



**ANNUAL REPORT
2018**



Sargodha Spinning Mills Limited

**CONTENTS**

Company Information	3
Vision / Mission Statement	4
Notice of Annual General Meeting	5 - 6
Chairman's Review	7
Directors' Report (English)	8 - 12
Directors' Report (Urdu)	13 - 17
Statement of Compliance with the Code of Corporate Governance	18 - 19
Review Report on The Statement of Compliance Inlisted Companies (Code of Corporate Governance) Regulation, 2017	20
Six Year's Financial Data	21
Independent Auditor's Report to the Members	22 - 25
Statement of Financial Position	26 - 27
Statment of Profit or Loss	28
Statement of Comprehensive Income	29
Statement of Changes in Equity	30
Satement of Cash Flows	31 - 32
Notes to the Financial Statements	33 - 62
Pattern of Shareholding	63-65
Form of Proxy (English)	
Form of Proxy (Urdu)	



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



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 32nd Annual General Meeting of the Company will be held on Saturday, October 27, 2018 at 11.00 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, 2018 together with the Directors' and Auditors' Reports thereon.
2. To appoint Auditors and to fix their remuneration for the year ending June 30, 2019.

ANY OTHER BUSINESS

3. To transact any other business with the permission of chair.

BY ORDER OF THE BOARD

(Mazhar Hussain)
Company Secretary

Dated: October 04, 2018

Notes:

1. The Members' Register will remain closed from 21-10-2018 to 27-10-2018 (both days inclusive). Transfers received at Corptec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore, the Independent Share Registrar of the Company by the close of business on 20-10-2018 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. CDC account holders 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.
 - a. **For attending the meeting**
 - i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
 - ii. In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
 - b. **For Appointing Proxies**
 - i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.



- iv. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- v. In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

ANY OTHER BUSINESS

4. To transact any other business with the permission of chair.
5. **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.
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. **Request of Video Conference Facility:** Members can also avail Video Conference Facility in (name of cities where facility can be provided keeping in view geographical dispersal of members). In this regard please fill the following and submit to the registered address of the Company within ten (10) days before holding of general meeting.

I/We. _____ of _____ being a member of SARGODHA SPINNING MILLS LIMITED, holder of _____ Ordinary Shares as per Registered Folio No./CDC A/C No. _____ hereby opt for Video Conference Facility at _____.

Signature of members

8. **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.
9. **Placement of Financial Statements on Website:** 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, 2018 are being placed on the Company's website: www.sargodhaspinning.com.
10. **Change of Address:** 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.

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 04, 2018

**DIRECTORS' REPORT**

Dear Shareholders,

The Directors of the Company welcome you to the 32nd 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, 2018.

Financial Results

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

	(RUPEES IN THOUSAND)	
	June 30 2018	June 30 2017
Sales	148	43,270
Cost of Sales	(65)	(67,060)
Gross Loss	83	(23,790)
Distribution Cost	(275)	(411)
Administrative Expenses	(59,615)	(21,706)
Other Expenses	(96,195)	(28,521)
	(156,085)	(50,638)
	(156,002)	(74,428)
Other Income	16,177	40,758
Loss From Operations	(139,825)	(33,670)
Finance Cost	(15,842)	(9,705)
Loss Before Taxation	(155,667)	(43,375)
Taxation	(6,876)	(33,325)
Loss After Taxation	(162,543)	(76,700)
Loss Per Share - Basic And Diluted (Rupees)	(5.21)	(2.46)

During the year under review, your company sustained after tax loss of Rs. 162.543 million as compared to previous year after tax loss of Rs. 76.700 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 company has obtained approval from shareholders in extra-ordinary general Meeting held on 07 March 2017 to dispose of free hold Land, Buildings on free hold land and plant and machinery along with all other assets installed at mills premises

Process of disposal of the aforesaid assets could not be completed within one year. Therefore, in accordance with the requirements of Section 183 (5) of the companies Act, 2017 the Company again obtained approval from shareholders to dispose of the remaining Plant and Machinery located at mills Premises in Extra Ordinary General meeting held on 02 April, 2018.

Updating on Sale of Assets

Upto 30 June ,2018 the management has sold / received advances against the aforesaid assets.



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

A	MACHINERY	Description	
	Blow Room & auxiliaries	05 Lines	9.559
	Cards	82 Nos.	41.768
	Drawing Frames	30 Nos.	12.965
	Simplex Frames	18 No.	18.863
	Ring Frames	51 Nos.	29.162
	Cone Winders	28 Nos.	49.218
	Air Conditioning Plant	02 Set	6.190
	LT Panel, Transformers and Cabling	02 Set	24.525
	Laboratory	01 Unit	0.718
			192.968
B	ADVANCE FOR SALE OF MACHINERY		2.973
C	ADVANCE FOR SALE OF FREEHOLD LAND		317.063
D	ADVANCE FOR SALE OF BUILDING MALBA		24.993
		Total	537.997
	Liabilities Paid		
	Banks borrowing and mark-up		159.458
	Creditors		99.410
	Salaries and wages		28.047
	Sponsors' Advances		147.041
	Income tax		6.411
	Other liabilities/expenses		14.837
		Total	455.204

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

Dividend

The directors have not recommended any dividend for the year ended June 30, 2018 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.
- The Board has not set up an effective internal audit function.
- Because of the factors explained above in the financial results, the company may not be able to continue as a going concern.
- Key operating and financial data of last six years is annexed to the annual report.
- The pattern of shareholding and the additional information as required by the CCG is annexed to the annual report.
- Investments out of Provident Fund Trust have been made in accordance with the provision of section 218 of Companies Act 2017 and rules formulated for this purpose.



- h. 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

The members of the Company elected new board in extra-ordinary general meeting held on 02 April, 2018 for a term of three years. The composition of the Board is as follows:

- a. Male: 7
b. Female: Nil

Independent Directors	Mr. Umair Abid Mr. Mohammad Shams Amin
Other Non-executive Directors	Mian Aamir Naseem Mian Shahzad Aslam Mr. Ahmad Naseem Mr. Sajjad Aslam
Executive Directors	Mr. Saad Naseem

During the year, seven meetings of the Board of Directors were held. Attendance of each director is as under:

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
Mr. Umair Abid	6
Mr. Mohammad Shams Amin	7
Mian Aamir Naseem	7
Mian Shahzad Aslam	6
Mr. Ahmad Naseem	7
Mr. Sajjad Aslam	6
Mr. Saad Naseem	7
Mian Farrukh Naseem (Chief Executive)	7

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

Audit Committee

During the year six meetings of the Audit Committee were held and attendance of each member is as under:

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mr. Umair Abid (Chairman)	6
Mian Aamir Naseem	6
Mr. Sajjad Aslam	5

The audit committee is performing its duties in line with its terms of reference as determined by the Board of Directors.

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



Human Resource and Remuneration Committee

During the year one meeting of Human Resource Committee was held and attendance of each member is as under:

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mr. Umar Abid (Chairman)	1
Mr. Sajjad Aslam	1
Mr. Ahmad Naseem	1

The Human Resource and Remuneration Committee is performing its duties in line with its terms of reference as determined by the Board of Directors.

Directors' Remuneration

The board of directors is in the process of developing a formal policy and transparent procedures for remuneration of directors.

Performance Evaluation of Board

The Company has a formal process of evaluation of the performance of the board of directors and its committees.

Directors Training Programme

Three directors of the Company are exempt from the Directors' training program due to 14 years of education and 15 years of experience on the board of listed companies. Two Directors are already certified under the Directors Training Program. Remaining directors will undergo Directors' Training Program within the time allowed by Listed Companies (Code of Corporate Governance) Regulations, 2017.

Auditors

The present Auditors M/s Riaz Ahmad & Company, Chartered Accountants, retire and being eligible offer them 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 ended June 30, 2019.

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 etc.

Health, Safety and Environment:

We work continuously to ensure that our employees work in a safe and healthy working environment.

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.

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

for and on behalf of the Board

MIAN FARRUKH NASEEM
(Chief Executive)

Lahore: October 04, 2018

SAAD NASEEM
(Director)



مجلس نطماء کی رپورٹ

محترم حصص یافتگان،

کمپنی کی مجلس نطماء 32 ویں سالانہ عام اجلاس میں آپ کا استقبال کرتی ہے اور 30 جون 2018 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 2017	30 جون 2018	
43,270	148	خالص فروخت
(67,060)	(65)	فروخت کی لاگت
(23,790)	83	مجموعی منافع/نقصان
(411)	(275)	فروخت اور تقسیم
(21,706)	(59,615)	انتظامی اخراجات
(28,521)	(96,195)	دیگر اخراجات
(50,638)	(156,085)	
(74,428)	(156,002)	
40,758	16,177	دیگر آمدنی
(33,670)	(139,825)	آپریٹنگ نقصان
(9,705)	(15,842)	مالی اخراجات
(43,375)	(155,667)	قبل از ٹیکس نقصان
(33,325)	(6,876)	ٹیکس
(76,700)	(162,543)	بعد از ٹیکس نقصان
(2.46)	(5.21)	نقصان فی شیئر - بنیادی اور کم آمدنی (روپے)

زیر جائزہ سال کے دوران کمپنی کا گذشتہ سال کے بعد از ٹیکس نقصان 76.700 ملین روپے کے مقابلے بعد از ٹیکس نقصان 162.543 ملین روپے برقرار رہا ہے۔

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 یوٹس بند کر دیئے۔

کمپنی نے 07 مارچ 2017 کو منعقد ہونے والے غیر معمولی اجلاس میں حصص یافتگان سے زمین، عمارت اور پلانٹ اور مشینری اور ملز پر نصب شدہ دوسرے اثاثے فروخت کرنے کی منظوری لے لی ہے۔

اثاثوں کو فروخت کرنے کا عمل ایک سال میں مکمل نہیں ہو گا اس لیے کمپنیز ایکٹ 2017 کے سیکشن (5) 183 کے تحت کمپنی نے دہ بارہ 02 اپریل 2018 کو منعقدہ غیر معمولی اجلاس میں حصص یافتگان سے ملز پر موجود باقی پلانٹ اور مشینری فروخت کی منظوری لے لی ہے۔

