused on priorities for the Company's business.

(Mian Shahzad Aslam)

Chairman, Board of Directors

Lahore: October 06, 2017

**DIRECTORS' REPORT**

Dear Shareholders,

The Directors of the Company welcome you to the 31st Annual General Meeting and take this opportunity to present the Annual Report together with Audited Accounts of the Company for the year ended June 30, 2017.

Financial Results

The financial results of the company in comparative form are as follows:-

	(RUPEES IN THOUSAND)	
	June 30 2017	June 30 2016
Sales	43,270	142,492
Cost of Sales	(67,060)	(204,711)
Gross Loss	(23,790)	(62,219)
Distribution Cost	(411)	(1,610)
Administrative Expenses	(21,706)	(28,903)
Other Expenses	(28,521)	(25,757)
	(50,638)	(56,270)
	(74,428)	(118,489)
Other Income	40,758	52,376
Loss From Operations	(33,670)	(66,113)
Finance Cost	(9,705)	(30,046)
Loss Before Taxation	(43,375)	(96,159)
Taxation	(33,325)	37,218
Loss After Taxation	(76,700)	(58,941)
Loss Per Share - Basic And Diluted (Rupees)	(2.46)	(1.89)

During the year under review, your company sustained after tax loss of Rs. 76.700 million as compared to previous year after tax loss of Rs. 58.941 million. Sales were made amounting to Rs. 43.270 million as compared to previous year sale of Rs. 142.492 million.

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.

The management has taken approval of Board of Directors and Shareholders to sale of land, building, plant & machinery and all other assets installed at mills on January 19, 2017 & March 7, 2017 respectively. The management is hopeful that process of sale will be completed within next one year.

Updating on Sale of Assets

The Members have already approved the sale of company assets in their Extra-Ordinary General meeting held on March 7, 2017. The following assets were disposed and remaining assets are in the process of disposal.

The management has sold following assets and repaid liabilities as under:-



S.No.	Machinery Sold	Description	Amount
1	Blow Room & auxiliaries	Auxiliaries	4.804
2	Cards	76 Nos.	31.428
3	Drawing Frames	03 Nos.	1.320
4	Simplex Frames	01 No.	1.100
5	Cone Winders	05 Nos.	5.217
6	Air Conditioning Plant	01 Set	4.189
7	LT Panel, Transformers and Cabling	01 Set	10.915
		Total	58.973
	Other Assets Sold		
1	Sale of Stocks		43.757
2	Sale of Vehicles		1.150
3	Sale of Investment		2.643
4	Other Receipts		17.648
			65.198
		Total	124.171
	Liabilities Paid		
1	Banks borrowing and markup		69.126
2	Creditors		17.618
3	Sales & Income tax		8.686
4	Other liabilities/expenses		28.388
		Total	123.818
			0.353

Management has called tender for sale of Plant & Machinery and land & building on March 28, 2017 but process of disposal was slow due to current textile business environment. Plant & Machinery and land sale negotiation with different parties are going on and management is expecting disposal of these items in near future.

Dividend

The directors have not recommended any dividend for the year ended June 30, 2017 due to heavy losses and tight liquidity position of the company.

Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity;
- Proper books of account have been maintained by the Company;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment, except for the change in accounting policy as stated in note 2.1(b) to financial statements;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- Because of the factors explained above in the financial results, the Company may not be able to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except those which have been specifically disclosed in Statement of Compliance with the Code of Corporate Governance;
- Key operating and financial data of last six years is annexed to the annual report;



- i. There are no outstanding statutory payments on account of taxes, duties, levies and charges except routine payments of various levies.
- j. Value of investments of provident fund as on 30-06-2017 was Rs. 0.448 million unaudited (2016: Rs.0.374 million unaudited).
- k. The pattern of shareholding and the additional information as required by the CCG is annexed to the annual report.
- l. Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transaction in the company's shares during the year except as disclosed in the pattern of shareholding

Board of Directors Meetings

During the year, five meetings of the Board of Directors were held and attendance of these meetings is as follows:

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
Mian Farrukh Naseem (Chief Executive)	5
Mian Aamir Naseem	5
Mian Shahzad Aslam	5
Mr. Saad Naseem	5
Mr. Sajjad Aslam	4
Mr. Ahmad Naseem	5
Mr. Umair Abid	4
Mr. Muhammad Shams Amin	4

Leave of absence was granted to those directors, who could not attended the meeting.

Audit Committee

During the year five meetings of the Audit Committee were held and attendance of these meetings is as follows:

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mian Aamir Naseem	5
Mr. Sajjad Aslam	4
Mr. Umair Abid	4

Leave of absence was granted to those members, who could not attended the meeting.

Human Resource Committee

During the year one meeting of Human Resource Committee was held and attendance to the meeting is as follows:

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mr. Sajjad Aslam	1
Mr. Umair Abid	1
Mr. Ahmad Naseem	1

Directors Training Programme

In accordance with criteria specified on clause 5.19.7 of CCG, three Directors of the Company are exempted from the requirement of Directors' training programme, one director has obtained the certification and the rest of the directors to be trained within specified time.

**Auditors**

The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment. The audit committee of the board has recommended the re-appointment of M/s Riaz Ahmad & Company, Chartered Accountants, as external auditors of the Company for the year 2017-2018.

Corporate Social Responsibility

The company recognizes that the key to a successful and sustainable business is to give back to the society from where we derive economic benefits. We create value for our local community, employees and the government by providing a vast array of facilities to our employees, financial assistance to the families of our deceased employees, promoting a better work life balance amongst our employees, contributing regularly to the national exchequer as per law.

Health, Safety and Environment

We work continuously to ensure that our employees work in a safe and healthy working environment. Besides, the Company is registered with Social Security Department of the Government and pay regular contribution for the health of worker of the Company.

Work-Life Balance

In order to promote a healthy work – life balance we strictly follow a 9:00 a.m to 5 :30 p.m. working routine. This ensures that our employees have plenty of time after work for extra -curricular activities with their families and friends.

Business Ethics and Anti-corruption Measures

The management is committed to conduct all business activities with integrity, honesty and in full compliance with the current laws and regulations. A code of conduct has been developed and approved by the Board, which is signed by all employees.

Contribution to the National Exchequer

To meet our legal and social obligation towards the development of the economy of the country, the company has contributed Rs. 4.285 million in the FY 2016-17 into the Government exchequer on account of taxes, levies, excise duty and sales tax.

Energy Conservation

The Company has taken many measures at mill premises to conserve the energy by fixing energy conserving devices.

Acknowledgements

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
(Chief Executive)

SAAD NASEEM
(Director)

Lahore: October 06, 2017



مجلس نظام کی رپورٹ

محترم حصص یافتگان،

کمپنی کی مجلس نظام 31 ویں سالانہ عام اجلاس میں آپ کا استقبال کرتی ہے اور 30 جون 2017 کو ختم ہونے والے سال کے لیے کمپنی کے نظر ثانی شدہ حسابات کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

مالیاتی نتائج

کمپنی کے مالیاتی نتائج تقابلی شکل میں حسب ذیل ہیں:-

روپے ہزاروں میں

30 جون 2016	30 جون 2017	
142,492	43,270	خالص فروخت
(204,711)	(67,060)	فروخت کی لاگت
(62,219)	(23,790)	مجموعی منافع
(1,610)	(411)	فروخت اور تقسیم
(28,903)	(21,706)	انتظامی اخراجات
(25,757)	(28,521)	دیگر اخراجات
(56,270)	(50,638)	
(118,489)	(74,428)	
52,376	40,758	دیگر آمدنی
(66,113)	(33,670)	آپریٹنگ نقصان
(30,046)	(9,705)	مالی لاگت
(96,159)	(43,375)	قبل از ٹیکس نقصان
37,218	(33,325)	ٹیکس
(58,941)	(76,700)	بعد از ٹیکس نقصان
(1.89)	(2.46)	نقصان فی شیئر - بنیادی اور کم آمدنی (روپے)

زیر جائزہ سال کے دوران، کمپنی کا گزشتہ سال کے بعد از ٹیکس نقصان 58,941 ملین روپے کے مقابلے بعد از ٹیکس نقصان 76,700 ملین روپے برقرار رہا ہے۔ سال میں کی جانے والی خالص فروخت گزشتہ سال 142,492 ملین روپے پچھلے سال کی فروخت کے برعکس 43,270 ملین روپے تھی۔

کمپنی نے لیکویڈیٹی کی قلت، بجلی کی اعلیٰ لاگت، عالمی کساد بازاری اور ٹیکسٹائل صنعت کی متضاد حالت کے باعث اپریل 2015 اور ستمبر 2015 میں اپنے پونش بند کر دیئے۔ انتظامیہ نے کمپنی کے رقبہ، عمارت، پلانٹ اینڈ مشینری اور ملز میں نصب تمام دیگر اثاثے فروخت کرنے کے لئے بورڈ آف ڈائریکٹرز اور حصص داران کی بالترتیب 19 جنوری 2017 اور 7 مارچ 2017 کو منظوری حاصل کی ہے۔ انتظامیہ پر امید ہے کہ فروخت کا عمل اگلے سال میں مکمل کیا جائے گا۔

اثاثوں کی فروخت پراپ ڈیٹ

7 مارچ 2017 کو منعقدہ اپنے غیر معمولی اجلاس عام میں کمپنی کے اثاثوں کو فروخت کرنے کی ارکان پہلے ہی منظوری دے چکے ہیں۔ درج ذیل اثاثے ڈسپوز کر دیئے گئے اور باقی اثاثے ڈسپوزل کے عمل میں ہیں۔



انتظامیہ درج ذیل اثاثے فروخت کر چکی ہے اور ادائیگی واجبات حسب ذیل ہیں:

نمبر شمار	فروخت مشینری	تفصیل	روپے بلین میں رقم
1	پلوروم اینڈ معاونات	معاونات	4.804
2	کورڈز	76 عدد	31.428
3	ڈرائنگ فریمز	03 عدد	1.320
4	سمپلکس فریمز	01 عدد	1.100
5	کون وائڈرز	05 عدد	5.217
6	ایئر کنڈیشننگ پلانٹ	01 سیٹ	4.189
7	ایل ٹی پینل، ٹرانسفارمرز اینڈ کیبلنگ	01 سیٹ	10.915
		میزان	58.973

دیگر اثاثوں کی فروخت

1	اسٹاک کی فروخت		43.757
2	گاڑیوں کی فروخت		1.150
3	سرمایہ کی فروخت		2.643
4	دیگر سیدات		17.648
			65.198
		میزان	124.171

ادوا واجبات

1	بینکوں کے قرضے اور مارک اپ		69.126
2	قرض دہندگان		17.618
3	سیلز اینڈ اکم ٹیکس		8.686
4	دیگر واجبات / اخراجات		28.388
		میزان	123.818
			0.353

انتظامیہ نے 28 مارچ 2017 کو پلانٹ اینڈ مشینری اور اراضی اینڈ عمارت کو فروخت کرنے کے لئے ٹینڈر طلب کیا لیکن ڈسپوزل کا عمل موجودہ ٹیکسٹائل کے کاروباری ماحول کے باعث سست تھا، پلانٹ اینڈ مشینری اور اراضی کی فروخت کی بات چیت مختلف پارٹیوں کے ساتھ جاری ہے اور انتظامیہ مستقبل قریب میں ان آئٹمز کے ڈسپوزل کی توقع کر رہی ہے۔