اثاثوں کی فروخت پراپ ڈیٹ

30 جون 2018 تک میجسٹ بیان شدہ اثاثے فروخت یا ان کی فروخت کے لیے پیشگی لے چکی ہے۔



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

الف۔	فروخت مشینری	تفصیل	روپے ملین میں رقم
	پلوروم اینڈ معاونات	05 لائسنز	9.559
	کورڈز	82 عدد	41.768
	ڈرائنگ فریز	30 عدد	12.965
	سمپلکس فریز	18 عدد	18.863
	رنگ فریز	51 عدد	29.162
	کون وانڈرز	28 عدد	49.218
	ایئر کنڈیشننگ پلانٹ	02 سیٹ	6.190
	ایل ٹی پیٹل، ٹرانسفارمرز اینڈ کیبلنگ	02 سیٹ	24.525
	لیبارٹری	01 سیٹ	0.718
			192.968

دیگرا اثاثوں کی فروخت

ب۔	ایڈوانس برائے مشینری فروخت	2.973
پ۔	ایڈوانس برائے رقبہ فروخت	317.063
ت۔	ایڈوانس برائے ملپہ فروخت	24.993
	میزان	537.997

ادا واجبات

	بینکوں کے قرضے اور مارک اپ	159.458
	قرض دہندگان	99.410
	تنخواہ اور اجرت	28.047
	سپانسرز ایڈوانس	147.041
	اکم ٹیکس	6.411
	دیگر واجبات / اخراجات	14.837
	میزان	455.204

28 مئی کو منعقد ہونے والے اجلاس میں بورڈ آف ڈائریکٹرز نے پاکستان اسٹاک ایکسچینج لمیٹڈ سے کمپنی کی ڈی لسٹنگ بذریعہ اسپانسرز کے 40.33 روپے فی شیئر پرواپس خریدنے کی منظوری دی ہے بشرطیکہ پاکستان اسٹاک ایکسچینج کمپنی لمیٹڈ منظوری دے دے۔ اس ضمن میں کمپنی کی رضا کارانہ ڈی لسٹنگ بذریعہ اقلیتی حصص یافتگان سے حصص واپسی خریدنے کے لیے ایک رسمی درخواست بھی پاکستان اسٹاک ایکسچینج کو جمع کروادی ہے۔

منافع منقسمہ

کمپنی کے بھاری نقصانات اور سخت لیکویڈٹی حالت کے باعث 30 جون 2018 مختتمہ سال کیلئے ڈائریکٹرز نے کسی ڈیویڈنڈ کی سفارش نہیں کی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

الف۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

ب۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

پ۔ بورڈ نے مؤثر اندرونی کنٹرول کا نظام قائم نہیں کیا۔

ت۔ مندرجہ بالا مالیاتی نتائج میں وضاحت کے عوامل کی وجہ سے کمپنی کو جاری رہنے پر حالیہ تشویش ہے۔



- ٹ - گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- ث - شیئر ہولڈنگ کا پیٹرن اور CCG کو درکار اضافی معلومات اس سالانہ رپورٹ کے ہمراہ منسلک ہیں۔
- ج - پراویڈنٹ فنڈ ٹرسٹ کی سرمایہ کاری کمپنیز ایکٹ 2017 کے سیکشن 218 اور اس مقصد کے لئے تیار قوانین کے مطابق ہے۔
- ح - 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۔ ماسوائے جن کا انکشاف پیٹرن آف شیئر ہولڈنگ میں کیا گیا ہے۔

بورڈ آف ڈائریکٹرز

کمپنی کے اراکین نے 2 اپریل 2018 کو ہونے والے غیر معمولی اجلاس میں نیا بورڈ تین سال کے لیے منتخب کیا ہے۔ بورڈ کی تشکیل مندرجہ ذیل ہے۔

الف۔ مرد ڈائریکٹرز 7

ب۔ عورت ڈائریکٹرز 0

نام ڈائریکٹر

آزاد ڈائریکٹر	جناب عمیر عابد
غیر انتظامی ڈائریکٹر	جناب محمد شمس امین
	میاں عامر نسیم
	میاں شہزاد اسلم
	جناب سجاد اسلم
	جناب احمد نسیم
انتظامی ڈائریکٹر	جناب سعد نسیم

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

تعداد حاضری

تعداد حاضری	نام ڈائریکٹر
6	آزاد ڈائریکٹر جناب عمیر عابد
7	جناب محمد شمس امین
7	غیر انتظامی ڈائریکٹر میاں عامر نسیم
6	میاں شہزاد اسلم
6	جناب سجاد اسلم
7	جناب احمد نسیم
7	انتظامی ڈائریکٹر جناب سعد نسیم
7	میاں فرخ نسیم (چیف ایگزیکٹو)

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 چھ اجلاس منعقد ہوئے اور ان اجلاسوں میں حاضری حسب ذیل ہے:-

تعداد حاضری	نام
6	جناب عمیر عابد (چیئرمین)
6	میاں عامر نسیم
5	جناب سجاد اسلم

آڈٹ کمیٹی بورڈ آف ڈائریکٹرز سے مقرر کردہ ریفرنس کی شرائط اپنے فرائض سرانجام دے رہی ہے ڈائریکٹرز جو اجلاس میں شرکت نہیں کر سکے کو غیر موجودگی کی رخصت عطا کی گئی تھی۔

ہیومن ریسورس اور ریمینڈیشن کمیٹی

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

تعداد حاضری	نام
1	جناب عمیر عابد (چیئرمین)
1	جناب سجاد اسلم
1	جناب احمد نسیم

ہیومن ریسورس اور ریمینڈیشن کمیٹی بورڈ آف ڈائریکٹرز سے مقرر کردہ ریفرنس کی شرائط اپنے فرائض سرانجام دے رہی ہے

ڈائریکٹرز ریمینڈیشن

بورڈ آف ڈائریکٹرز، ڈائریکٹرز ریمینڈیشن کے لئے شفاف طریقہ کار اور اوائلی پالیسی بننے کے عمل میں ہے۔

بورڈ کی کارکردگی کی تشخیص

کمپنی میں بورڈ آف ڈائریکٹرز کی کارکردگی جانچنے کے لئے ایک روایتی عمل موجود ہے

ڈائریکٹرز ٹریننگ پروگرام

کمپنی کے تین ڈائریکٹرز 14 سال کی تعلیم اور لٹریچر کے بورڈ پر 15 سال کے تجربے کی وجہ سے ڈائریکٹرز تربیتی پروگرام کی ضرورت سے مستثنیٰ ہیں، دو ڈائریکٹرز پہلے ہی سند یافتہ ہے باقی ڈائریکٹرز (کوڈ آف کارپوریٹ گورننس) 2017 کے مطابق دینے گئے وقت میں ڈائریکٹرز ٹریننگ پروگرام مکمل کر لیں گے

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 مختتمہ 30 جون 2019 کے لئے کمپنی کے بیرونی محاسب کے طور پر میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔



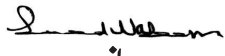
کارپوریٹ سماجی ذمہ داری
کمپنی تسلیم کرتی ہے کہ معاشرہ کو اقتصادی فوائد پہنچانا کامیاب اور پائیدار کاروبار کی کلید ہے۔ ہم، اپنے ملازمین کو وسیع سہولیات کی فراہمی، اپنے مرحوم ملازمین کے خاندانوں کی مدد، اپنے
ملازمین کے درمیان بہتر کام اور زندگی کے توازن کا فروغ، قانون کے مطابق قومی خزانے میں باقاعدہ حصہ 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۔

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 خانہ اور دوستوں کے ساتھ غیر نصابی سرگرمیوں کے لئے کافی وقت میسر ہے۔

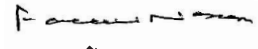
کاروباری اخلاقیات اور اینٹی کرپشن کے اقدامات:
انتظامیہ سالمیت، ایمانداری اور موجودہ قوانین و ضوابط کی مکمل پاسداری کے ساتھ تمام کاروباری سرگرمیوں کو منظم کرنے پر کاربند ہے۔ بورڈ کی طرف سے ایک ضابطہ اخلاق تیار اور منظور
کیا گیا ہے جس پر تمام ملازمین کے دستخط ہیں۔

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

منجانب بورڈ


سعد نسیم
(ڈائریکٹر)

منجانب بورڈ


میاں فرخ نسیم
(چیف ایگزیکٹو)

لاہور: 04 اکتوبر 2018



STATEMENT OF COMPLIANCE
With Listed Companies (Code Of Corporate Governance)
Regulations, 2017 Year Ended: June 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 07 and Chief Executive as per the following:
 - a. Male: 7
 - b. Female: Nil

2. The composition of board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors is in the process of developing a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Three directors of the Company are exempt from the Directors' training program due to 14 years of education and 15 years of experience on the board of listed companies. Two Directors are already certified under the Directors Training Program as follows:
 - i) Mr. Muhammad Shams Amin
 - ii) Mr. Saad Naseem

Remaining directors will undergo Directors' Training Program within the time allowed by Listed Companies (Code of Corporate Governance) Regulations, 2017.

10. There is no change in the position of Chief Financial Officer and Company Secretary. Their remuneration and terms and conditions of employment have been approved by the board and complied with relevant requirements of the Regulations.



11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) Audit Committee (Name of members and Chairman)
Mr. Umair Abid (Chairman)
Mr. Sajjad Aslam (Member)
Mr. Mian Aamir Naseem (Member)
 - b) HR and Remuneration Committee (Name of members and Chairman)
Mr. Umair Abid (Chairman)
Mr. Sajjad Aslam (Member)
Mr. Ahmad Naseem (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee: Six meetings held during the year ended 30 June 2018.
 - b) HR and Remuneration Committee: One meeting held during the year ended 30 June 2018.
15. The board has not set up an effective internal audit function.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

(MIAN SHAHZAD ASLAM)
Chairman

Date: October 04, 2018



INDEPENDENT AUDITOR'S MODIFIED REVIEW REPORT
TO THE MEMBERS SARGODHA SPINNING MILLS LIMITED

Review Report on The Statement of Compliance
Contained in the Listed Companies (Code of Corporate Governance)
Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Sargodha Spinning Mills Limited (the Company) for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017 (the Act). 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

- i. The board has approved appointment of same person as chief financial officer and company secretary of the Company. The terms of reference of the two positions are distinct. Therefore, separate persons should handle the functions of the chief financial officer and company secretary within the Company.

Based on our review, except for the above instances of non-compliance, 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 Regulations as applicable to the Company for the year ended 30 June 2018.

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

Sr. No.	Paragraph reference	Description
(i)	8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
(ii)	15	Internal audit function of the Company is not in operation since October 2015 which is non-compliance with the regulation 32 of the regulations.

RIAZ AHMAD & COMPANY

Chartered Accountants

LAHORE

Date: October 04, 2018



SIX YEARS' FINANCIAL DATA AT A GLANCE

(RUPEES IN THOUSAND)

PARTICULARS	2018	2017	2016	2015	2014	2013
	----- Restated -----					
ASSETS EMPLOYED						
Operating Fixed Assets	542	1,189	1,130,778	1,098,080	1,132,394	1,005,825
Capital Work in Progress		-	-	-	-	54
Long Term Investments		-	3,449	5,001	3,863	3,104
Long Term Security Deposits		-	1,918	1,971	3,654	3,654
Deferred Tax		-	-	-	-	-
Current Assets	95,947	8,931	76,354	157,153	289,795	373,763
Non-current Assets Held for Sale	1,238,053	1,401,037	-	-	-	-
TOTAL ASSETS EMPLOYED	1,334,542	1,411,157	1,212,499	1,262,205	1,429,706	1,386,400
FINANCED BY						
Paid up Share Capital	312,000	312,000	312,000	312,000	312,000	312,000
Equity portion of Sponsors loan	10,407	10,407	10,407	-	-	-
Reserves & accumulated loss	(645,679)	(488,175)	(425,716)	(369,796)	(229,091)	(199,095)
Surplus on Revaluation of Property, plant & equipment	1,158,468	1,177,152	843,795	774,348	778,435	667,945
Share Holder's Equity	835,196	1,011,384	740,486	716,522	861,344	780,850
Sponsor Advance - Interest Free	-	17,455	15,655	14,040	28,465	30,644
Long Term Financing	-	-	-	33,798	43,276	65,022
Current Liabilities	499,346	382,318	456,358	497,815	496,621	509,884
TOTAL EQUITY AND LIABILITIES	1,334,542	1,411,157	1,212,499	1,262,205	1,429,706	1,386,400
PROFIT & LOSS ACCOUNT						
Sales	148	43,270	142,492	2,051,787	3,053,261	2,975,596
Cost of Sales	65	67,060	204,711	2,061,792	2,914,308	2,704,416
GROSS PROFIT	83	(23,790)	(62,219)	(10,005)	138,953	271,180
Administrative Expenses	59,615	21,706	28,903	47,075	48,161	47,920
Distribution Cost	275	411	1,610	30,375	57,091	70,219
Other Operating Expenses	96,195	28,521	25,757	8,872	1,708	19,640
Other Operating Income	16,177	40,758	52,376	10,829	16,578	15,636
PROFIT / (LOSS) FROM OPERATIONS	(139,825)	(33,670)	(66,113)	(85,498)	48,571	149,037
Finance Cost	15,842	9,705	30,046	40,246	54,280	61,568
PROFIT / (LOSS) BEFORE TAXATION	(155,667)	(43,375)	(96,159)	(125,744)	(5,709)	87,469
Provision for Taxation	(6,876)	(33,325)	37,218	(21,002)	(30,855)	(23,757)
PROFIT / (LOSS) AFTER TAXATION	(162,543)	(76,700)	(58,941)	(146,746)	(36,564)	63,712
Transfer From Revaluation Surplus	5,039	17,500	14,980	4,903	5,809	4,487
(Deficit)/surplus on revaluation of investment	-	(3,259)	(1,552)	1,138	759	2,180
PREVIOUS YEAR'S BALANCE B/F	(477,768)	(415,309)	(369,796)	(229,091)	(199,095)	(269,474)
BALANCE CARRIED TO B/S	(635,272)	(477,768)	(415,309)	(369,796)	(229,091)	(199,095)
EARNINGS / (LOSS) PER SHARE (Rs.)	(5.21)	(2.46)	(1.89)	(4.70)	(1.17)	2.04
Number of Spindles installed	-	-	54,432	54,432	54,432	54,432
Number of Spindles worked - average	-	-	27,094	35,759	43,077	43,380
Number of Shifts per Day	-	-	3	3	3	3
Actual Production Converted into 20's Count (Kgs. in million)	-	-	1.484	13.151	16.581	16.692



INDEPENDENT AUDITOR'S REPORT
To the Members of Sargodha Spinning Mills Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sargodha Spinning Mills Limited ('the Company'), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

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. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Preparation of financial statements using the non-going concern basis of accounting</p> <p>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 and agreements to sell executed between the Company and third parties. 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</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We checked compliance with "Guidelines on the Basis of Preparation of Financial Statements for Companies that are Not Considered Going Concern" by The Institute of Chartered Accountants of Pakistan. • We tested how management made the estimate of realisable / settlement values of assets and liabilities respectively and the data on which it is based. • We tested the operating effectiveness of the controls over how the management made the estimate, together with appropriate substantive procedures. • We considered events occurring up to the date of our report to



Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>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. Therefore, we identified preparation of financial statements using the non-going concern basis of accounting as a key audit matter specially with reference to the estimates and judgments associated with the determination of estimated realisable / settlement values of assets and liabilities respectively.</p> <p>For further information, refer to summary of significant accounting policies, note 2.1(c) and note 2.1(d) to the financial statements.</p>	<p>obtain audit evidence regarding the estimates.</p> <ul style="list-style-type: none"> • We ensured that where the shareholders of the Company have approved to dispose of any assets, these have been classified as non-current assets held for sale. • We confirmed that impairment losses based on the differences between the expected transaction values and the carrying amounts of the assets have been fully recognized. • We ensured that non-current assets are measured at the lower of their carrying amounts and fair value less cost to sell. • We confirmed that any upsides in the carrying amounts of assets have been properly calculated and disclosed in the financial statements and not recognized in the statement of profit or loss
2.	<p>Preparation of financial statements under the Companies Act, 2017</p> <p>The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In case of the Company, specific additional disclosures, changes to the existing disclosures and effects of change in accounting policy of surplus on revaluation of property, plant and equipment have been included in the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p> <p>For further information, refer to summary of significant accounting policies, note 2.1(b) and note 2.5(b) to the financial statements.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act. • We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. • We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.



Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mubashar Mehmood.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:
Mubashar Mehmood

Date: October 04, 2018

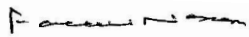
LAHORE




STATEMENT OF FINANCIAL POSITION
(RUPEES IN THOUSAND)

	Note	2018	2017 (Restated)	2016 (Restated)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital 42,000,000 (2017: 42,000,000) ordinary shares of Rupees 10 each		420,000	420,000	420,000
Issued, subscribed and paid-up share capital	3	312,000	312,000	312,000
Equity portion of sponsors' advances		10,407	10,407	10,407
Capital reserves:				
Fair value reserve		-	-	3,259
Surplus on revaluation of property, plant and equipment - net of tax	4	1,158,468	1,177,152	843,795
Accumulated loss	4	(645,679)	(488,175)	(428,975)
Total equity		835,196	1,011,384	740,486
LIABILITIES				
NON - CURRENT LIABILITIES				
Sponsors' advances	6	-	17,455	15,655
CURRENT LIABILITIES				
Trade and other payables	7	495,652	154,531	167,781
Accrued mark-up	8	-	5,673	11,478
Sponsors' advances	9	1,702	127,043	127,043
Short term borrowings	10	-	92,648	148,066
Unclaimed dividend		1,066	1,066	1,066
Provision for taxation		926	1,357	924
		499,346	382,318	456,358
TOTAL LIABILITIES		499,346	399,773	472,013
CONTINGENCIES AND COMMITMENTS	11			
TOTAL EQUITY AND LIABILITIES		1,334,542	1,411,157	1,212,499

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer



AS AT 30 JUNE 2018

		(RUPEES IN THOUSAND)		
	Note	2018	2017	2016
ASSETS				
NON - CURRENT ASSETS				
Property, plant and equipment	12	542	1,189	1,130,778
Long term investment		-	-	3,449
Long term security deposits	13	-	-	1,918
Deferred income tax	14	-	-	-
		<u>542</u>	<u>1,189</u>	<u>1,136,145</u>
CURRENT ASSETS				
Stores and spare parts	15	1,499	3,000	10,219
Stock in trade	16	-	65	44,207
Trade debts	17	-	-	1,775
Advances	18	-	-	286
Short term deposits	19	2,660	1,721	1,617
Other receivables	20	8,996	3,792	17,982
Cash and bank balances	21	82,792	353	268
		<u>95,947</u>	<u>8,931</u>	<u>76,354</u>
Non-current assets held for sale	22	1,238,053	1,401,037	-
		<u>1,334,000</u>	<u>1,409,968</u>	<u>76,354</u>
TOTAL ASSETS		<u><u>1,334,542</u></u>	<u><u>1,411,157</u></u>	<u><u>1,212,499</u></u>

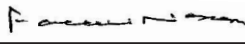
(Saad Naseem)


Director

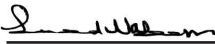
**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018**