منافع منقسمہ

کمپنی کے بھاری نقصانات اور سخت لیکویڈیٹی حالت کے باعث 30 جون 2017 مختتمہ سال کیلئے ڈائریکٹرز نے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- a- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکٹیوٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- b- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- c- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔ ماسوائے اس اکاؤنٹنگ پالیسی کی تبدیلی کے جو کہ مالی حسابات کے نوٹ 2.1(b) میں بیان کی گئی ہے۔
- d- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- e- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- f- مندرجہ بالا مالیاتی نتائج میں وضاحت کے عوامل کی وجہ سے کمپنی کے گونگ کنسرن رہنے پر تشویش ہے۔



- g اسٹاک ایکسچینج کے فہرستی قوانین میں تفصیلی، کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی انحراف نہیں کیا گیا ہے، سوائے جن کا انکشاف کوڈ آف کارپوریٹ گورننس کی تعمیل کے بیان میں خصوصی طور پر کیا گیا ہے۔
- h گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- i مختلف لیویز کی معمول کی ادائیگیوں کے علاوہ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے۔
- j 30 جون 2017 کے مطابق پراویڈنٹ فنڈ کی سرمایہ کاری کی قیمت 0.448 ملین روپے غیر نظر ثانی شدہ (2016 : 0.374 ملین روپے غیر نظر ثانی شدہ) تھی۔
- k شیر ہولڈنگ کا پیٹرن اور CCG کو درکار اضافی معلومات اس سالانہ رپورٹ کے ہمراہ منسلک ہیں؛
- l سال کے دوران کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کے زوج اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں ہوئی ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے اور ان اجلاسوں میں حاضری حسب ذیل ہے:-

نام ڈائریکٹر	تعداد حاضری
میاں فرخ نسیم (چیف ایگزیکٹو)	5
میاں عامر نسیم	5
میاں شہزاد اسلم	5
جناب سعد نسیم	5
جناب سجاد اسلم	4
جناب احمد نسیم	5
جناب عمیر عابد	4
جناب محمد شمس امین	4

ڈائریکٹرز جو اجلاس میں شرکت نہیں کر سکے کو غیر موجودگی کی رخصت عطا کی گئی تھی۔

آڈٹ کمیٹی

سال کے دوران آڈٹ کمیٹی کے پانچ اجلاس منعقد ہوئے اور ان اجلاسوں میں حاضری حسب ذیل ہے:-

نام	تعداد حاضری
میاں عامر نسیم	5
جناب سجاد اسلم	4
جناب عمیر عابد	4

ڈائریکٹرز جو اجلاس میں شرکت نہیں کر سکے کو غیر موجودگی کی رخصت عطا کی گئی تھی۔

ہیومن ریسورس کمیٹی

سال کے دوران ہیومن ریسورس کمیٹی کا ایک اجلاس منعقد ہوا، اجلاس میں حاضری حسب ذیل ہے:-

نام	تعداد حاضری
جناب سجاد اسلم	1
جناب عمیر عابد	1
جناب احمد نسیم	1



ڈائریکٹر ٹریننگ پروگرام

CCG کی شق 5.19.7 پر مجوزہ معیار کے مطابق، کمپنی کے تین ڈائریکٹر تربیتی پروگرام کی ضرورت سے متنبی ہیں، ایک ڈائریکٹر سند یافتہ ہے اور باقی ڈائریکٹر مجوزہ وقت میں کام سیکھ چکے ہیں۔ محاسب

موجودہ محاسب میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے سال 2017-2018 کے لئے کمپنی کے بیرونی محاسب کے طور پر میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی تسلیم کرتی ہے کہ معاشرہ کو اقتصادی فوائد پہنچانا کامیاب اور پائیدار کاروبار کی کلید ہے۔ ہم، اپنے ملازمین کو وسیع سہولیات کی فراہمی، اپنے مرحوم ملازمین کے خاندانوں کی مدد، اپنے ملازمین کے درمیان بہتر کام اور زندگی کے توازن کا فروغ، قانون کے مطابق قومی خزانے میں باقاعدہ حصہ فراہم کر کے اپنی مقامی کمیونٹی، ملازمین اور حکومت کی قدر پیدا کرتے ہیں۔ صحت، حفاظت اور ماحول:

ہم اپنے ملازمین کے لئے محفوظ اور صحت مند کام کا ماحول یقینی بنانے کے لئے مسلسل کام کرتے ہیں۔ اس کے علاوہ، کمپنی حکومت کے سوشل سیکورٹی ڈیپارٹمنٹ کے ہاں رجسٹرڈ ہے اور کمپنی کارکن کی صحت کے لئے باقاعدہ حصہ ادا کر رہی ہے۔

کام اور زندگی کا توازن

صحت کام اور زندگی کے توازن کو فروغ دینے کے لئے ہم سختی سے صبح 9:00 بجے تا سہ پہر 5:30 بجے کام کے معمول کے مطابق عمل کرتے ہیں۔ یہ یقینی بناتا ہے کہ ہمارے ملازمین کے پاس کام کے بعد اپنے اہل خاندان اور دوستوں کے ساتھ غیر نصابی سرگرمیوں کے لئے کافی وقت میسر ہے۔

کاروباری اخلاقیات اور ایٹنی کرپشن کے اقدامات:

انتظامیہ سالمیت، ایمانداری اور موجودہ قوانین و ضوابط کی مکمل پاسداری کے ساتھ تمام کاروباری سرگرمیوں کو منظم کرنے پر کاربند ہے۔ بورڈ کی طرف سے ایک ضابطہ اخلاق تیار اور منظور کیا گیا ہے جس پر تمام ملازمین کے دستخط ہیں۔

قومی خزانے میں شراکت:

ملک کی اقتصادی ترقی کے لئے اپنی قانونی اور سماجی ذمہ داری کو پورا کرنے کے لئے، کمپنی نے ٹیکس، لیویز، ایکسائز ڈیوٹی اور سیلز ٹیکس کی مد میں حکومتی خزانے میں مالی سال 2016-17 میں 4.285 ملین روپے حصہ شامل کیا ہے۔

بجلی کی بچت:

کمپنی نے مل کے احاطہ میں بجلی کی بچت کے آلات نصب کر کے توانائی کے تحفظ کے کئی اقدامات کئے ہیں۔

شکرگزاری

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

منجانب بورڈ

میاں فرخ نسیم

(چیف ایگزیکٹو)

سعد نسیم

(ڈائریکٹر)

لاہور: 06 اکتوبر 2017



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. 5.19 of Listing Regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Sajjad Aslam
	Mr. Umair Abid
	Mr. Muhammad Shams Amin
Chief Executive	Mian Farrukh Naseem
Executive Director	Mr. Saad Naseem
Non-Executive Directors	Mian Shahzad Aslam
	Mian Aamir Naseem
	Mr. Ahmad Naseem

The independent Directors meet the criteria of independence under clause 5.19.1(b) of the Code.

2. The directors have confirmed that none of them is serving as director on more than seven listed companies, including this Company.
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 or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy occurred on the board.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission 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 CEO, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter except for first quarter in which no meeting was held. 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. During the year under review no training program was arranged by the Company. Three Directors of the Company are exempted from the requirement of Directors' training program. One director has obtained certification and the rest will be certified in accordance with clause 5.19.7 of the regulation of the Exchange.
10. There is no change in the position of CFO, Company Secretary during the year. Their remuneration and terms and conditions of employment have been approved by the board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code, except mentioned in this Statement.
15. The Board has formed an Audit Committee. It comprises of three Members, of whom two are independent directors and chairman of the committee is a non-executive director.
16. The meetings of the audit committee were held at least once every quarter, except for first quarter in which no meeting was held, prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three Members, of which two are independent directors and one is a non-executive director. Chairman of the committee is an independent director.
18. Head of internal audit of the Company has been resigned since 31 October 2015. Since then, internal audit function of the Company is not in operation.
19. 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 Accountants 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 the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with except for the annual evaluation of the Board of Directors' own performance, which was not carried out during the year. However, the Board has intention to comply with this requirement.

for and on behalf of the Board

MIAN FARRUKH NASEEM
(Chief Executive)

SAAD NASEEM
(Director)

LAHORE: October 06, 2017



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of SARGODHA SPINNING MILLS LIMITED for the year ended 30 June 2017 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, where the company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the company to comply with the Code.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code requires the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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, 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 as applicable to the Company for the year ended 30 June 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph reference	Description
i) Paragraph 8	No meeting of the Board of Directors of the company was held in first quarter of the year ended 30 June 2017.
ii) Paragraph 16	No meeting of audit committee was held in first quarter of the year ended 30 June 2017.
iii) Paragraph 18	Internal audit function of the company is not in operation since 31 October 2015.
iv) Paragraph 24	Annual evaluation of the Board of Directors' own performance is not carried out during the year ended 30 June 2017.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Date: October 06, 2017

LAHORE



SIX YEARS' FINANCIAL DATA AT A GLANCE

(RUPEES IN THOUSAND)

PARTICULARS	2017	2016	2015	2014	2013	2012
ASSETS EMPLOYED						
Operating Fixed Assets	1,189	1,130,778	1,098,080	1,132,394	1,005,825	1,044,771
Capital Work in Progress	-	-	-	-	54	-
Long Term Investments	-	3,449	5,001	3,863	3,104	924
Long Term Security Deposits	-	1,918	1,971	3,654	3,654	3,654
Deferred Tax	-	-	-	-	-	-
Current Assets	8,931	76,354	157,153	289,795	373,763	405,071
Non-current Assets Held for Sale	1,401,037	-	-	-	-	-
TOTAL ASSETS EMPLOYED	1,411,157	1,212,499	1,262,205	1,429,706	1,386,400	1,454,420
FINANCED BY						
Share Holder's Equity	(165,768)	(103,309)	(57,796)	82,909	112,905	42,526
Surplus on Revaluation of Property, plant & equipment	1,177,152	843,795	774,348	778,435	667,945	672,432
Sponsor Advance - Interest Free	17,455	15,655	14,040	28,465	30,644	30,644
Long Term Financing	-	-	33,798	43,276	65,022	93,403
Current Liabilities	382,318	456,358	497,815	496,621	509,884	615,415
TOTAL EQUITY AND LIABILITIES	1,411,157	1,212,499	1,262,205	1,429,706	1,386,400	1,454,420
PROFIT & LOSS ACCOUNT						
Sales	43,270	142,492	2,051,787	3,053,261	2,975,596	2,337,805
Cost of Sales	67,060	204,711	2,061,792	2,914,308	2,704,416	2,206,256
GROSS PROFIT/(LOSS)	(23,790)	(62,219)	(10,005)	138,953	271,180	131,549
Administrative Expenses	21,706	28,903	47,075	48,161	47,920	36,413
Distribution Cost	411	1,610	30,375	57,091	70,219	56,131
Other Operating Expenses	28,521	25,757	8,872	1,708	19,640	5,048
Other Operating Income	40,758	52,376	10,829	16,578	15,636	7,214
PROFIT / (LOSS) FROM OPERATIONS	(33,670)	(66,113)	(85,498)	48,571	149,037	41,171
Finance Cost	9,705	30,046	40,246	54,280	61,568	79,981
PROFIT / (LOSS) BEFORE TAXATION	(43,375)	(96,159)	(125,744)	(5,709)	87,469	(38,810)
Provision for Taxation	(33,325)	37,218	(21,002)	(30,855)	(23,757)	(22,803)
PROFIT / (LOSS) AFTER TAXATION	(76,700)	(58,941)	(146,746)	(36,564)	63,712	(61,613)
Transfer From Revaluation Surplus	17,500	14,980	4,903	5,809	4,487	5,908
(Deficit)/surplus on revaluation of investment	(3,259)	(1,552)	1,138	759	2,180	614
PREVIOUS YEAR'S BALANCE B/F	(415,309)	(369,796)	(229,091)	(199,095)	(269,474)	(214,383)
BALANCE CARRIED TO B/S	(477,768)	(415,309)	(369,796)	(229,091)	(199,095)	(269,474)
EARNINGS / (LOSS) PER SHARE (Rs.)	(2.46)	(1.89)	(4.70)	(1.17)	2.04	(1.97)
Number of Spindles installed	54,432	54,432	54,432	54,432	54,432	54,432
Number of Spindles worked - average	-	27,094	35,759	43,077	43,380	43,228
Number of Shifts per Day	-	3	3	3	3	3
Actual Production Converted into 20's Count (Kgs. in million)	-	1.484	13.151	16.581	16.692	14.222