		(RUPEES IN THOUSAND)	
	Note	2018	2017
SALES	23	148	43,270
COST OF SALES	24	<u>(65)</u>	<u>(67,060)</u>
GROSS PROFIT / (LOSS)		83	(23,790)
DISTRIBUTION COST	25	<u>(275)</u>	<u>(411)</u>
ADMINISTRATIVE AND GENERAL EXPENSES	26	<u>(59,615)</u>	<u>(21,706)</u>
OTHER EXPENSES	27	<u>(96,195)</u>	<u>(28,521)</u>
		<u>(156,085)</u>	<u>(50,638)</u>
		<u>(156,002)</u>	<u>(74,428)</u>
OTHER INCOME	28	<u>16,177</u>	<u>40,758</u>
LOSS FROM OPERATIONS		<u>(139,825)</u>	<u>(33,670)</u>
FINANCE COST	29	<u>(15,842)</u>	<u>(9,705)</u>
LOSS BEFORE TAXATION		<u>(155,667)</u>	<u>(43,375)</u>
TAXATION	30	<u>(6,876)</u>	<u>(33,325)</u>
LOSS AFTER TAXATION		<u>(162,543)</u>	<u>(76,700)</u>
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	34	<u>(5.21)</u>	<u>(2.46)</u>

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


(Mian Farrukh Naseem)
Chief Executive


(Mazhar Hussain)
Chief Financial Officer

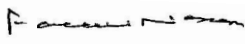

(Saad Naseem)
Director



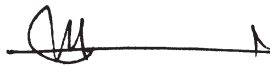
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	(RUPEES IN THOUSAND)	
	2018	2017
LOSS AFTER TAXATION	(162,543)	(76,700)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Gain on revaluation of land	-	422,750
Reversal of surplus on revaluation of property, plant and equipment	(19,694)	(104,785)
Deferred income tax	5,908	32,483
	(13,786)	(72,302)
	(13,786)	350,448
Items that may be reclassified subsequently to profit or loss:		
Deficit arising on re-measurement of available for sale investment to fair value	-	(806)
Reclassification adjustment for gains included in profit or loss	-	(2,453)
	-	(3,259)
Other comprehensive income / (loss) for the year	(13,786)	347,189
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>(176,329)</u>	<u>270,489</u>

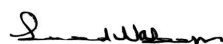
The annexed notes form an integral part of these financial statements.



(Mian Farrukh Naseem)
Chief Executive



(Mazhar Hussain)
Chief Financial Officer



(Saad Naseem)
Director

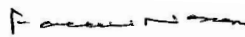


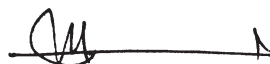
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**


(RUPEES IN THOUSAND)

	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL	EQUITY PORTION OF SPONSORS' ADVANCES	CAPITAL RESERVES		ACCUMU- LATED LOSS	TOTAL EQUITY
			FAIR VALUE RESERVE	SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT- NET OF TAX		
Balance as at 30 June 2016 - (previously reported)	312,000	10,407	3,259	-	(428,975)	(103,309)
Impact of change in accounting policy - (Note 2.5)	-	-	-	843,795	-	843,795
Balance as at 30 June 2016-(restated)	312,000	10,407	3,259	843,795	(428,975)	740,486
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	(17,500)	17,500	-
Loss for the year ended 30 June 2017	-	-	-	-	(76,700)	(76,700)
Other comprehensive income / (loss) for the year	-	-	(3,259)	350,448	-	347,189
Total comprehensive income for the year	-	-	(3,259)	350,448	(76,700)	270,489
Surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	409	-	409
Balance as at 30 June 2017-(restated)	312,000	10,407	-	1,177,152	(488,175)	1,011,384
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	(5,039)	5,039	-
Loss for the year ended 30 June 2018	-	-	-	-	(162,543)	(162,543)
Other comprehensive loss for the year	-	-	-	(13,786)	-	(13,786)
Total comprehensive loss for the year	-	-	-	(13,786)	(162,543)	(176,329)
Surplus on property, plant and equipment - adjustment due to change in tax rate	-	-	-	141	-	141
Balance as at 30 June 2018	<u>312,000</u>	<u>10,407</u>	<u>-</u>	<u>1,158,468</u>	<u>(645,679)</u>	<u>835,196</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 CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

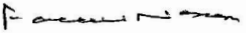
(RUPEES IN THOUSAND)

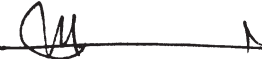
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(155,667)	(43,375)
Adjustments for non-cash charges and other items:		
Depreciation	158	21,269
Impairment loss against property, plant and equipment and non-current assets held for sale	47,699	2,123
Reversal of impairment loss on property, plant and equipment	-	(18,332)
Gain on sale of property, plant and equipment	-	(4,128)
Gain on sale of non-current assets held for sale	(8,978)	(13,685)
Credit balances written back	(3,233)	(1,212)
Reclassification adjustment for gains included in profit or loss	-	(2,453)
Provision for slow moving and obsolete stores and spare parts	1,411	6,712
Provision for doubtful trade debts	-	1,777
Provision for doubtful long term security deposits	-	1,814
Provision for doubtful sales tax receivable	-	15,645
Provision for doubtful advances to suppliers	-	146
Exchange loss	-	304
Reversal of provision for doubtful sales tax receivable	(3,840)	-
Interest expense due to impact of IAS - 39	4,245	1,800
Provision for sales tax payable	32,649	-
Provision for withholding income tax payable	1,852	-
Provision against custom duty payable	4,161	-
Reversal of provision for doubtful long term security deposits	(25)	-
Reversal of provision for slow moving and obsolete stores and spare parts	(57)	-
Reversal of provision for doubtful advances to suppliers	(27)	-
Finance cost	11,597	7,905
Cash flows from operating activities before working capital changes	(68,055)	(23,690)
Increase / (decrease) in current assets		
Stores and spare parts	147	507
Stock in trade	65	44,142
Trade debts	-	(2)
Advances	27	140
Short term deposits and prepayments	(939)	-
Increase / (decrease) in trade and other payables	305,483	(12,344)
Effect on cash flows due to working capital changes	304,783	32,443
Cash generated from operations	236,728	8,753
Finance cost paid	(17,061)	(13,404)
Income tax paid	(2,622)	(1,455)
Security deposits	25	-
Net cash generated from / (used in) operating activities	217,070	(6,106)




	(RUPEES IN THOUSAND)	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long term investment	-	2,643
Proceeds from sale of property, plant and equipment	-	26,844
Proceeds from sale of non-current assets held for sale	105,058	32,426
Net cash from investing activities	105,058	61,913
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of sponsors' advances	(147,041)	-
Short term borrowings - net	(92,648)	(55,722)
Net cash used in financing activities	(239,689)	(55,722)
Net increase in cash and cash equivalents	82,439	85
Cash and cash equivalents at the beginning of the year	353	268
Cash and cash equivalents at the end of the year	82,792	353

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 2018

1. THE COMPANY AND ITS OPERATIONS

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

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

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

1.1 Summary of significant transactions and events affecting the Company's financial position and performance

- a) The Board of directors in their meeting held on 28 May 2018, has approved the delisting of the Company from Pakistan Stock Exchange Limited through buy back of shares by sponsors at the rate of Rupees 40.33 per share (intrinsic value) subject to the approval of Pakistan Stock Exchange Limited. In this regard, a formal application for voluntary delisting of the Company through buy back of shares from minority shareholders has been filled by the Company to Pakistan Stock Exchange Limited.
- b) Trading in the shares of the Company has been suspended by Pakistan Stock Exchange Limited on 30 January 2018 due to default of clause 5.11.1 (m) of Pakistan Stock Exchange (PSX) Regulations.
- c) All other significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed in the notes to these financial statements. For a detailed discussion about the Company's performance, please refer to the Directors' report.

1.2 Going concern

The Company has incurred net loss of Rupees 162.543 million during the year ended 30 June 2018. Accumulated losses of the Company as on the reporting date are Rupees 645.679 million. Due to poor economic conditions and adverse market conditions for spinning sector, the Company shut down its operations during the financial year ended 30 June 2016. 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 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 agreed and accepted that the principal objective is to sell the assets / properties of the Company to pay its liabilities.

During the year ended 30 June 2017, Executive Director, Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) 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, to prepare proper time bound business plan duly approved by the board of directors of the Company and to update to the shareholders and SECP regarding status of disposal of assets, utilization of disposal proceeds and implementation of business plan on quarterly basis.



The Company obtained approval from shareholders to dispose of freehold land, buildings on freehold land, plant and machinery and all other assets installed at the mills premises in extra-ordinary general meeting held on 07 March 2017. Process of disposal of fixed assets of the Company as approved by the shareholders in the aforesaid extra-ordinary general meeting could not be completed within one year. Therefore, in accordance with the requirements of Section 183 (5) of the Companies Act, 2017 the Company again obtained approval from shareholders to dispose of the remaining plant and machinery located at the mills premises in extra-ordinary general meeting held on 02 April 2018.

In view of the aforesaid reasons, the Company is not considered a going concern. 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

b) Preparation of financial statements under the Companies Act, 2017

The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 22.3), management assessment of sufficiency of tax provision in the financial statements (refer note 30.2) and additional disclosure requirements for related party (refer note 33.1) etc.

c) 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.

d) 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 year ended 30 June 2017 and recorded adjustments of its assets and liabilities (including measurement changes resulting from changes in assumptions). Subsequently, at each reporting date the Company re-measures its assets and liabilities to reflect changes in value since the previous date. Hence, during the year ended 30 June 2018, the Company has recognized impairment loss against property, plant and equipment and non-current assets held for sale of Rupees 67.393 million (Note 12.4) and provision for slow moving and obsolete store and spare parts of Rupees 1.411 million (Note 15.1) in these financial statements.

Analysis of upside not recognized in the financial statements of the Company on assets is disclosed in Note 12.2, Note 22.1 and Note 22.5 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.

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

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2017:

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 have resulted 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 have no significant impact on Company's financial statements.



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

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 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 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 aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 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. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 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.

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.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

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 2018 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 the statement of profit or loss.

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 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 reporting date. Deferred income tax is charged or credited in the statement of profit or loss, 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 reporting 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 statement of profit or loss.

2.5 Property, plant and equipment**a) Owned**

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 the statement of profit or loss during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to the statement of profit or loss. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to retained earnings. All transfers to / from surplus on revaluation of property, plant and equipment are net of applicable deferred income tax.

b) Change in accounting policy

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of property, plant and equipment has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of property, plant and equipment, was not in accordance with the IFRS requirements. Now, in accordance with the requirements of International Accounting Standard (IAS) 16, "Property, Plant and Equipment" surplus on revaluation of property, plant and equipment is presented under equity.



Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of property, plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from surplus on revaluation of property, plant and equipment to retained earnings.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

(Rupees in thousand)

As at 30 June 2017			As at 30 June 2016		
As Previously reported	As restated	Re-statement	As Previously reported	As restated	Re-statement

Effect on statement of financial position

Surplus on revaluation of property, plant and equipment capital reserve	1,177,152	-	(1,177,152)	843,795	-	(843,795)
	-	1,177,152	1,177,152	-	843,795	843,795

Effect on statement of changes in equity

Surplus on revaluation of property, plant and equipment	-	1,177,152	1,177,152	-	843,795	843,795
---	---	-----------	-----------	---	---------	---------

(Rupees in thousand)

For the year ended 30 June 2017		
As Previously reported	As restated	Re-statement

Effect on statement of comprehensive income

Gain on revaluation of land	-	422,750	422,750
Reversal of surplus on revaluation of property, plant and equipment – net of tax	-	72,302	72,302

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

c) Depreciation

Depreciation on all property, plant and equipment is charged to the statement of profit or loss 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.

**d) 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 in the year the asset is de-recognized.

e) 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

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 the statement of profit or loss.

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 the statement of profit or loss 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 the statement of profit or loss. 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 reporting date.

Unquoted**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 the statement of profit or loss 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 reporting 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 reporting 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 the statement of profit or loss. 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 the statement of profit or loss.

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 statement of profit or loss 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 statement of profit or loss. 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 reporting date 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 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

(Number of shares)			(RUPEES IN THOUSAND)	
2018	2017	Ordinary shares of Rupees 10 each fully paid-up in cash	2018	2017
<u>31,200,000</u>	<u>31,200,000</u>		<u>312,000</u>	<u>312,000</u>

4. RESERVES

Composition of reserves is as follows:

Capital reserve:

Surplus on revaluation of property, plant and equipment - net of tax (Note 5)	<u>1,158,468</u>	<u>1,177,152</u>
Accumulated loss	<u>(645,679)</u>	<u>(488,175)</u>

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED INCOME TAX

Opening balance as at 01 July	1,189,412	896,809
Add: Surplus incorporated on freehold land during the year	-	422,750
Surplus transferred to statement of changes in equity on:		
Incremental depreciation	-	8,162
Disposal of plant and machinery	7,198	17,200
	7,198	25,362
Reversal of surplus due to impairment loss on:		
Buildings on freehold land	14,474	-
Plant and machinery	5,220	104,785
	19,694	104,785
	<u>1,162,520</u>	<u>1,189,412</u>
Less: Related deferred income tax liability	<u>(4,052)</u>	<u>(12,260)</u>
Closing balance as at 30 June	<u>1,158,468</u>	<u>1,177,152</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. Property, plant and equipment carried at revalued amounts have been transferred to non-current assets held for sale, therefore, no depreciation on these assets has been charged during the current financial year.

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.



		(RUPEES IN THOUSAND)	
		2018	2017
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)	10,407	6,162
		-	(4,245)
	Less: Repayment made during the year	21,700	-
		<u>-</u>	<u>17,455</u>
6.1	These sponsors' advances have been fully repaid during the year. These advances were subordinated to the financing obtained from National Bank of Pakistan. Fair value of sponsors' advances was estimated at present value of future cash flows discounted at the effective interest rate of 11.50% (2017: 11.50%) per annum.		
6.2	Adjustment due to impact of IAS-39		
	Balance as at 01 July	6,162	4,362
	Add: Recognized during the year (Note 29)	<u>4,245</u>	<u>1,800</u>
	Balance as at 30 June	<u>10,407</u>	<u>6,162</u>
7.	TRADE AND OTHER PAYABLES		
	Creditors (Note 7.1)	22,673	77,932
	Accrued liabilities	75,993	42,533
	Advances from customers	9,771	11,734
	Advance against sale of non-current assets held for sale (Note 7.2)	345,029	17,072
	Retention money	-	131
	Payable to provident fund trust	1,703	3,119
	Income tax deducted at source	2,605	777
	Custom duty payable	4,161	-
	Security deposits	-	14
	Sales tax payable	<u>33,717</u>	<u>1,219</u>
		<u>495,652</u>	<u>154,531</u>
7.1	These include amount of Rupees Nil (2017: Rupees 0.181 million) payable to Shadab Textile Mills Limited - associated company.		
7.2	Advance against sale of non-current assets held for sale		
	Freehold land	317,063	-
	Buildings on freehold land	24,993	-
	Plant and machinery	<u>2,973</u>	<u>17,072</u>
		<u>345,029</u>	<u>17,072</u>
8.	ACCRUED MARK-UP		
	Short term borrowings	<u>-</u>	<u>5,673</u>
9.	SPONSORS' ADVANCES		
	Interest free and unsecured (Note 9.1)	<u>1,702</u>	<u>127,043</u>



- 9.1 These are repayable on demand and have been utilized for working capital requirements of the Company. 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.

(RUPEES IN THOUSAND)
2018 2017

10. SHORT TERM BORROWINGS

From banking companies - secured

Export finance (Note 10.1 and 10.2)	-	82,144
Others (Note 10.1 and 10.3)	-	10,504
	<u>-</u>	<u>92,648</u>

- 10.1 These borrowings have been fully repaid during the year. These were secured against charge on current assets / fixed assets of the Company and personal guarantees of directors.
- 10.2 The rates of mark-up on Pak Rupees finances and US Dollar finance ranged from 9.14% to 9.16% (2017: 9.05% to 9.12%) per annum and 2.00% to 6.75% (2017: 2.00% to 3.48%) per annum respectively on the balance outstanding.
- 10.3 The rates of mark-up ranged from 9.14% to 9.15% (2017: 9.05% to 9.12%) per annum on the balance outstanding.

11. CONTINGENCIES AND COMMITMENTS

Contingencies

- 11.1 The Company has issued counter-guarantee of Rupees 17.215 million (2017: 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.

11.2 Commitments

Nil Nil

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Reconciliation of carrying amounts of property, plant and equipment at the beginning and at the end the year is as follows:

(RUPEES IN THOUSAND)

	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 2016									
Cost / revalued amount	739,813	166,756	1,245,089	10,723	5,027	2,699	2,161	3,177	2,175,445
Accumulated depreciation	-	(96,244)	(909,680)	(7,886)	(4,100)	(2,105)	(1,586)	(2,373)	(1,023,974)
Impairment loss	-	-	(20,693)	-	-	-	-	-	(20,693)
Net book value	739,813	70,512	314,716	2,837	927	594	575	804	1,130,778
Year ended 30 June 2017									
Opening net book value	739,813	70,512	314,716	2,837	927	594	575	804	1,130,778
Disposals:									
Cost / revalued amount	-	-	(86,101)	-	(1,742)	-	-	-	(87,843)
Accumulated depreciation	-	-	63,204	-	1,300	-	-	-	64,504
Accumulated impairment	-	-	623	-	-	-	-	-	623
	-	-	(22,274)	-	(442)	-	-	-	(22,716)
Surplus on revaluation incorporated during the year	422,750	-	-	-	-	-	-	-	422,750
Impairment loss (Note 12.4)	-	-	(96,982)	-	-	(234)	(317)	(424)	(97,957)
Depreciation charge	-	(2,350)	(18,436)	(189)	(96)	(60)	(58)	(80)	(21,269)
Reversal of impairment loss (Note 28)	-	-	18,332	-	-	-	-	-	18,332
Reclassified to non-current assets held for sale:									
Cost / revalued amount	(1,162,563)	(166,756)	(1,062,006)	(10,723)	-	-	-	-	(2,402,048)
Accumulated depreciation	-	98,594	864,912	8,075	-	-	-	-	971,581
Accumulated impairment	-	-	1,738	-	-	-	-	-	1,738
	(1,162,563)	(68,162)	(195,356)	(2,648)	-	-	-	-	(1,428,729)
Closing net book value	-	-	-	-	389	300	200	300	1,189
As at 30 June 2017									
Cost	-	-	-	-	3,285	2,699	2,161	3,177	11,322
Accumulated depreciation	-	-	-	-	(2,896)	(2,165)	(1,644)	(2,453)	(9,158)
Accumulated impairment	-	-	-	-	-	(234)	(317)	(424)	(975)
Net book value	-	-	-	-	389	300	200	300	1,189
Year ended 30 June 2018									
Opening net book value	-	-	-	-	389	300	200	300	1,189
Depreciation charge	-	-	-	-	(78)	(30)	(20)	(30)	(158)
Impairment loss (Note 12.4)	-	-	-	-	-	(186)	(117)	(186)	(489)
Closing net book value	-	-	-	-	311	84	63	84	542
As at 30 June 2018									
Cost	-	-	-	-	3,285	2,699	2,161	3,177	11,322
Accumulated depreciation	-	-	-	-	(2,974)	(2,195)	(1,664)	(2,483)	(9,316)
Accumulated impairment	-	-	-	-	-	(420)	(434)	(610)	(1,464)
Net book value	-	-	-	-	311	84	63	84	542
Annual rate of depreciation (%)	-	5	10	10	20	10	10	10	