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of SARGODHA SPINNING MILLS LIMITED as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, 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 repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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:

- (a) in our opinion, proper books of account have been kept by the company as required by the repealed Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change as stated in note 2.1(b) to the financial statements with which we concur;
 - 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) 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 comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.2 to the financial statements, which states that the company is no longer a going concern, therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively. Estimated realisable / settlement values are based on the management's best estimate. Estimation involves judgements based on the latest available, reliable information, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realised and liabilities will be settled may be different from those carried in these financial statements. Our report is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Date: October 06, 2017

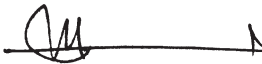
LAHORE

**BALANCE SHEET AS
(RUPEES IN THOUSAND)**

	Note	2017	2016
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 42,000,000 (2016: 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 (2016: 31,200,000) ordinary shares of Rupees 10 each fully paid-up in cash	3	312,000	312,000
Reserves	4	<u>(477,768)</u>	<u>(415,309)</u>
Total equity		<u>(165,768)</u>	<u>(103,309)</u>
Surplus on revaluation of property, plant and equipment	5	1,177,152	843,795
LIABILITIES			
NON - CURRENT LIABILITIES			
Sponsors' advances	6	<u>17,455</u>	<u>15,655</u>
CURRENT LIABILITIES			
Trade and other payables	7	<u>155,597</u>	<u>168,847</u>
Accrued mark-up	8	<u>5,673</u>	<u>11,478</u>
Sponsors' advances	9	<u>127,043</u>	<u>127,043</u>
Short term borrowings	10	<u>92,648</u>	<u>148,066</u>
Provision for taxation		<u>1,357</u>	<u>924</u>
TOTAL LIABILITIES		<u>382,318</u>	<u>456,358</u>
		<u>399,773</u>	<u>472,013</u>
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		<u>1,411,157</u>	<u>1,212,499</u>

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer

**AT 30 JUNE 2017**

		(RUPEES IN THOUSAND)	
	Note	2017	2016
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	12	1,189	1,130,778
Long term investment	13	-	3,449
Long term security deposits	14	-	1,918
Deferred income tax	15	-	-
		<u>1,189</u>	<u>1,136,145</u>
CURRENT ASSETS			
Stores and spare parts	16	3,000	10,219
Stock in trade	17	65	44,207
Trade debts	18	-	1,775
Advances	19	-	286
Short term deposits	20	1,721	1,617
Other receivables	21	3,792	17,982
Cash and bank balances	22	353	268
		<u>8,931</u>	<u>76,354</u>
Non-current assets held for sale	23	<u>1,401,037</u>	<u>-</u>
		<u>1,409,968</u>	<u>76,354</u>
TOTAL ASSETS		<u><u>1,411,157</u></u>	<u><u>1,212,499</u></u>

(Saad Naseem)

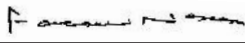
Director



PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 30 JUNE 2017**

		(RUPEES IN THOUSAND)	
	Note	2017	2016
SALES	24	43,270	142,492
COST OF SALES	25	<u>(67,060)</u>	<u>(204,711)</u>
GROSS LOSS		(23,790)	(62,219)
DISTRIBUTION COST	26	<u>(411)</u>	<u>(1,610)</u>
ADMINISTRATIVE EXPENSES	27	<u>(21,706)</u>	<u>(28,903)</u>
OTHER EXPENSES	28	<u>(28,521)</u>	<u>(25,757)</u>
		<u>(50,638)</u>	<u>(56,270)</u>
		<u>(74,428)</u>	<u>(118,489)</u>
OTHER INCOME	29	<u>40,758</u>	<u>52,376</u>
LOSS FROM OPERATIONS		(33,670)	(66,113)
FINANCE COST	30	<u>(9,705)</u>	<u>(30,046)</u>
LOSS BEFORE TAXATION		(43,375)	(96,159)
TAXATION	31	<u>(33,325)</u>	<u>37,218</u>
LOSS AFTER TAXATION		<u>(76,700)</u>	<u>(58,941)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	34	<u>(2.46)</u>	<u>(1.89)</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



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

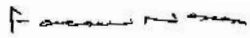
(RUPEES IN THOUSAND)

2017

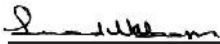
2016

LOSS AFTER TAXATION	(76,700)	(58,941)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Deficit arising on re-measurement of available for sale investment to fair value	(806)	(1,552)
Reclassification adjustment for gains included in profit or loss	(2,453)	-
Other comprehensive loss for the year	(3,259)	(1,552)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(79,959)</u>	<u>(60,493)</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



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

(RUPEES IN THOUSAND)

2017 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation (43,375) (96,159)

Adjustments for non-cash charges and other items:

Depreciation	21,269	33,616
Impairment loss	2,123	20,693
Reversal of impairment loss on fixed assets	(18,332)	-
Gain on sale of property, plant and equipment	(4,128)	(9,724)
Gain on sale of non-current assets held for sale	(13,685)	-
Credit balances written back	(1,212)	(10)
Reclassification adjustment for gains included in profit or loss	(2,453)	-
Long term financing waived off by the bank	-	(35,597)
Mark up on long term financing waived off by the bank	-	(4,803)
Provision for slow moving and obsolete stores and spare parts	6,712	1,823
Provision for doubtful trade debts	1,777	-
Provision for doubtful security deposits	1,814	-
Provision for doubtful sales tax receiveable	15,645	1,805
Provision for doubtful advances	146	-
Exchange loss	304	1,328
Debit balances written off	-	62
Interest expense due to impact of IAS - 39	1,800	15,550
Finance cost	7,905	14,496

Cash flows from operating activities before working capital changes

(23,690) (56,920)

(Increase) / decrease in current assets

Stores and spare parts	507	9,951
Stock in trade	44,142	14,817
Trade debts	(2)	24,811
Advances	140	3,498
Short term deposits and prepayments	-	517
Other receivables	-	(771)
Decrease in trade and other payables	(12,344)	(37,815)

Effect on cash flows due to working capital changes

32,443 15,008

Cash generated from / (used in) operations

8,753 (41,912)

Finance cost paid (13,404) (8,747)

Income tax paid (1,455) (2,334)

Security deposits - net - 53

Net cash used in operating activities (6,106) (52,940)

**(RUPEES IN THOUSAND)****2017****2016****CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of long term investment
 Proceeds from sale of property, plant and equipment
 Proceeds from sale of non-current assets held for sale

2,643	-
26,844	44,360
32,426	-

Net cash from investing activities

61,913

44,360

CASH FLOWS FROM FINANCING ACTIVITIES

Sponsors' advance - Interest free
 Repayment of long term financing - secured
 Short term borrowings - net

-	53,609
-	(23,893)
(55,722)	(28,377)
(55,722)	1,339

Net cash (used in) / from financing activities**Net increase / (decrease) in cash and cash equivalents**

85

(7,241)

Cash and cash equivalents at the beginning of the year

268

7,509

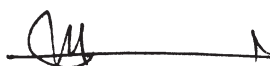
Cash and cash equivalents at the end of the year

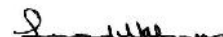
353

268

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


 (Mian Farrukh Naseem)
 Chief Executive


 (Mazhar Hussain)
 Chief Financial Officer


 (Saad Naseem)
 Director

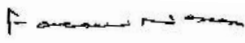


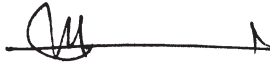
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

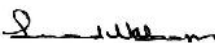
(RUPEES IN THOUSAND)

	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	CAPITAL RESERVE FAIR VALUE RESERVE	ACCUMU- LATED LOSS	EQUITY PORTION OF SPONSORS' ADVANCES	TOTAL EQUITY
Balance as at 30 June 2015	<u>312,000</u>	<u>4,811</u>	<u>(385,014)</u>	<u>10,407</u>	<u>(57,796)</u>
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	14,980	-	14,980
Loss for the year ended 30 June 2016	-	-	(58,941)	-	(58,941)
Other comprehensive loss for the year	-	(1,552)	-	-	(1,552)
Total comprehensive loss for the year	-	(1,552)	(58,941)	-	(60,493)
Balance as at 30 June 2016	<u>312,000</u>	<u>3,259</u>	<u>(428,975)</u>	<u>10,407</u>	<u>(103,309)</u>
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	17,500	-	17,500
Loss for the year ended 30 June 2017	-	-	(76,700)	-	(76,700)
Other comprehensive loss for the year	-	(3,259)	-	-	(3,259)
Total comprehensive loss for the year	-	(3,259)	(76,700)	-	(79,959)
Balance as at 30 June 2017	<u>312,000</u>	<u>-</u>	<u>(488,175)</u>	<u>10,407</u>	<u>(165,768)</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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 fibre and trading of fabric of all types and to generate electricity for internal use.

1.2 Going concern

The Company has incurred net loss of Rupees 76.700 million during the year ended 30 June 2017. Equity of the Company stands at a negative balance of Rupees 165.768 million due to accumulated losses of Rupees 488.175 million as on 30 June 2017. Due to poor economic conditions and adverse market conditions for spinning sector, the Company has shut down its operations during last financial year. During the financial year ended 30 June 2015, certain disputes arose among major shareholders ('parties') regarding election of directors, constitution of the board of directors of the Company and running the affairs of the Company, which resulted in litigation. Subsequently, parties have executed a settlement agreement dated 29 February 2016 to resolve the disputes and lay down a mechanism for effective and seamless handling of the affairs of the Company to avoid any litigation. The parties have constituted a board of directors of the Company with mutual settlement to manage the affairs of the Company. The board has ratified all the steps taken by the management during the period from 31 March 2015 to the date of reconstitution of the board as per the aforesaid agreement. The parties have agreed and accepted that the principal objective is to sell the assets / properties of the Company to pay its liabilities. For this purpose a committee comprising three members has been formed who shall be responsible for sale / disposition of any / all of the assets belonging to the Company after taking required approvals from shareholders and the secured creditors. If the parties fail to comply with their obligations under the aforesaid agreement and that failure results in a deadlock or the Company is unable to hold three consecutive board meetings and or general meeting due to want of quorum, the Company shall be put to voluntary winding up forthwith.