**(RUPEES IN THOUSAND)**

	2018	2017
12.2 Upside against vehicles in own use, not carried under the revaluation model, as on the reporting date is Rupees 2.240 million(2017: Rupees 2.056 million). This is not recognized in the statement of profit or loss of the Company.		
12.3 Depreciation charge for the year has been allocated as follows:		
Cost of sales (Note 24)	-	20,310
Distribution cost (Note 25)	-	41
Administrative and general expenses (Note 26)	158	918
	<u>158</u>	<u>21,269</u>
12.4 Impairment loss incurred during the year		
Against property, plant and equipment (Note 12.1)	489	97,957
Against non-current assets held for sale (Note 22)	66,904	8,951
	<u>67,393</u>	<u>106,908</u>
Impairment loss recognized as follows:		
Reversal of surplus on revaluation of property, plant and equipment (Note 5)	19,694	104,785
Charged to the statement of profit or loss- other expenses (Note 27)	47,699	2,123
	<u>67,393</u>	<u>106,908</u>
	-	-
13. LONG TERM SECURITY DEPOSITS		
Long term security deposits	1,789	1,814
Deposit margin against bank guarantee	-	104
	<u>1,789</u>	<u>1,918</u>
Less: Current portion (Note 19)	-	104
	<u>1,789</u>	<u>1,814</u>
Less: Provision for doubtful long term security deposits (Note 13.1)	1,789	1,814
	<u>-</u>	<u>-</u>
13.1 Provision for doubtful long term security deposits		
Balance as at 01 July	1,814	-
Add: Provision recognized during the year (Note 27)	-	1,814
Less: Provision reversed during the year (Note 28)	25	-
Balance as at 30 June	<u>1,789</u>	<u>1,814</u>
14. DEFERRED INCOME TAX		
The (liability) / asset for deferred income tax originated due to temporary differences relating to:		
Accelerated tax depreciation	(9,755)	(41,825)
Surplus on revaluation of property, plant and equipment	(4,052)	(12,260)
	<u>(13,807)</u>	<u>(54,085)</u>
Accumulated tax losses	100,510	117,801
	<u>86,703</u>	<u>63,716</u>
Less: Deferred income tax asset not recognized	86,703	63,716
	<u>-</u>	<u>-</u>



- 14.1 The net deferred income tax asset of Rupees 86.703 million (2017: Rupees 63.716 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)		
	2018	2017
15. STORES AND SPARE PARTS		
Stores	1,076	1,195
Spare parts	<u>10,811</u>	<u>11,002</u>
	11,887	12,197
Less: Provision for slow moving and obsolete stores and spare parts (Note 15.1)	<u>10,388</u>	<u>9,197</u>
	<u>1,499</u>	<u>3,000</u>
15.1 Provision for slow moving and obsolete stores and spare parts		
Balance as at 01 July	9,197	2,485
Add: Provision recognized during the year (Note 27)	1,411	6,712
Less: Provision reversed during the year (Note 28)	57	-
Less: Store and spare parts written off against provision	<u>163</u>	<u>-</u>
Balance as at 30 June	<u>10,388</u>	<u>9,197</u>
16. STOCK IN TRADE		
Raw material	<u>-</u>	<u>65</u>
16.1 Stock in trade of Rupees Nil (2017: Rupees 0.065 million) is being carried at net realizable value.		
16.2 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees Nil (2017: Rupees 0.064 million).		
17. TRADE DEBTS		
Considered good	-	-
Considered doubtful:		
Others - Unsecured	2,575	2,589
Less: Provision for doubtful trade debts (Note 17.1)	<u>2,575</u>	<u>2,589</u>
	<u>-</u>	<u>-</u>
17.1 Provision for doubtful trade debts		
Balance as at 01 July	2,589	812
Add: Provision charged during the year (Note 27)	-	1,777
Less: Trade debts written off against provision	<u>14</u>	<u>-</u>
Balance as at 30 June	<u>2,575</u>	<u>2,589</u>
18. ADVANCES		
Considered good	-	-
Considered doubtful:		
Advances to suppliers	119	146
Less: Provision for doubtful advances to suppliers (Note 18.1)	<u>119</u>	<u>146</u>
	<u>-</u>	<u>-</u>



	(RUPEES IN THOUSAND)	
	2018	2017
18.1 Provision for doubtful advances to suppliers		
Balance as at 01 July	146	-
Add: Provision charged during the year (Note 27)	-	146
Less: Provision reversed during the year (Note 28)	27	-
Balance as at 30 June	<u>119</u>	<u>146</u>
19. SHORT TERM DEPOSITS		
Deposits margin against letters of guarantee	2,660	1,617
Current portion of long term security deposit (Note 13)	-	104
	<u>2,660</u>	<u>1,721</u>
20. OTHER RECEIVABLES		
Sales tax receivable:		
Considered good	3,840	-
Considered doubtful	18,928	22,768
	22,768	22,768
Less: Provision for doubtful sales tax receivable (Note 20.1)	18,928	22,768
	3,840	-
Advance income tax	5,156	3,792
	<u>8,996</u>	<u>3,792</u>
20.1 Provision for doubtful sales tax receivable		
Balance as at 01 July	22,768	7,123
Add: Provision charged during the year (Note 27)	-	15,645
Less: Provision reversed during the year (Note 28)	3,840	-
Balance as at 30 June	<u>18,928</u>	<u>22,768</u>
21. CASH AND BANK BALANCES		
Cash in hand	21	56
Cash with banks:		
Current accounts	82,771	297
	<u>82,792</u>	<u>353</u>
22. NON-CURRENT ASSETS HELD FOR SALE		
<p>The shareholders of the Company have resolved in extra-ordinary general meeting held on 07 March 2017 to dispose of freehold land, buildings on freehold land and plant and machinery along with all other assets installed at the mills premises. Process of disposal of the aforesaid assets could not be completed within one year. Therefore, in accordance with the requirements of Section 183 (5) of the Companies Act, 2017 the Company again obtained approval from shareholders to dispose of the remaining plant and machinery located at mills premises in extra-ordinary general meeting held on 02 April 2018. These non-current assets have been classified as held for sale at lower of their carrying amounts 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". Category wise break up of non-current assets classified as held for sale is summarized as follows:</p>		
Non - current assets classified as held for sale		
Freehold land (Note 22.1)	1,162,563	1,162,563
Buildings on freehold land (Note 22.2)	52,500	66,974
Electrical installations (Note 22.4)	-	1,500
Plant and machinery (Note 22.5)	22,990	170,000
	<u>1,238,053</u>	<u>1,401,037</u>



(RUPEES IN THOUSAND)

2018 2017

22.1 Freehold land

Balance as at 01 July	1,162,563	-
Add: Transferred from property, plant and equipment (Note 12.1)	-	1,162,563
Balance as at 30 June	<u>1,162,563</u>	<u>1,162,563</u>

The freehold land is carried at revalued amount with a surplus of Rupees 1,148.547 million (2017: Rupees 1,148.547 million) included in the surplus on revaluation of property, plant and equipment (Note 5). Book value of freehold land on cost basis as on the reporting date is Rupees 14.016 million (2017: Rupees 14.016 million).

The Company has signed an agreement to sell freehold land on 07 March 2018. According to the terms of the agreement, sale price of freehold land is Rupees 1,585.313 million. The Company has received down payment of Rupees 317.063 million shown in note 7.2 to these financial statements. Hence, there is an upside of Rupees 422.750 million against freehold land which is not recognized in these financial statements.

22.2 Buildings on freehold land

Balance as at 01 July	66,974	-
Add: Transferred from property, plant and equipment (Note 12.1)	-	68,162
Less: Carrying amount of building disposed of (Note 22.2.1)	-	1,188
Less: Impairment loss recognized as reversal of surplus on revaluation	14,474	-
Balance as at 30 June	<u>52,500</u>	<u>66,974</u>

22.2.1 Gain on disposal of non-current assets held for sale

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

22.2.1.1 This represents disposal of office building to Shadab Textile Mills Limited - associated company.

The buildings on freehold land are carried at revalued amount with a surplus of Rupees 13.973 million (2017: Rupees 28.447 million) included in the surplus on revaluation of property, plant and equipment (Note 5). Book value of buildings on freehold land on cost basis as on the reporting date is Rupees 38.527 million (2017: Rupees 38.527 million).

The Company has signed an agreement to sell the buildings on freehold land in the form of debris (malba) on 06 November 2017. According to terms of agreement, sale price of buildings debris (malba) would be Rupees 125.085 per square feet. The total consideration against 419,715 square feet would be Rupees 52.500 million. The Company has received an advance of Rupees 24.993 million. Hence, the Company has charged an impairment loss of Rupees 14.474 million in these financial statements.

22.3 Particulars of immovable properties (i.e. land and buildings) are as follows:

Location	Usage of Immovable Property	Total area of land	Covered area of buildings
8 – KM Sargodha Road, Faisalabad	Mills	Acre 26.42	Square feet 419,715



	(RUPEES IN THOUSAND)	
	2018	2017
22.4 Electrical installations		
Balance as at 01 July	1,500	-
Transferred from operating fixed assets (Note 12.1)	-	2,648
Less: Impairment loss recognized in the statement of profit or loss (Note 12.4)	1,500	1,148
Balance as at 30 June	<u>-</u>	<u>1,500</u>
22.5 Plant and machinery		
Balance as at 01 July	170,000	-
Transferred from operating fixed assets (Note 12.1)	-	195,356
Less: Carrying amount of plant and machinery disposed of (Note 22.6)	96,080	17,553
Less: Impairment loss recognized as reversal of surplus on revaluation	5,220	-
Less: Impairment loss recognized in the statement of profit or loss (Note 12.4)	45,710	7,803
Balance as at 30 June	<u>22,990</u>	<u>170,000</u>
Gain on disposal of non-current assets held for sale		
Sale proceeds (Note 22.6)	105,058	26,696
Less: Carrying amount of plant and machinery disposed of (Note 22.6)	96,080	17,553
	<u>8,978</u>	<u>9,143</u>

The plant and machinery is carried at revalued amount with a surplus of Rupees Nil (2017 Rupees 12.418 million) included in the surplus on revaluation of property, plant and equipment (Note 5). Book value of plant and machinery on cost basis as on the reporting date is Rupees 22.990 million (2017: Rupees 157.582 million).

As at the reporting date, the Company has signed agreements to sell the plant and machinery having carrying value of Rupees 39.349 million and Rupees 3.841 million against sale price of Rupees 19.149 million and Rupees 6.779 million respectively. Hence, the Company has charged impairment loss of Rupees 20.200 million. Further, up side of Rupees 2.938 million has not been recognized in these financial statements.

22.6 Detail of plant and machinery classified as held for sale exceeding book value of Rupees 500,000 disposed of during the year is as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	QTY	€ARRYING VALUE	SALES PROCEES	GAIN/LOSS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Murata Mach Coner	1	2,074	749	(1,325)	Negotiation	Mr. Muhammad Munir, Faisalabad
Murata Mach Coner	10	8,107	5,200	(2,907)	Negotiation	Mr. Mureed Abbas, Faisalabad
Ring Frame	6	6,378	3,529	(2,849)	Negotiation	Mr. Mazhar Abbas, Faisalabad
Auto Corner	2	14,996	6,000	(8,996)	Negotiation	Colony Textile Mills Limited
Simplex Flying Frame	2	1,013	1,008	(5)	Negotiation	Mr. Mazhar Abbas, Faisalabad
Drawing Frames	3	645	315	(330)	Negotiation	Mr. Mazhar Abbas, Faisalabad
Ring Frame Ejm-168	12	4,204	8,400	4,196	Negotiation	Mkb Spinning Mills (Private) Limited
Ring Frame Ry-5	4	2,819	2,353	(466)	Negotiation	Mr. Mazhar Abbas, Faisalabad
Ring Frame Ry-5	3	2,114	1,770	(344)	Negotiation	Mkb Spinning Mills (Private) Limited
Toyoda Ring Fmae Ry-5	4	1,721	2,017	296	Negotiation	Mr. Mureed Abbas, Faisalabad
A/C Plant	2	1,763	1,261	(502)	Negotiation	Madina Electric Engineering, Lahore
Card Filter	3	646	630	(16)	Negotiation	Madina Electric Engineering, Lahore
Drawing Machine Reiter	1	4,340	2,000	(2,340)	Negotiation	Nadeem Textile Mills Limited
Card- Mk-4	1	1,021	158	(863)	Negotiation	Mr. Ali Raza, Faisalabad
Autocone 21C	3	11,285	13,636	2,351	Negotiation	National Spinning Mills Limited
Toyoda Simplex Fly Frame	1	2,486	950	(1,536)	Negotiation	Ishaq Textile Mills Limited, Faisalabad
Card Tc-03 Trutzchler	1	1,840	3,067	1,227	Negotiation	Mr. Muhammad Sultan, Hyderabad
Toyoda Simplex Fly Frame	1	4,285	1,000	(3,285)	Negotiation	Khokhar Textile Mills Limited
Murata Auto Corner 21-C	1	3,668	4,750	1,082	Negotiation	North Star Textiles Limited
Drawing Reiter	1	844	1,050	206	Negotiation	Crescent Cotton Mills Limited
Drawing Reiter	2	986	2,000	1,014	Negotiation	Ideal Trading Company, Faisalabad
Electric Cables	1 Lot	749	6,499	5,750	Negotiation	Madina Electric Engineering, Lahore
		77,984	68,342	(9,642)		
Aggregate of other items of plant and machinery with individual book values not exceeding Rupees 500,000		18,096	36,716	18,620		
		96,080	105,058	8,978		



**23. SALES**

Local	148	43,757
Less: Sales tax	-	487
	<u>148</u>	<u>43,270</u>

24. COST OF SALES

Raw materials consumed / written off (Note 24.1)	65	64
Salaries, wages and other benefits		629
Fuel and power	-	711
Repair and maintenance	-	1,257
Insurance	-	11
Depreciation (Note 12.3)	-	20,310
	<u>65</u>	<u>22,982</u>
Work-in-process inventory		
Opening stock	-	-
Closing stock	-	-
	<u>-</u>	<u>-</u>
Cost of goods manufactured	<u>65</u>	<u>22,982</u>
Finished goods inventory		
Opening stock	-	44,078
Closing stock	-	-
	<u>-</u>	<u>44,078</u>
	<u>65</u>	<u>67,060</u>

24.1 Raw materials consumed / written off

Opening stock	65	129
Less: Closing stock	-	65
	<u>65</u>	<u>64</u>

25. DISTRIBUTION COST

Commission to selling agents	275	272
Freight and handling	-	98
Depreciation (Note 12.3)	-	41
	<u>275</u>	<u>411</u>

26. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and other benefits (Note 26.1)	13,789	13,629
Travelling and conveyance	89	98
Rent, rates and taxes	9,339	672
Printing and stationery	386	369
Communication	228	259
Utilities	30,219	1,584
Vehicles' running	710	925
Insurance	286	7
Fee and subscription	622	509
Entertainment	83	86
Legal and professional	1,901	1,720
Auditors' remuneration (Note 26.2)	500	500
Repair and maintenance	861	284
Advertisement	179	146
Depreciation (Note 12.3)	158	918
Miscellaneous	265	-
	<u>59,615</u>	<u>21,706</u>

26.1 Salaries and other benefits include Rupees 0.149 million (2017: Rupees 0.105 million) in respect of contributions towards provident fund.



	(RUPEES IN THOUSAND)	
	2018	2017
26.2 Auditors' remuneration		
Annual audit fee	500	500
Half yearly review fee	-	-
	500	500
27. OTHER EXPENSES		
Exchange loss	8,217	304
Impairment loss against property, plant and equipment and non-current assets held for sale (Note 12.4)	47,699	2,123
Provision for slow moving and obsolete stores and spare parts (Note 15.1)	1,411	6,712
Provision for doubtful trade debts (Note 17.1)	-	1,777
Provision for doubtful advances to suppliers (Note 18.1)	-	146
Provision for doubtful long term security deposits (Note 13.1)	-	1,814
Provision for doubtful sales tax receivable (Note 20.1)	-	15,645
Provision for sales tax payable	32,649	-
Provision for withholding income tax payable	1,852	-
Provision against custom duty payable	4,161	-
Commission on sale of plant and machinery	150	-
Miscellaneous	56	-
	96,195	28,521
28. OTHER INCOME		
Income from financial assets		
Credit balances written back	3,233	1,212
Reclassification adjustment for gains included in profit or loss	-	2,453
Reversal of provision for doubtful long term security deposits (Note 13.1)	25	-
Income from non-financial assets		
Sale of scrap	-	948
Gain on sale of stores and spares	17	-
Gain on sale of fixed assets	-	4,128
Gain on sale of non-current assets held for sale	8,978	13,685
Reversal of impairment loss on property, plant and equipment (Note 12.1)	-	18,332
Reversal of provision for doubtful sales tax receivable (Note 20.1)	3,840	-
Reversal of provision for slow moving and obsolete stores and spare parts (Note 15.1)	57	-
Reversal of provision for doubtful advances to suppliers (Note 18.1)	27	-
	16,177	40,758
29. FINANCE COST		
Mark-up on:		
Short term borrowings	11,008	6,986
Adjustment due to impact of IAS - 39 (Note 6.2)	4,245	1,800
Bank and other charges	380	613
Interest on employees' provident fund	209	306
	15,842	9,705

**30. TAXATION**

Current:

- For the year (Note 30.1)	2	433
- Prior year	825	-
- Deferred tax	6,049	32,892
	<u>6,876</u>	<u>33,325</u>

30.1 Due to carry forwardable tax losses of Rupees 346.587 million (2017: Rupees 392.672 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.

30.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purposes of taxation is available which can be analysed as follows:

(RUPEES IN THOUSAND)

	Year ended 30 June		
	2017	2016	2015
Provision for taxation	433	-	20,172
Tax assessed	<u>433</u>	<u>-</u>	<u>20,172</u>

31. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities from financing activities		TOTAL
	Sponsors' advance	Short term borrowings	
Balance as at 01 July 2017	144,498	92,648	237,146
Add: Adjustment due to impact of IAS - 39	4,245	-	4,245
Less: Repayments made during the year	(147,041)	(92,648)	(239,689)
Balance as at 30 June 2018	<u>1,702</u>	<u>-</u>	<u>1,702</u>

32. REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTOR

The aggregate amount charged in these financial statements in respect of remuneration, including all benefits to the Chief Executive Officer and Director of the Company are as follows:

(RUPEES IN THOUSAND)

DESCRIPTION	2018		2017	
	Chief Executive Officer	Directors	Chief Executive Officer	Directors
Managerial remuneration	1800	770	1800	770
Allowances				
House rent	810	347	720	347
Medical	180	77	180	77
Utilities	210	90	300	90
Contribution to provident fund	-	-	-	-
	<u>3,000</u>	<u>1,284</u>	<u>3,000</u>	<u>1,284</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>



- 32.1 Chief executive officer and director are provided with the Company maintained vehicles.
- 32.2 No meeting fee was paid to directors during the year under reference (2017: Rupees Nil).
- 32.3 No remuneration was paid to non-executive directors of the Company.
- 32.4 No employee of the Company fall under the definition of executive given in fourth schedule to the Companies Act, 2017.