During the year, Executive Director, Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) has issued Order under Section 472 (1) of the repealed Companies Ordinance, 1984 and directed the Company: to obtain approval from shareholders in terms of the applicable laws in respect of the disposal of fixed assets including proper time bound business plan duly approved by the board of directors of the Company to be implemented latest by 30 September 2018; to circulate a statement along with notice of annual general meeting showing book value, sale proceeds, gain / (loss) on disposal of assets and utilization of disposal proceeds pursuant to the shareholders' approval obtained at extra-ordinary general meeting held on 07 March 2017; to update the SECP with regard to the status of disposal of assets and implementation of business plan latest by 10 October 2017 and thereafter within 10 days of the close of the each quarter; and to submit to the SECP by 10 October 2017 a copy of the revival plan and an undertaking approved by the directors of the Company to utilize sufficient funds from disposal of assets for commencement of new business in terms of business plan.

These factors have raised uncertainties that the Company may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated

**2.1 Basis of Preparation****a) Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) 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. Previously, these financial statements were prepared under the historical cost convention, except for certain financial instruments which were carried at their fair value and certain items of property, plant and equipment which were carried at fair value. Had there been no change in this accounting policy, the amounts recognized in the financial statements would have been different as follows:

2017
Rupees in thousand

Impact on balance sheet

Property, plant and equipment would have been higher by	975
Long term security deposit would have been higher by	1,814
Stores and spares would have been higher by	6,712
Trade debts would have been higher by	1,777
Advances would have been higher by	146
Other receivables would have been higher by	15,645

Impact on profit and loss

Loss before taxation would have been lower by	27,069
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Loss per share would have been lower by Rupees	0.87
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c) Critical accounting estimates and judgments

The preparation of 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 judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

**Useful lives, patterns of economic benefits and impairments**

Estimates with respect to useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Estimated realizable / settlement values of assets and liabilities respectively

The Company has started preparing its financial statements using the non-going concern basis of accounting on basis of estimated realizable / settlement values of the assets and liabilities respectively from the current financial year and recorded adjustments of its assets and liabilities (including measurement changes resulting from changes in assumptions). Hence, the Company has recognized impairment loss of Rupees 0.975 million (Note 12.1), provision for doubtful long term security deposits of Rupees 1.814 million (Note 14), provision for slow moving and obsolete store and spare parts of Rupee 6.712 million (Note 16.1), provision for doubtful trade debts of Rupees 1.777 million (Note 18.2), provision for doubtful advances of Rupees 0.146 million (Note 19) and provision for doubtful sales tax receivable of Rupees 15.645 million (Note 21.1) in these financial statements.

Analysis of upside not recognized in the financial statements of the Company on assets is disclosed in Note 12.5, Note 23.1 and Note 23.2 in these financial statements.

The Company has no item that it plans to sell that the Company has not previously recognized in these financial statements.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.



IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive loss and total comprehensive loss.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 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.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31 'Revenue-Barter Transactions Involving Advertising Services'. The aforesaid standard is not expected to have a material impact on the Company's financial statements.



IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Company's financial statements.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 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.

2.2 Employees' retirement benefits

The Company operates a funded provident fund scheme covering all permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 6.25 percent of basic salary to the fund. The Company's contributions to fund are charged to profit and loss account.



2.3 Taxation

a) Current

Provision for current income tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current income tax is calculated using prevailing income tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current income tax also includes adjustments, where considered necessary, to provision for income tax made in previous years arising from assessments framed during the year for such years.

b) Deferred

Deferred income tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is charged or credited in profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.5 Property, plant and equipment

a) Owned

(i) Cost

Property, plant and equipment except freehold land, buildings on freehold land, plant and machinery and capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at revalued amount less any identified impairment loss, buildings on freehold land and plant and machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any, while capital work in progress is stated at cost less any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

(ii) Depreciation

Depreciation on all property, plant and equipment is charged to profit and loss account on the reducing balance method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 12.1. Depreciation charge commences from the month in which asset is available for use and continues until the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

**(iii) De-recognition**

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit and loss account in the year the asset is de-recognized.

b) Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities.

2.6 Non-current assets held for sale

Non-current assets classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

2.7 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement'.

a) Investments at fair value through profit or loss account

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held to maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

**Quoted**

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

Unquoted investments, where the fair value cannot be reliably determined, are recognized at cost less impairment loss, if any.

2.8 Inventories

Inventories, except for stock in transit and waste stock are stated at lower of cost and net realizable value. Cost is determined as follows:

a) Stores and spares

Useable stores and spares are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

b) Stock in trade

Cost of raw material is based on annual average cost. Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon. Waste stock is valued at net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.10 Borrowing cost

Mark-up, interest, profit and other charges on long term financing are capitalized for the period up to the date of commissioning of the respective qualifying assets acquired out of the proceeds of such borrowings. All other mark-up, interest, profit and other charges are charged to profit and loss account during the year.

2.11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.12 Impairment**a) Financial assets**

A financial asset is considered to be impaired if objective evidence indicate that one or more events has a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its current fair value.



Individually significant financial assets are tested for impairment on individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.13 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

2.14 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.15 Revenue recognition

- a) Revenue from sales is recognized on dispatch of goods to customers.
- b) Dividend on equity investment is recognized when the right to receive dividend is established.
- c) Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

2.16 Share capital

Ordinary shares are classified as share capital.

2.17 Financial instruments

Financial instruments are recognized at fair value when the Company becomes party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on the subsequent measurement (except available for sale investments) is charged to the profit and loss account. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses the control over contractual right that comprises the financial asset or a portion of financial asset. While a financial liability or a part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished, i.e., when the obligation specified in contract is discharged, cancelled or expired.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are long term investment, trade debts, deposits, advances, other receivables and cash and bank balances.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are Sponsors' advances, accrued mark up, short term borrowings and trade and other payables.

Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

2.18 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period, in which these are approved by the Board of Directors.

2.19 Cash and cash equivalents

Cash and cash equivalents of the Company consist of cash in hand and balances with banks.

**3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

500 (2016: 500) ordinary shares of the Company are held by Husein Sugar Mills Limited – an associated company.

	(RUPEES IN THOUSAND)	
	2017	2016

4. RESERVES

Composition of reserves is as follows:

Capital reserve - fair value reserve	-	3,259
Accumulated loss	(488,175)	(428,975)
Equity portion of sponsors' advances	10,407	10,407
	<u>(477,768)</u>	<u>(415,309)</u>

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance as at 01 July	896,809	797,195
Add: Surplus incorporated on free hold land during the year	422,750	128,430
Less: Incremental depreciation transferred to statement of changes in equity - (Note 5.1)	8,162	7,594
Less: Surplus transferred to statement of changes in equity on disposal of assets - (Note 5.2)	17,200	14,435
Less: Reversal of surplus on plant and machinery due to impairment loss (Note 12.4)	104,785	6,787
	<u>1,189,412</u>	<u>896,809</u>
Less: Related deferred income tax liability	(12,260)	(53,014)
Closing balance as at 30 June	<u>1,177,152</u>	<u>843,795</u>

5.1 Surplus on revaluation of property, plant and equipment to the extent of depreciation charged on appreciated value of corresponding item of property, plant and equipment is transferred to statement of changes in equity net of deferred tax.

5.2 Surplus on revaluation relating to the property, plant and equipment disposed of during the year is transferred to statement of changes in equity net of deferred tax.

6. SPONSORS' ADVANCES

Interest free and unsecured

Balance as on 30 June (Note 6.1)	21,700	21,700
Gain on recognition of sponsors' advances at fair value	(10,407)	(10,407)
Adjustment due to impact of IAS-39 (Note 6.2)	6,162	4,362
	<u>(4,245)</u>	<u>(6,045)</u>
	<u>17,455</u>	<u>15,655</u>

6.1 These are subordinated to the financing obtained from National Bank of Pakistan and are repayable on 30 June 2019. Fair value of sponsors' advances was estimated at present value of future cash flows discounted at the effective interest rate of 11.50% (2016: 11.50%) per annum.



(RUPEES IN THOUSAND)

6.2 Adjustment due to impact of IAS-39

	2017	2016
Balance as at 01 July	4,362	2,747
Add: Recognized during the year (Note 30)	1,800	1,615
Balance as at 30 June	<u>6,162</u>	<u>4,362</u>

7. TRADE AND OTHER PAYABLES

Creditors (Note 7.1)	77,932	101,280
Accrued liabilities	42,533	56,200
Advances from customers	28,806	3,958
Retention money	131	146
Payable to provident fund trust	3,119	4,317
Income tax deducted at source	777	1,073
Unclaimed dividend	1,066	1,066
Security deposits	14	14
Sales tax payable	1,219	793
	<u>155,597</u>	<u>168,847</u>

7.1 These include amount of Rupees 0.181 million (2016: Rupees 5.911 million) payable to Shadab Textile Mills Limited - associated company.

8. ACCRUED MARK-UP

Short term borrowings	<u>5,673</u>	<u>11,478</u>
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9. SPONSORS' ADVANCES

Interest free and unsecured (Note 9.1)	<u>127,043</u>	<u>127,043</u>
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9.1 Total amount of Rupees 127.043 million is repayable on demand. Therefore, in accordance with TR-32 "Director's loan" issued by Institute of Chartered Accountants of Pakistan these sponsors' advances have not been discounted and recognized at full amount.

10. SHORT TERM BORROWINGS**From banking companies - secured**

Export finance (Note 10.1 and 10.2)	82,144	81,967
Others (Note 10.1 and 10.3)	10,504	66,099
	<u>92,648</u>	<u>148,066</u>

10.1 These borrowings are secured against charge on current assets / fixed assets of the Company and personal guarantees of directors. These facilities are over due at 30 June 2017.

10.2 The rates of mark-up on Pak Rupees finances and US Dollar finance range from 9.05% to 9.12% (2016: 9.35% to 10.01%) per annum and 2.00% to 3.48% (2016: 2.00% to 3.69%) per annum respectively on the balance outstanding.

10.3 The rates of mark-up range from 9.05% to 9.12% (2016: 9.35% to 10.01%) per annum on the balance outstanding.



11. CONTINGENCIES AND COMMITMENTS

Contingencies

- 11.1** The Company is contingently liable for Rupees 4.161 million (2016: Rupees 4.161 million) on account of custom duty on humidification plant and excise duty on yarn.
- 11.2** The Company has issued counter-guarantee of Rupees 17.215 million (2016: Rupees 17.215 million) in favour of the bank for issuing letters of guarantee favouring Sui Northern Gas Pipelines Limited for gas connection and Faisalabad Electric Supply Company for electricity connection.
- 11.3** The Company has not recognized gas infrastructure development cess of Rupees 31.487 million (2016: Rupees 29.44 million) notified by Sui Northern Gas Pipelines Limited (SNGPL) for the period from July 2012 to June 2016. Stay order has been obtained from Honourable Lahore High Court, Lahore. The Management based on advice of legal counsel, believes that it has strong grounds of appeal and payment / accrual of this amount will not be required.
- 11.4** As a result of withholding tax audit for the tax year 2014, the Assistant Commissioner Inland Revenue has raised demand of Rupees 2.052 million under section 161 and 205 of the Income Tax Ordinance, 2001. The Company is in appeal before the Appellant Tribunal Inland Revenue as its appeal before the Commissioner Inland Revenue (Appeals) was unsuccessful. The management expects a favourable outcome of the matter, therefore, provision against this demand has not been made in these financial statements.
- 11.5** During the year ended 30 June 2016, the Assistant Commissioner Inland Revenue raised a demand of Rupees 45.882 million. Alleging mainly that the Company was engaged in supplies to black listed / suspended registered persons during the tax periods from July 2011 to June 2013 to avoid payment of sales tax on sales under the SRO 283(I) / 2011 dated 01 April 2011 and SRO 1125(I) / 2011 dated 31 December 2011. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) against the said order which is in the process of hearing. Further, the Company has obtained stay order from Honourable Lahore High Court, Lahore against the recovery of aforesaid demand till the decision of appeal. Management expects a favourable outcome of the matter, therefore provision against this demand has not been made in these financial statements.

11.6 Commitments

2017 **2016**
(RUPEES IN THOUSAND)

Nil

Nil

12. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - owned (Note 12.1)

(RUPEES IN THOUSAND)

2017 2016

1,189 1,130,778

12.1 Reconciliation of carrying amounts of operating fixed assets at the beginning and at the end of the year is as follows:

	(RUPEES IN THOUSAND)							
	OWNED							
	Freehold land	Buildings on freehold land	Plant and machinery	Electrical installations	Vehicles	Furniture and fixtures	Office and other equipment	Factory equipment
								TOTAL
As at 01 July 2015								
Cost / revalued amount	739,813	158,919	1,208,861	10,723	15,390	2,699	2,161	3,177
Accumulated depreciation	-	(92,945)	(927,427)	(7,571)	(9,875)	(2,039)	(1,522)	(2,284)
Net book value	739,813	65,974	281,434	3,152	5,515	660	639	893
Year ended 30 June 2016								
Opening net book value	739,813	65,974	281,434	3,152	5,515	660	639	893
Disposals:								
Cost	-	-	(77,578)	-	(10,363)	-	-	-
Accumulated depreciation	-	-	46,562	-	6,743	-	-	-
	-	-	(31,016)	-	(3,620)	-	-	-
Surplus on revaluation incorporated during the year	-	7,837	120,593	-	-	-	-	-
Depreciation charge	-	(3,299)	(28,815)	(315)	(968)	(66)	(64)	(89)
Impairment loss (Note 12.4)	-	-	(27,480)	-	-	-	-	-
Closing net book value	739,813	70,512	314,716	2,837	927	594	575	804
As at 30 June 2016								
Cost / revalued amount	739,813	166,756	1,245,089	10,723	5,027	2,699	2,161	3,177
Accumulated depreciation	-	(96,244)	(909,680)	(7,886)	(4,100)	(2,105)	(1,586)	(2,373)
Impairment loss (Note 12.4)	-	-	(20,693)	-	-	-	-	-
Net book value	739,813	70,512	314,716	2,837	927	594	575	804
Year ended 30 June 2017								
Opening net book value	739,813	70,512	314,716	2,837	927	594	575	804
Disposals:								
Cost / revalued amount	-	-	(86,101)	-	(1,742)	-	-	-
Accumulated depreciation	-	-	63,204	-	1,300	-	-	-
Accumulated impairment	-	-	623	-	-	-	-	-
	-	-	(22,274)	-	(442)	-	-	-
Surplus on revaluation incorporated during the year	422,750	-	-	-	-	-	-	-
Impairment loss (Note 12.4)	-	-	(96,982)	-	-	(234)	(317)	(424)
Depreciation charge	-	(2,350)	(18,436)	(189)	(96)	(60)	(58)	(80)
Reversal of impairment loss (Note 29)	-	-	18,332	-	-	-	-	-
Reclassified to non-current assets held for sale:								
Cost / revalued amount	(1,162,563)	(166,756)	(1,062,006)	(10,723)	-	-	-	-
Accumulated depreciation	-	98,594	864,912	8,075	-	-	-	-
Accumulated impairment	-	-	1,738	-	-	-	-	-
	(1,162,563)	(68,162)	(195,356)	(2,648)	-	-	-	-
Closing net book value	-	-	-	-	389	300	200	300
As at 30 June 2017								
Cost / revalued amount	-	-	-	-	3,285	2,699	2,161	3,177
Accumulated depreciation	-	-	-	-	(2,896)	(2,165)	(1,644)	(2,453)
Accumulated impairment [Note 2.1(c)]	-	-	-	-	-	(234)	(317)	(424)
Net book value	-	-	-	-	389	300	200	300
Annual rate of depreciation (%)	-	5	10	10	20	10	10	10



12.2 Detail of property, plant and equipment, exceeding the book value of Rupees 50,000, disposed of during the year is as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	QTY	COST/ REVALUED AMOUNT	ACCUMULATED DEPRECIATION	ACCUMU- LATED	NET BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Plant and Machinery								
China Card A-186F	2	470	263	-	207	361	Negotiation	Mr. Khalid Javed, Faisalabad
China Card A-186F	7	1,646	932	-	714	1,295	Negotiation	Shadab Textile Mills Limited - Associated company
Transformer 1250 Kva Seimens	1	2,080	1,429	-	651	683	Negotiation	Asim Textile Mills Limited, Faisalabad
Simplex Fa 415-A	1	2,528	1,207	623	698	1,000	Negotiation	Shadab Textile Mills Limited - Associated company
China Card A-186F	6	1,506	751	-	755	1,036	Negotiation	Meo Engineering Company, Lahore
China Card A-186F	6	1,506	751	-	755	1,036	Negotiation	Meo Engineering Company, Lahore
Crosrol Mk-4 Card UK	8	16,711	13,590	-	3,121	2,896	Negotiation	Ghulam Rasool Textile Mills Limited, Faisalabad
Multimixer 10 Chamber	1	8,713	7,647	-	1,066	1,075	Negotiation	Bashir And Sons Industries, Lahore
Multimixer 08 Chamber	1	7,295	6,402	-	893	900	Negotiation	Ghulam Rasool Textile Mills Limited, Faisalabad
Crosrol Mk-4 Card UK	4	8,355	6,808	-	1,547	1,780	Negotiation	Karam Spinning Mills, Sheikhpura
Card Machine Trutzchler	2	16,748	8,154	-	8,594	9,800	Negotiation	Mayfair Limited, Lahore
Crosrol Mk-4 Card	3	6,266	5,126	-	1,140	1,335	Negotiation	Karam Spinning Mills, Sheikhpura
RV Beather	1	4,421	3,894	-	527	545	Negotiation	Paradise Spinning Mills Limited, Faisalabad
Drawing Machine Toyoda	3	6,418	5,281	-	1,137	1,200	Negotiation	Shadab Textile Mills Limited - Associated company
Compressor Boge S-75	1	1,438	969	-	469	752	Negotiation	Shadab Textile Mills Limited - Associated company
		86,101	63,204	623	22,274	25,694		
Vehicles								
Toyota Corrola (LEC-10-2486)	1	1,742	1,300	-	442	1,150	Negotiation	Syed Zahur Hussain, Mansehra
		<u>87,843</u>	<u>64,504</u>	<u>623</u>	<u>22,716</u>	<u>26,844</u>		



**(RUPEES IN THOUSAND)**

	2017	2016
12.3 Depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 25)	20,310	32,374
Distribution cost (Note 26)	41	79
Administrative expenses (Note 27)	918	1,163
	<u>21,269</u>	<u>33,616</u>
12.4 Impairment loss has been allocated as follows:		
Reversal of surplus on revaluation (Note 5)	104,785	6,787
Charged to profit and loss account - other expenses (Note 28)	2,123	20,693
	<u>106,908</u>	<u>27,480</u>
12.5 Upside against vehicles in own used, not carried under the revaluation model, as on the reporting date is Rs. 2.056 million. This is not recognized in the profit and loss account of the Company.		
13. LONG TERM INVESTMENT		
Available for sale		
Quoted		
Sajjad Textile Mills Limited		
Nil (2016: 344,900) fully paid ordinary shares of Rupees 10 each	-	3,449
Less: Impairment loss charged to profit and loss account	-	3,259
Add: Fair value adjustment	-	3,259
	<u>-</u>	<u>3,449</u>
14. LONG TERM SECURITY DEPOSITS		
Long term security deposits	1,814	1,814
Deposit - margin against bank guarantee	104	104
	<u>1,918</u>	<u>1,918</u>
Less: Current portion (Note 20)	104	-
	<u>1,814</u>	<u>1,918</u>
Less: Provision for doubtful long term security deposits (Note 28)	1,814	-
	<u>-</u>	<u>1,918</u>
15. DEFERRED INCOME TAX		
The (liability) / asset for deferred income tax originated due to temporary differences relating to:		
Accelerated tax depreciation	(41,825)	(44,806)
Surplus on revaluation of property, plant and equipment	(12,260)	(53,014)
	<u>(54,085)</u>	<u>(97,820)</u>
Accumulated tax losses	117,801	128,534
	<u>63,716</u>	<u>30,714</u>
Less: Deferred income tax asset not recognized	63,716	30,714
	<u>-</u>	<u>-</u>
15.1 The net deferred income tax asset of Rupees 63.716 million (2016: Rupees 30.714 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilized.		



(RUPEES IN THOUSAND)

16. STORES AND SPARE PARTS

	2017	2016
Stores	1,195	1,195
Spare parts	11,002	11,509
	<u>12,197</u>	<u>12,704</u>
Less: Provision for slow moving and obsolete stores and spare parts (Note 16.1)	9,197	2,485
	<u>3,000</u>	<u>10,219</u>

16.1 Provision for slow moving and obsolete stores and spare parts

Balance as at 01 July	2,485	662
Add: Recognized during the year (Note 28)	6,712	1,823
Balance as at 30 June	<u>9,197</u>	<u>2,485</u>

17. STOCK IN TRADE

Raw material	65	129
Finished goods	-	44,078
	<u>65</u>	<u>44,207</u>

17.1 Stock in trade of Rupees 0.065 million (2016: Rupees 44.207 million) is being carried at net realizable value.

17.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 0.064 million (2016: Rupees 12.216 million).