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)

2018 2017

i) Transactions

Shadab Textile Mills Limited - associated company

Scrap sale	-	708
Sale of raw material	148	-
Sale of office building	-	5,730
Sale of plant and machinery	2,250	4,245

Other related party

The Company's contribution to provident fund trust	149	105
--	-----	-----

ii) Period end balances

Associated company

Payable to Shadab Textile Mills Limited	-	181
---	---	-----

Other related party

Payable to provident fund trust	1,703	3,119
---------------------------------	-------	-------

- 33.1 Following is the related party with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of the associated company	Basis of relationship	Transaction entered or agreement and / or arrangements in place during the financial year	Percentage of Shareholding
--------------------------------	-----------------------	---	----------------------------

Shadab Textile Mills Limited	Common directorship	Yes	None
------------------------------	---------------------	-----	------

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>(162,543)</u>	<u>(76,700)</u>
Weighted average number of ordinary shares	(Numbers)	<u>31,200,000</u>	<u>31,200,000</u>
Loss per share - Basic and diluted	(Rupees)	<u>(5.21)</u>	<u>(2.46)</u>

**35. PROVIDENT FUND**

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

2018 **2017**

36. NUMBER OF EMPLOYEES

Number of employees as at the reporting date (Note 36.1)	34	38
Average number of employees during the year	37	36

36.1 These include 32 (2017: 35) number of factory employees.

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 was exposed to currency risk arising primarily with respect to the United States Dollar (USD). The Company's foreign exchange risk exposure was 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:

	2018	2017
Short term borrowing - USD	-	591,852

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	110.43	104.29
Reporting date rate	121.40	104.50

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 Nil (2017: Rupees 3.092 million) higher / lower 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 was relating to 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 reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	(RUPEES IN THOUSAND)	
	2018	2017
Fixed rate instruments	-	-
Floating rate instruments		
Financial liabilities		
Short term borrowings	-	92,648

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 reporting 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 Nil (2017: Rupees 0.926 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 the reporting 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.

(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:

	(RUPEES IN THOUSAND)	
	2018	2017
Deposits	2,660	1,721
Bank balances	82,771	297
	<u>85,431</u>	<u>2,018</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:



Short Term	RATING			(RUPEES IN THOUSAND)	
	Long Term	Agency		2018	2017

Banks

National Bank of Pakistan	A1+	AAA	PACRA	48	18
Bank Alfalah Limited	A1+	AA	PACRA	1	1
Habib Bank Limited	A-1+	AAA	JCR-VIS	-	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	13
MCB Islamic Bank Limited	A1	A	PACRA	-	7
Meezan Bank Limited	A1+	AA	JCR-VIS	82,722	258
				<u>82,771</u>	<u>297</u>

The Company's exposure to credit risk and impairment losses, if any, related to trade debts is disclosed in Note 17.

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. The management believes that the liquidity risk is manageable. Following are the contractual maturities of financial liabilities, including interest payments, if any. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2018:

	(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	1,702	1,702	1,702	-	-	-
Trade and other payables	98,666	98,666	98,666	-	-	-
Unclaimed dividend	1,066	1,066	1,066	-	-	-
	<u>101,434</u>	<u>101,434</u>	<u>101,434</u>	-	-	-

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	120,610	120,610	120,610	-	-	-
Accrued mark-up	5,673	5,673	5,673	-	-	-
Short term borrowings	92,648	92,648	92,648	-	-	-
Unclaimed dividend	1,066	1,066	1,066	-	-	-
	<u>364,495</u>	<u>368,740</u>	<u>347,040</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 the respective notes to these financial statements.

**37.2 Financial instruments by categories**

	(RUPEES IN THOUSAND)
As at 30 June 2018	Loans and recievables
Assets as per statement of financial position	
Deposits	2,660
Cash and bank balances	82,792
	<u>85,452</u>
	(RUPEES IN THOUSAND)
	Financial liabilities at amortized cost
Liabilities as per statement of financial position	
Sponsors' advances	1,702
Trade and other payables	98,666
Unclaimed dividend	1,066
	<u>101,434</u>
	(RUPEES IN THOUSAND)
As at 30 June 2017	Loans and recievables
Assets as per statement of financial position	
Deposits	1,721
Cash and bank balances	353
	<u>2,074</u>
	(RUPEES IN THOUSAND)
	Financial liabilities at amortized cost
Liabilities as statement of financial position	
Sponsors' advances	144,498
Trade and other payables	120,610
Accrued mark-up	5,673
Short term borrowings	92,648
Unclaimed dividend	1,066
	<u>364,495</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

The Company has ceased its production activities since September 2015.



40. FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are 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. 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 classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under.

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.

41. NON - RECURRING FAIR VALUE MEASUREMENTS - NON FINANCIAL ASSETS

Freehold land, buildings on freehold land and plant and machinery of the Company were classified as non-current assets held for sale during the year ended 30 June 2017. These assets were measured at the lower of their carrying amounts and fair value less costs to sell at the time of the reclassification.

The fair value of the land was determined using the current prices in an active market for the similar lands, fair value of the buildings on freehold land was determined on the basis of fair depreciated market value by applying an appropriate annual rate of depreciation on new construction / replacement value of the same buildings and fair value of plant and machinery was calculated on the basis of fair depreciated market value by applying an appropriate rate of depreciation on the value of new plant and machinery of the same specifications. Therefore, all these non-current assets classified as held for sale were classified in level 2 measurement as per fair value hierarchy.

During the reporting period, the Company has signed agreements to sell freehold land, buildings on freehold land (in the form of malba) and plant and machinery. Hence, on the basis of agreements to sell, expected sale proceeds against disposal of freehold land, buildings on freehold land and plant and machinery have been disclosed in note 22.1 , note 22.2 and note 22.5 respectively and are categorized in level 1 measurement as per fair value hierarchy.

42. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2018 of Rupees NIL per share (2017: Rupees NIL) at their meeting held on October 04, 2018.

**43. DATE OF AUTHORIZATION**

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 04, 2018.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. To comply with the requirements of the Companies Act, 2017, unclaimed dividend has been reclassified from trade and other payables and presented on the face of the statement of financial position. Restatement due to change in accounting policy relating to surplus on revaluation of property, plant and equipment is described in the note 2.5 (b). Except for these, no significant rearrangements have been made.

45. 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 30 06 2018

4.	No. of Shareholders	Shareholdings			Total shares held
		From		To	
	198	1	-	100	14,920
	2,140	101	-	500	1,023,018
	57	501	-	1,000	55,400
	59	1,001	-	5,000	139,790
	10	5,001	-	10,000	82,000
	6	10,001	-	15,000	72,372
	2	15,001	-	20,000	33,286
	1	20,001	-	25,000	20,905
	1	25,001	-	30,000	29,000
	4	30,001	-	35,000	130,400
	2	40,001	-	45,000	86,800
	2	50,001	-	55,000	105,487
	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	575,001	-	580,000	578,202
	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
	2,515				31,200,000



5. Categories of shareholders		Shares Held	Percentage
5.1	Directors, Chief Executive Officer and their Spouse and Minor Children	14,290,614.00	45.80
5.2	Associated Companies, Undertakings and Related Parties	-	-
5.3	NIT and ICP	-	-
5.4	Banks, Development Financial Institutions, Non Banking Financial Institutions	35,331.00	0.11
5.5	Insurance Companies	-	-
5.6	Modarabas and Mutual Funds	578,202.00	1.85
5.7	Share holders holding 10% or more	14,517,061.00	46.53
5.8	General Public		
	a. Local	16,153,089.00	51.77
	b. Foreign	-	-
5.9	Other (to be specified)		
	1-Joint Stock Companies	86,601.00	0.28
	2- Pension Funds	53,776.00	0.17
	3- Others	2,387.00	0.01
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	30-06-2018	

**DETAILS OF CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2018**

<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)	578,202	1.85321
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	Mian Farrukh Naseem (Chief Executive)	4,383,542	14.04981
2	Mian Ahmed Naseem	651,439	2.08795
3	Mr. Saad Naseem	122,500	0.39263
4	Mian Aamir Naseem	3,988,200	12.78269
5	Mian Shahzad Aslam	1,918,225	6.14816
6	Mr. Muhammad Shams Amin (CDC)	1,500	0.00481
7	Mr. Umair Abid (CDC)	4,000	0.01282
8	Mr. Sajjad Aslam (CDC)	1,936,707	6.20739
9	Mrs. Fatima Aamir W/o. Mian Amir Naseem	1,172,119	3.75679
10	Mrs. Hina Farrukh W/o. Mr. Farrukh Naseem	112,382	0.36020
Executives:			
		-	-
Public Sector Companies & Corporations:			
		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:			
		89,107	0.29000
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	Mst. Nusrat Shamim	6,145,319	19.69654
2	Mian Farrukh Naseem	4,383,542	14.04981
3	Mian Aamir Naseem	3,988,200	12.78269
4	Mr. Sajjad Aslam	1,936,707	6.20739
5	Mian Shahzad Aslam	1,918,225	6.14816
6	Mian Parvez Aslam	1,820,786	5.83585

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:

(No Trade Carried out during the year.)



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
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 32nd Annual General Meeting of the
Company to be held on Saturday, October 27, 2018 at 11:00 a.m. and at any adjournment thereof.

As witness my / our hand (s) this day of 2018

1. Witness:

Signature
Name
Address
CNIC No.

Affix
Revenue
Stamps of
Rs. 5/-

2. Witness:

Signature
Name
Address
CNIC No.

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.



فولیونمبر اسی ڈی سی پارٹیشنٹ (شرکت) ID

اور کھاتا نمبر:

کمپیوٹرائزڈ شناختی کارڈ نمبر:

پراکسی فارم

میں / ہم _____
بیٹا / بیٹی / زوجہ _____

سرگودھا سپننگ ملز لمیٹڈ اور حامل _____
(تعداد و حصص)

سی ڈی سی پارٹیشنٹ (شرکت) آئی ڈی اور اکاؤنٹ (کھاتہ) نمبر: _____
محترم _____ کا / کے _____

یا عدم موجودگی کی صورت میں، محترم _____

کا / کے _____ بھی جو کہ سرگودھا سپننگ ملز لمیٹڈ کے رکن ملاحظہ رجسٹرڈ فولیونمبر اسی ڈی سی پارٹیشنٹ

(شرکت) آئی ڈی اور اکاؤنٹ (کھاتہ) نمبر: _____ کو اپنے / ہمارے ایما پر مورخہ 27 اکتوبر 2018 بروز ہفتہ

صبح 11:00 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 _____ 2018 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



www.jamapunji.pk



Be aware, Be alert, Be safe

Learn about investing at www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Fund is an approved Educational Institution of Securities and Exchange Commission of Pakistan

jamapunji.pk

[@jamapunji.pk](https://www.facebook.com/jamapunji.pk)

*Mobile app is also available for download for android and ios devices