18. TRADE DEBTS**Considered good:**

Unsecured - local	-	1,775
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Considered doubtful:

Others - Unsecured	2,589	812
Less: Provision for doubtful trade debts (Note 18.2)	2,589	812
Balance as on 30 June	<u>-</u>	<u>-</u>

18.1 As at 30 June 2017, trade debts of Rupees Nil (2016: Rupees 1.775 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

Upto 1 month	-	12
1 to 6 months	-	33
More than 6 months	-	1,730
	<u>-</u>	<u>1,775</u>

18.2 Provision for doubtful trade debts

Opening balance	812	1,112
Add: Charged during the year (Note 28)	1,777	-
Less: Reversal made during the year (Note 29)	-	300
Closing balance	<u>2,589</u>	<u>812</u>



(RUPEES IN THOUSAND)

19. ADVANCES

2017 2016

Considered good

Suppliers - 286

Considered doubtful

Suppliers	146	-
Less: Provision for doubtful advances (Note 28)	146	-
	-	286

20. SHORT TERM DEPOSITS

Deposits – margin against letters of guarantee	1,617	1,617
Current portion of long term security deposit (Note 14)	104	-
	1,721	1,617

21. OTHER RECEIVABLES

Sales tax receivable:

Considered good	-	15,645
Considered doubtful	22,768	7,123

	22,768	22,768
Less: Provision for doubtful sales tax receivable (Note 21.1)	22,768	7,123

	-	15,645
Advance income tax	3,792	2,337
	3,792	17,982

21.1 Provision for doubtful sales tax receivable

Opening balance	7,123	5,318
Add: Charged during the year (Note 28)	15,645	1,805
Closing balance	22,768	7,123

22. CASH AND BANK BALANCES

Cash in hand	56	6
Cash with banks:		
Current accounts	297	262
	353	268

23. NON-CURRENT ASSETS HELD FOR SALE

The shareholders of the Company have resolved in extra-ordinary general meeting held on 07 March 2017 to dispose of land, buildings and plant and machinery along with all other assets installed. These non-current assets have been classified as held for sale at lower of their carrying amount and fair value less costs to sell in accordance with the requirements of International Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations". Categories wise break up non-current assets classified as held for sale is summarized as follows:



(RUPEES IN THOUSAND)

Non - current assets classified as held for sale

	2017	2016
Freehold land (Note 23.1)	1,162,563	-
Buildings on freehold land (Note 23.2)	66,974	-
Electrical installations (Note 23.3)	1,500	-
Plant and machinery (Note 23.4)	170,000	-
	<u>1,401,037</u>	<u>-</u>

23.1 Freehold land

Transferred from operating fixed assets (Note 12.1)	<u>1,162,563</u>	<u>-</u>
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The freehold land is carried at revalued amount with a surplus of Rupees 1,148.547 million included in the surplus on revaluation of property, plant and equipment in Note 5. Book value of freehold land on cost basis as on the reporting date is Rupees 14.016 million.

According to latest revaluation carried out as on 30 June 2017 by Hamid Mukhtar and Company (Private) Limited - approved valuer, fair market value of freehold land is Rupees 1,163.000 million. Hence, there is an upside of Rupees 0.437 million against freehold land not recognized in these financial statements.

23.2 Buildings on freehold land

Transferred from operating fixed assets (Note 12.1)	68,162	-
Less: Carrying amount of building disposed of	<u>1,188</u>	<u>-</u>
	<u>66,974</u>	<u>-</u>

Gain on disposal of non-current assets held for sale

Sale proceeds	5,730	-
Less: Carrying amount of building disposed of	<u>1,188</u>	<u>-</u>
	<u>4,542</u>	<u>-</u>

This represents disposal made to Shadab Textile Mills Limited - associated company.

The buildings on freehold land are carried at revalued amount with a surplus of Rupees 28.447 million included in the surplus on revaluation of property, plant and equipment in Note 5. Book value of buildings on freehold land as on the reporting date is Rupees 38.527 million.

According to latest revaluation carried out as on 30 June 2017 by Evaluation Focused Consulting - approved valuer, fair market value of buildings on freehold land is Rupees 70.512 million. Hence, there is an upside of Rupees 3.538 million against buildings on freehold land not recognized in these financial statements.

23.3 Electric installations

Transferred from operating fixed assets (Note 12.1)	2,648	-
Less: Impairment loss (Note 12.4)	<u>1,148</u>	<u>-</u>
	<u>1,500</u>	<u>-</u>

According to latest revaluation carried out as on 30 June 2017 by Hamid Mukhtar and Company (Private) Limited - approved valuer, fair market value of electric installations is Rupees 1.500 million.



(RUPEES IN THOUSAND)

23.4 Plant and machinery

Transferred from operating fixed assets (Note 12.1)	195,356	-
Less: Carrying value of plant and machinery disposed of (Note 23.5)	17,553	-
Less: Impairment loss (Note 12.4)	7,803	-
	<u>170,000</u>	<u>-</u>

Gain on disposal of non-current assets held for sale

Sale proceeds (Note 23.5)	26,696	-
Less: Carrying value of plant and machinery disposed of (Note 23.5)	17,553	-
	<u>9,143</u>	<u>-</u>

The plant and machinery is carried at revalued amount with a surplus of Rupees 12.418 million included in the surplus on revaluation of property, plant and equipment in Note 5. Book value of plant and machinery on cost basis as on the reporting date is Rupees 157.582 million.

According to latest revaluation carried out as on 30 June 2017 by Hamid Mukhtar and Company (Private) Limited - approved valuer, fair market value of plant and machinery is Rupees 170.000 million.

23.5 Detail of disposal of plant and machinery classified as held for sale is as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	QTY	CARRYING VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
China Card A-186F	6	749	1,036	Negotiation	Meo Engineering Company, Lahore
China Card A-186F	6	749	1,036	Negotiation	Meo Engineering Company, Lahore
Electric Cables	1	93	292	Negotiation	Escort Advance Textile (Pvt.) Ltd, Lahore
Electric Cables	1	278	957	Negotiation	Escort Advance Textile (Pvt.) Ltd, Lahore
Electric Cables	1	123	355	Negotiation	Escort Advance Textile (Pvt.) Ltd, Lahore
Electric Cables	1	155	456	Negotiation	Escort Advance Textile (Pvt.) Ltd, Lahore
Electric Cables	1	278	936	Negotiation	Escort Advance Textile (Pvt.) Ltd, Lahore
Electric Cables	1	989	2,805	Negotiation	Madina Electric Engineering, Lahore
Crosrol Card Mk - 4	9	3,486	1,575	Negotiation	Paracha Cotton, Lahore
Transformer 2000 Kva Siemens	1	330	1,100	Negotiation	Mr. Mazhar Abbas, Faisalabad
Air Condoner	1	43	1,681	Negotiation	Madina Electric Engineering, Lahore
Roving Opening Machine	1	-	425	Negotiation	Tools Craft, Lahore
Magnets	2	-	200	Negotiation	Escort Advance Textile (Pvt.) Ltd, Lahore
Compressor Boge	1	193	560	Negotiation	Matco (Private) Limited, Islamabad
Murata Mach Coner 7-II	1	649	925	Negotiation	Shadman Cotton Mills Limited, Lahore
Crosrol Mk-4 Card UK	3	1,101	945	Negotiation	Imtiaz Textile Mills Limited, Chichawatni
Crosrol Mk-4 Card UK	3	1,101	945	Negotiation	Imtiaz Textile Mills Limited, Chichawatni
Crosrol Mk-4 Card UK	3	1,101	945	Negotiation	Imtiaz Textile Mills Limited, Chichawatni
Murata Mach Coner 7-II	2	1,298	1,850	Negotiation	Shadman Cotton Mills Limited, Lahore
Compressor Boge	1	193	560	Negotiation	Matco (Private) Limited, Islamabad
Murata Mach Coner 7-II	1	649	925	Negotiation	Nagra Spinning Mills, Faisalabad
Murata Mach Coner 7-II	1	649	925	Negotiation	Nagra Spinning Mills, Faisalabad
Crosrol Mk-4 Card UK	8	2,937	2,520	Negotiation	Imtiaz Textile Mills Limited, Chichawatni
RV Beather Trutzchler Model 1991	2	269	1,092	Negotiation	Mr. Iftikhar Khan Lodhi, Mandibahauddian
LT Panel Siemens	1	44	550	Negotiation	Mr. Mazhar Abbas, Faisalabad
LT Panel - Bilal Engineering	2	96	1,100	Negotiation	Mr. Muhammad Ramzan, Faisalabad
		<u>17,553</u>	<u>26,696</u>		



(RUPEES IN THOUSAND)

24. SALES

	2017	2016
Local	43,757	146,810
Waste	-	1,489
	<u>43,757</u>	<u>148,299</u>
Less: Sales tax	487	5,807
	<u>43,270</u>	<u>142,492</u>

25. COST OF SALES

Raw materials consumed / written off (Note 25.1)	64	91,615
Salaries, wages and other benefits (Note 25.2)	629	23,272
Packing materials consumed	-	3,144
Stores and spare parts	-	12,751
Fuel and power	711	33,620
Repair and maintenance	1,257	1,002
Insurance	11	49
Depreciation (Note 12.3)	<u>20,310</u>	<u>32,374</u>
	22,982	197,827
Work-in-process inventory		
Opening stock	-	9,319
Closing stock	-	-
	-	9,319
Cost of goods manufactured	22,982	207,146
Cost of sales - raw material purchased for resale	-	25,207
Finished goods inventory		
Opening stock	44,078	16,436
Closing stock	-	(44,078)
	<u>44,078</u>	<u>(27,642)</u>
	<u>67,060</u>	<u>204,711</u>

25.1 Raw materials consumed / written off

Opening stock	129	33,269
Add: Purchases	-	58,475
	<u>129</u>	<u>91,744</u>
Less: Closing stock	65	129
	<u>64</u>	<u>91,615</u>

25.2 Salaries, wages and other benefits include Rupees Nil (2016: Rupees 0.203 million) in respect of contributions towards provident fund.

26. DISTRIBUTION COST

Commission to selling agents	272	914
Salaries and other benefits (Note 26.1)	-	376
Freight and handling – local	98	241
Depreciation (Note 12.3)	<u>41</u>	<u>79</u>
	<u>411</u>	<u>1,610</u>

26.1 Salaries and other benefits include Rupees Nil (2016: Rupees 0.013 million) in respect of contributions towards provident fund.



(RUPEES IN THOUSAND)

	2017	2016
27. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 27.1)	13,629	15,099
Travelling and conveyance	98	498
Rent, rates and taxes	672	1,892
Printing and stationery	369	373
Communication	259	357
Utilities	1,584	2,252
Vehicles' running	925	1,724
Insurance	7	55
Fee and subscription	509	723
Entertainment	86	139
Legal and professional	1,720	2,747
Auditors' remuneration (Note 27.2)	500	500
Repair and maintenance	284	1,298
Advertisement	146	59
Depreciation (Note 12.3)	918	1,163
Miscellaneous	-	24
	<u>21,706</u>	<u>28,903</u>
27.1 Salaries and other benefits include Rupees 0.105 million (2016: Rupees 0.177 million) in respect of contributions towards provident fund.		
27.2 Auditors' remuneration		
Annual audit fee	500	500
Half yearly review fee	-	-
	<u>500</u>	<u>500</u>
28. OTHER EXPENSES		
Exchange loss	304	1,328
Impairment loss (Note 12.4)	2,123	20,693
Provision for slow moving and obsolete stores and spare parts (Note 16.1)	6,712	1,823
Debit balances written off	-	62
Provision for doubtful trade debts (Note 18.2)	1,777	-
Provision for doubtful advances (Note 19)	146	-
Provision for doubtful long term security deposits (Note 14)	1,814	-
Provision for doubtful sales tax receivable (Note 21.1)	15,645	1,805
Penalty (Note 28.1)	-	30
Miscellaneous	-	16
	<u>28,521</u>	<u>25,757</u>
28.1 This represents penalty paid to Federal Board of Revenue against late filling of monthly withholding statements.		
29. OTHER INCOME		
Income from financial assets		
Credit balances written back	1,212	10
Reclassification adjustment for gains included in profit or loss	2,453	-
Long term loan waived off by the bank	-	35,597
Mark up on long term loan waived off by the bank	-	4,803
Reversal of provision for doubtful trade debts (Note 18.2)	-	300

**(RUPEES IN THOUSAND)**

	2017	2016
Income from non-financial assets		
Sale of scrap	948	1,942
Gain on sale of fixed assets	4,128	9,724
Gain on sale of non-current assets held for sale	13,685	-
Reversal of impairment loss on fixed assets (Note 12.1)	18,332	-
	<u>40,758</u>	<u>52,376</u>
30. FINANCE COST		
Mark-up on:		
Long term financing	-	1,357
Short term borrowings	6,986	11,239
Adjustment due to impact of IAS - 39 (Note 6.2)	1,800	15,550
Bank and other charges	613	1,507
Interest on employees' provident fund	306	393
	<u>9,705</u>	<u>30,046</u>
31. TAXATION		
Current:		
- For the year (Note 31.1)	433	-
- Prior year	-	(1)
- Deferred tax	32,892	(37,217)
	<u>33,325</u>	<u>(37,218)</u>

31.1 Due to carry forwardable tax losses of Rupees 392.672 million (2016: Rupees 414.626 million) provision for current income tax represents only minimum tax under section 113 of the Income Tax Ordinance, 2001. It is impracticable to prepare the tax charge reconciliation for the years presented.

32. REMUNERATION TO CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, allowances including all benefits to the Chief Executive, Director and Executives of the Company is as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	2017			2016		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	1,800	770	541	1,395	463	1,135
House rent	720	308	211	628	208	511
Utility allowance	180	77	35	163	54	132
Medical allowance	300	31	54	140	46	114
Contribution to employees' provident fund trust	-	-	-	-	-	36
	<u>3,000</u>	<u>1,186</u>	<u>841</u>	<u>2,326</u>	<u>771</u>	<u>1,928</u>
Number of persons	1	1	1	1	1	2

32.1 Chief executive and director are provided with the Company maintained vehicles.

32.2 No meeting fee was paid to directors during the year under reference (2016: Rupees Nil).

32.3 No remuneration was paid to non-executive directors of the Company.

**33. 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. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

		(RUPEES IN THOUSAND)	
		2017	2016
i) Transactions			
Associated company			
Purchase of raw material		-	4,201
Scrap sale		708	1,894
Sale of raw material		-	15,391
Sale of operating fixed assets		9,975	20,350
Head office rent expense		-	1,260
Office maintenance charges		-	759
Other related party			
The Company's contribution to provident fund trust		105	393
ii) Period end balances			
Associated company			
Payable to Shadab Textile Mills Limited		181	5,911
Other related party			
Payable to provident fund trust		3,119	4,317

34. LOSS PER SHARE – BASIC AND DILUTED

There is no dilutive effect on the basic loss per share, which is based on

Loss attributable to ordinary shareholders	(Rupees in thousand)	<u>(76,700)</u>	<u>(58,941)</u>
Weighted average number of ordinary shares	(Numbers)	<u>31,200,000</u>	<u>31,200,000</u>
Loss per share - Basic	(Rupees)	<u>(2.46)</u>	<u>(1.89)</u>

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund for the years ended 30 June 2016 and 30 June 2017:

Size of the fund - Total assets	3,567	4,707
Cost of investments	448	374
Percentage of investments made	12.56%	7.95%
Fair value of investments	448	374

35.1 The break-up of cost of investments is as follows:

		PERCENTAGE		(RUPEES IN THOUSAND)	
		2017	2016	2017	2016
Bank deposits		<u>100</u>	<u>100</u>	<u>448</u>	<u>374</u>



35.2 Investments out of the provident fund trust have been made in accordance with the provisions of section 218 of Companies Act, 2017 and the rules formulated for this purpose.

	2017	2016
36. NUMBER OF EMPLOYEES		
Number of employees as on June 30	38	32
Average number of employees during the year	36	134

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, interest rate risk, other price risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to short term borrowings only. The Company uses forward exchange contracts to hedge its foreign currency risk, when considered appropriate. The Company's exposure to currency risk was as follows:

Short term borrowing - USD	591,852	591,852
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The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	104.29	104.29
Reporting date rate	104.50	104.70

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 3.092 million higher / lower (2016: Rupees 3.098 million) mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

**(ii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	(RUPEES IN THOUSAND)	
	2017	2016
Fixed rate instruments	-	-
Floating rate instruments		
Financial liabilities		
Short term borrowings	92,648	148,066

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 0.926 million (2016: Rupees 1.481 million) higher / lower mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:



Index	Statement of other comprehensive income (fair value reserve)	
-------	--	--

(RUPEES IN THOUSAND)

	2017	2016
PSX 100 (5% increase in)	-	172
PSX 100 (5% decrease in)	-	(172)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on remeasurement of equity investment classified as available for sale.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Long term investment	-	3,449
Deposits	1,721	3,535
Trade debts	-	1,775
Bank balances	297	262
	<u>2,018</u>	<u>9,021</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

RATING			(RUPEES IN THOUSAND)	
Short Term	Long Term	Agency	2017	2016

Banks

National Bank of Pakistan	A1+	AAA	PACRA	18	3
Bank Alfalah Limited	A1+	AA	PACRA	1	1
Habib Bank Limited	A-1+	AAA	JCR-VIS	-	10
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	13	15
NIB Bank Limited	A1+	AA-	PACRA	7	7
Meezan Bank Limited	A-1+	AA	JCR-VIS	258	226
				<u>297</u>	<u>262</u>

The Company's exposure to credit risk and impairment losses, if any related to trade debts is disclosed in Note 18.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In spite of the fact that the Company is in a negative working capital position at the year end, the management believes that the liquidity risk is manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:



Contractual maturities of financial liabilities as at 30 June 2017:

(RUPEES IN THOUSAND)

Carrying amount	Contractual cash flows	6 Month or less	6-12 month	1-2 Year	More than 2 Years
-----------------	------------------------	-----------------	------------	----------	-------------------

Non-derivative financial liabilities:

Sponsors' advances	144,498	148,743	127,043	-	21,700	-
Trade and other payables	121,676	121,676	121,676	-	-	-
Accrued mark-up	5,673	5,673	5,673	-	-	-
Short term borrowings	92,648	92,648	92,648	-	-	-
	<u>364,495</u>	<u>368,740</u>	<u>347,040</u>	<u>-</u>	<u>21,700</u>	<u>-</u>

Contractual maturities of financial liabilities as at 30 June 2016:

(RUPEES IN THOUSAND)

Carrying amount	Contractual cash flows	6 Month or less	6-12 month	1-2 Year	More than 2 Years
-----------------	------------------------	-----------------	------------	----------	-------------------

Non-derivative financial liabilities:

Sponsors' advances	142,698	148,743	127,043	-	-	21,700
Trade and other payables	158,706	158,706	158,706	-	-	-
Accrued mark-up	11,478	11,478	11,478	-	-	-
Short term borrowings	148,066	148,066	148,066	-	-	-
	<u>460,948</u>	<u>466,993</u>	<u>445,293</u>	<u>-</u>	<u>-</u>	<u>21,700</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark-up have been disclosed in Note 10 to these financial statements.

(RUPEES IN THOUSAND)

Loans and receivables

37.2 Financial instruments by categories

As at 30 June 2017

Assets as per balance sheet

Deposits	1,721
Cash and bank balances	353
	<u>2,074</u>

(RUPEES IN THOUSAND)

Liabilities as per balance sheet

Financial liabilities at amortized cost

Sponsors' advances	144,498
Trade and other payables	121,676
Accrued mark-up	5,673
Short term borrowings	92,648
	<u>364,495</u>

(RUPEES IN THOUSAND)

Loans and receivables	Available for sale	Total
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As at 30 June 2016

Assets as per balance sheet

Long term investment	-	3,449	3,449
Deposits	3,535	-	3,535
Trade debts	1,775	-	1,775
Cash and bank balances	268	-	268
	<u>5,578</u>	<u>3,449</u>	<u>9,027</u>



(RUPEES IN THOUSAND)

Financial liabilities at amortized cost**Liabilities as per balance sheet**

Sponsors' advances	142,698
Trade and other payables	158,706
Accrued mark-up	11,478
Short term borrowings	148,066
	<u>460,948</u>

38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

39. PLANT CAPACITY AND ACTUAL PRODUCTION

Due to shortage of working capital and heavy losses, the Company has ceased its production activities since September 2015.

40. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**(i) Fair value hierarchy**

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

(RUPEES IN THOUSAND)

Recurring fair value measurements At 30 June 2017	Level 1	Level 2	Level 3	Total
Financial asset				
Available for sale financial asset	-	-	-	-

(RUPEES IN THOUSAND)

Recurring fair value measurements At 30 June 2016	Level 1	Level 2	Level 3	Total
Financial asset				
Available for sale financial asset	3,449	-	-	3,449

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.



Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) **Valuation techniques used to determine fair values**

Specific valuation technique used to value financial instrument is quoted market price.

41. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) **Fair value hierarchy**

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

(RUPEES IN THOUSAND)

At 30 June 2017	Level 1	Level 2	Level 3	Total
Non - current assets classified as held for sale				
- Freehold land	-	1,162,563	-	1,162,563
- Buildings	-	66,974	-	66,974
- Plant and machinery	-	170,000	-	170,000
Total non-financial assets	-	1,399,537	-	1,399,537

(RUPEES IN THOUSAND)

At 30 June 2016	Level 1	Level 2	Level 3	Total
Non - current assets classified as held for sale				
- Freehold land	-	739,813	-	739,813
- Buildings	-	70,512	-	70,512
- Plant and machinery	-	314,716	-	314,716
Total non-financial assets	-	1,125,041	-	1,125,041

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further, there was no transfer in and out of level 3 measurements.

(ii) **Valuation techniques used to determine level 2 fair values**

The Company obtains independent valuations for the items of property, plant and equipment carried at revalued amounts every three years. The management updates the assessment of the fair value of each item of property, plant and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property, plant and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building. The best evidence of fair value of plant and machinery is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the value of new plant and machinery of the same specifications.

**Valuation processes**

The Company engages external, independent and qualified valuers to determine the fair value of the Company's items of property, plant and equipment carried at revalued amounts at the end reporting date.

Changes in fair values are analysed between the chief financial officer and the valuers. As part of this discussion the team presents a report that explains the reason for the fair value movements.

42. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING**42.1****(RUPEES IN THOUSAND)**

Description	Note	2017		2016	
		Carried under		Carried under	
		None-Shariah Arrangements	Shariah Arrangements	None-Shariah Arrangements	Shariah Arrangements
Assets					
Loans and advances					
Advances to supplier	19	-	-	-	286
Deposits					
Long term security deposits	14	-	-	-	1,918
Short term security deposits	20	-	1,721	-	1,617
Bank balances	22	39	258	36	226
Liabilities					
Loan and advances					
Sponsors' advances	6 & 9	-	144,498	-	142,698
Advances from customers	7	-	28,806	-	3,958
Short term borrowings	10	92,648	-	148,066	-
Deposits					
Security deposits	7	-	14	-	14
Other comprehensive income					
Deficit arising on re-measurement of available for sale investment to fair value		(806)	-	(1,552)	-
Reclassification adjustment for gains included in profit or loss		(2,453)	-	-	-

Note**2017 2016
(RUPEES IN THOUSAND)****42.2 Sources of other income****29**

Credit balances written back	1,212	10
Long term loan waived off by the bank	-	35,597
Mark up on long term loan waived off by the bank	-	4,803
Reversal of provision for doubtful trade debts	-	300
Sale of scrap	948	1,942
Gain on sale of fixed assets	4,128	9,724
Gain on sale of non-current assets held for sale	13,685	-
Reclassification adjustment for gains included in profit or loss	2,453	-
Reversal of impairment loss on fixed assets	18,332	-
	<u>40,758</u>	<u>52,376</u>



42.3 The company has a single reportable segment.

42.4 Relationship with banks

Name	Relationship	
	Non Islamic window operations	With Islamic windows operations
National Bank of Pakistan	✓	-
Askari Bank Limited	✓	-
Bank Alfalah Limited	✓	-
Habib Bank Limited	✓	-
Habib Metropolitan Bank Limited	✓	-
NIB Bank Limited	✓	-
Soneri Bank Limited	✓	-
MCB Bank Limited	✓	-
Meezan Bank Limited	-	✓

43. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2017 of Rupees NIL per share (2016: Rupees NIL) at their meeting held on October 06, 2017.

44. DATE OF AUTHORIZATION

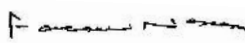
These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 06, 2017.

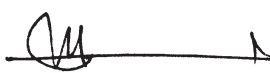
45. CORRESPONDING FIGURES

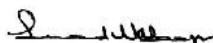
Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made during the year.

46. GENERAL

Figures have been rounded off to the nearest thousand of Rupees.


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer


(Saad Naseem)
Director

**PATTERN OF SHAREHOLDING**

1. Incorporation Number 0014846
2. Name of the Company SARGODHA SPINNING MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at

3	0
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0	6
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2	0	1	7
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4.	No. of Shareholders	Shareholdings			Total shares held
		From		To	
	196	1	-	100	14,539
	2150	101	-	500	1,029,110
	65	501	-	1,000	63,129
	63	1,001	-	5,000	153,061
	11	5,001	-	10,000	92,000
	6	10,001	-	15,000	72,372
	1	15,001	-	20,000	15,263
	2	20,001	-	25,000	43,928
	1	25,001	-	30,000	29,000
	4	30,001	-	35,000	130,400
	2	40,001	-	45,000	86,800
	1	50,001	-	55,000	53,776
	1	70,001	-	75,000	73,600
	2	75,001	-	80,000	152,600
	2	85,001	-	90,000	172,100
	1	105,001	-	110,000	105,182
	2	120,001	-	125,000	247,500
	3	150,001	-	155,000	462,858
	2	200,001	-	205,000	407,525
	2	245,001	-	250,000	493,600
	1	255,001	-	260,000	257,700
	1	445,001	-	450,000	449,119
	1	495,001	-	500,000	495,975
	1	585,001	-	590,000	588,202
	1	635,001	-	640,000	637,139
	1	720,001	-	725,000	723,000
	3	730,001	-	735,000	2,198,908
	1	840,001	-	845,000	842,200
	1	920,001	-	925,000	921,635
	1	1,820,001	-	1,825,000	1,820,786
	1	1,910,001	-	1,915,000	1,913,225
	1	1,935,001	-	1,940,000	1,936,707
	1	2,695,001	-	2,700,000	2,698,319
	1	3,445,001	-	3,450,000	3,447,000
	1	3,985,001	-	3,990,000	3,988,200
	1	4,380,001	-	4,385,000	4,383,542
	2535				31,200,000



5. Categories of shareholders	Shares Held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children	14,290,614	45.8033%
5.2 Associated Companies, undertakings and related parties.	-	-
5.3 NIT and ICP	500	0.0016%
5.4 Banks, Development Financial Institutions, Non Banking Financial Institutions.	34,831	0.1116%
5.5 Insurance Companies	--	--
5.6 Modarabas and Mutual Funds	588,202	1.8853%
5.7 Share holders holding 10% or more	14,517,061	46.5290%
5.8 General Public		
a. Local	16,148,389	51.7577%
b. Foreign	--	--
5.9 Others (to be specified)		
1- Joint Stock Companies	86,801	0.2782%
2- Pension Funds	53,776	0.1724%
3- Others	1,887	0.0060%
6. Signature of Company Secretary		
7. Name of Signatory	Mr. Mazhar Hussain	
8. Designation	Company Secretary	
9. NIC Number	3 5 2 0 2 - 2 7 2 5 5 7 6 - 3	
10. Date	30-06-2017	



DETAILS OF CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2017

<u>S.No.</u>	<u>Name</u>	<u>Shareholding</u>	<u>%age</u>
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
		-	-
Mutual Funds (Name Wise Detail)			
1	CDC Trustee National Investment (Unit) Trust (CDC)	588,202	1.8853%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	Mian Farrukh Naseem (Chief Executive)	4,383,542	14.0498%
2	Mian Shahzad Aslam	1,918,225	6.1482%
3	Mian Aamir Naseem	3,988,200	12.7827%
4	Mr. Saad Naseem	122,500	0.3926%
5	Mr. Ahmad Naseem	651,439	2.0879%
6	Mr. Umair Abid (CDC)	4,000	0.0128%
7	Mr. Muhammad Shams Amin (CDC)	1,500	0.0048%
8	Mr. Sajjad Aslam (CDC)	1,936,707	6.2074%
9	Mrs. Hina Farrukh W/O Farrukh Naseem	112,382	0.3602%
10	Mrs. Fatima Aamir W/O Mian Amir Naseem	1,172,119	3.7568%
Executives:			
		-	-
Public Sector Companies & Corporations:			
		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
		88,607	0.2840%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	Mian Farrukh Naseem	4,383,542	14.0498%
2	Mian Aamir Naseem	3,988,200	12.7827%
3	Mst. Nusrat Shamim	6,145,319	19.6965%
4	Mian Shahzad Aslam	1,918,225	6.1482%
5	Mr. Sajjad Aslam (CDC)	1,936,707	6.2074%
6	Mian Pervaiz Aslam (CDC)	1,820,786	5.8359%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

<u>S. No.</u>	<u>Name</u>	<u>Sales</u>	<u>Purchase</u>
1.	Mian Shahzad Aslam (CDC)	-	5000



Folio No./CDC Participant ID
and Account No. _____
CNIC No. _____

FORM OF PROXY

I / We _____
Son / Daughter / Wife of _____
being a member of **SARGODHA SPINNING MILLS LIMITED** and holder of _____
(Number of Shares)
Ordinary Shares as per Registered Folio No./ CDC Participant ID No. and Account No. _____
hererby appoint Mr. _____ of _____
of failing him Mr. _____ of _____
who is also a member of **SARGODHA SPINNING MILLS LIMITED**, Vide Registered Folio No./ CDC
Participant ID No. and Account No. _____
as my / our proxy to vote for me / us and on my / our behalf at the 31st Annual General Meeting of the
Company to be held on Saturday, October 28, 2017 at 10:30 a.m. and at any adjournment thereof.

As witness my / our hand (s) this _____ day of _____ 2017

1. Witness:

Signature _____
Name _____
Address _____
CNIC No. _____

2. Witness:

Signature _____
Name _____
Address _____
CNIC No. _____

Affix
Revenue
Stamps of
Rs. 5/-

Signature of Shareholder

NOTE:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint an other member as his / her proxy to attend and vote on his/her behalf. Proxies in order to be valid must be received at the Registered Office of the Company 48 hours before the time of the meeting. A proxy must be a member of the Company.
2. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representative of corporate members should bring the usual documents required for such purposes.
3. Signature should agree with specimen signature registered with the company.



فولیو نمبر اسی ڈی سی پارٹیشنڈ (شرکت) ID

اور کھاتا نمبر:

کمپیوٹرائزڈ شناختی کارڈ نمبر:

پراکسی فارم

میں / ہم

پینالٹی از وجہ

سرگودھا سپننگ ملز لمیٹڈ اور حامل

(تعداد حصص)

سی ڈی سی پارٹیشنڈ (شرکت) آئی ڈی اور اکاؤنٹ (کھاتا) نمبر:

کا / کے

محترم

یا عدم موجودگی کی صورت میں، محترم

کا / کے بھی جو کے سرگودھا سپننگ ملز لمیٹڈ کے رکن ملاحظہ رجسٹرڈ فولیو نمبر اسی ڈی سی پارٹیشنڈ

(شرکت) آئی ڈی اور اکاؤنٹ (کھاتا) نمبر: کو اپنے / ہمارے ایماء پر مورخہ 28 اکتوبر 2017 بروز ہفتہ

صبح 10:30 بجے منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے یا کسی بھی التوا کی صورت میں اپنا / ہمارا پراکسی مقرر کرتا ہوں / کرتے ہیں۔

آج بروز بتاریخ 2017 بطور گواہ دستخط کئے گئے۔

(1 گواہ:

دستخط:

نام:

پتہ:

کمپیوٹرائزڈ شناختی کارڈ نمبر:

(2 گواہ:

دستخط:

نام:

پتہ:

کمپیوٹرائزڈ شناختی کارڈ نمبر:

نوٹ:

1- کوئی بھی رکن (ممبر) جو سالانہ اجلاس میں شرکت کرنے اور ووٹ دینے کا / کی حقدار ہے وہ اجلاس میں شرکت کرنے اور ووٹ دینے کے لیے کسی دوسرے رکن (ممبر) کو اپنا پراکسی

مقرر کر سکتا / سکتی ہے۔ پراکسیاں موثر ہونے کے لیے اجلاس کے انعقاد سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں موصول ہو جانی چاہئیں۔ پراکسی کارکن (ممبر) ہونا لازمی ہے۔

2- سی ڈی سی کے انفرادی مالک جو اس اجلاس میں شرکت کے اہل ہیں اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ اپنی شناخت کے لیے ہمراہ لائیں۔ پراکسی کی صورت میں اپنے قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کریں۔ کارپوریٹ ممبرز کے نمائندگان شناخت کے لیے اس موقع پر درکار معمول کی دستاویزات ہمراہ لے کر آئیں۔

3- دستخط کمپنی کے رجسٹرڈ نمونہ دستخط سے مماثل ہونے چاہئیں۔

پانچ روپے مالیت کی رسیدی
ٹکٹ چسپاں کریں

ممبر کے دستخط