

2014

ANNUAL REPORT  
**2014**



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**Sargodha Spinning Mills Limited**

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**COMPANY INFORMATION**

<b>BOARD OF DIRECTORS</b>	Mian Farrukh Naseem Mian Aamir Naseem Mian Shahzad Aslam Mr. Saad Naseem Mrs. Hina Farrukh Mr. Irfan Qamar Mr. Shahid Mahmud	<b>Chairman/Chief Executive</b>
<b>AUDIT COMMITTEE</b>	Mian Aamir Naseem Mian Shahzad Aslam Mrs. Hina Farrukh	<b>Chairman Member Member</b>
<b>HUMAN RESOURCE &amp; REMUNERATION COMMITTEE</b>	Mian Aamir Naseem Mian Farrukh Naseem Mr. Irfan Qamar	<b>Chairman Member Member</b>
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Mazhar Hussain	
<b>COMPANY SECRETARY</b>	Mr. Mazhar Hussain	
<b>AUDITORS</b>	Riaz Ahmad & Company Chartered Accountants	
<b>BANKERS</b>	National Bank of Pakistan NIB Bank Limited Bank Al-Falah Limited	
<b>SHARE REGISTRAR</b>	Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 042-35887262, 35839182 Fax: 042-35869037	
<b>REGISTERED OFFICE</b>	A-601/B, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore. Ph: 042-35788758-59	
<b>WEBSITE ADDRESS</b>	<a href="http://www.sargodhaspinning.com">www.sargodhaspinning.com</a>	
<b>MILLS</b>	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 that the 28th Annual General Meeting of the Shareholders of **SARGODHA SPINNING MILLS LIMITED** will be held on Friday, October 31, 2014 at 10:00 a.m. at the Registered Office of the Company 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 Audited Accounts for the year ended June 30, 2014 together with Directors' and Auditors' Reports thereon.
2. To appoint auditors for the year 2014-2015 and fix their remuneration.

**SPECIAL BUSINESS:**

1. To consider and if thought fit, approve the disposal of certain land and plant and machinery and lease of land by passing the following resolutions as an ordinary resolutions, with or without any modification, addition or deletion in terms of Section 196 (3) (a) of the Companies Ordinance, 1984:

"RESOLVED, that approval and consent of the general meeting be and is hereby accorded in terms of Section 196 (3) (a) of the Companies Ordinance, 1984 to the disposal of land measuring 25 Kanals situated at Chak No. 120 J.B. Nanakpur, Tehsil & District, Faisalabad and disposal in whole or in parts, of plant and machinery, detail whereof is contained in statement of material facts subject to the issue of no objection certificate from the concerned Banks and that the Chief Executive of the Company be and is hereby authorized to dispose of the said land and machinery in such manner and on such basis and on such terms and subject to such conditions and for such consideration as may be deemed in the best interest of the Company."

FURTHER RESOLVED, that the Chief Executive or his nominee(s) / representative(s) be and is/are hereby authorized and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement the resolutions as aforesaid and all matters connected, necessary and incidental thereto."

2. "RESOLVED, that approval and consent of the general meeting be and is hereby accorded in terms of Section 196 (3) (a) of the Companies Ordinance, 1984 to lease out, in whole or in parts, the Company's land measuring 50 Kanals situated at Chak No. 120 J.B. Nanakpur, Tehsil & District, Faisalabad subject to the issue of no objection certificate from concerned Bank and that the Chief Executive of the Company be and is hereby authorized to lease out the said land in such manner and on such basis and on such terms and subject to such conditions and for such consideration as may be deemed in the best interest of the Company."

FURTHER RESOLVED, that the Chief Executive or his nominee(s) / representative(s) be and is/are hereby authorized and empowered on behalf of the Company to do all acts, deeds and things and take all necessary steps including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement the resolutions as aforesaid and all matters connected, necessary and incidental thereto."

For and on behalf of the Board

Lahore: September 30, 2014

**(Mazhar Hussain)**  
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 25, 2014 to October 31, 2014 (both days inclusive). Transfers received at Corplink (Pvt) Limited, Wings Arcade, I-K, Commercial, Model Town, Lahore, the Registrar and Shares Transfer Office of the Company by the close of business on October 24, 2014 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 the Registered Office not less than 48 hours before the time of holding the meeting. A proxy must be a member.
3. 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.
4. Shareholders are requested to immediately notify the change of address, if any to Share Registrar of the Company.
5. CNIC number of the shareholders is mandatory in terms of S.R.O. 831(I)/2012 dated 5 July 2012 for the issuance of future dividend warrants etc., and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given in the company's information without any further delay.

**STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984**

Due to the tight liquidity position and to overcome the financial constraints, the management has decided to sell / lease land situated at Chak No. 120 J.B. Nanakpur, Tehsil & District, Faisalabad and plant and machinery of the Company. The proceeds of the sale/lease would be utilized to pay off bank & creditors liabilities and for strengthening the working capital of the company. The directors have no personal interest in the proposed arrangements, save to the extent of their shareholding.

Due to shortage and high cost of energy, low demand of products in export and local market, Pak Rupee appreciation viz-a-viz US Dollar, global recession and consequent inventory losses have resulted, the mills could not be run on full capacity resulting into losses to the Company. The Company, therefore, has decided to dispose of surplus land and certain plant and machinery, in whole or in parts, to generate enough liquidity for repayment to Banks and creditors and strengthening of working capital of the Company.

Information required under SRO 1227/2005 dated December 12, 2005 is as follows:

Description	Land
Location	Land situated at Chak No. 120, J.B. Nanakpur, Tehsil & District, Faisalabad.
Area	25-Kanals
Cost	Rs. 1.538 Million.
Book Value	Rs. 87.500 Million
Current Market Price/Fair Value (Appx.)	Rs. 100.000 Million
Revalued Amount	Rs. 87.500 Million
Proposed Manner of Selling	Negotiation. The disposal to be advertised in newspapers to solicit prospective buyers.
Reason for the Sale	To pay off the bank and creditors liabilities of the company and for strengthening of working capital.
Expected Benefits to the shareholders	Company will not be declared defaulters and the financial expenses will be reduced.

**DISPOSAL OF MACHINERY (in whole or in parts)**

Detail of Machinery	Quantity	Cost (Rs. in Million)	Revalued amount (Rs. in Million)	Book Value (Rs. in Million)	Current Market Price/Fair Value Approx. (Rs. in Million)
Blow Room	2 Lines	50.582	11.920	10.597	11.920
Cards	35 Nos.	68.533	49.861	19.981	49.861
Drawing Frames	19 Nos.	45.370	35.987	20.090	35.987
Simplex Frames	12 Nos.	49.512	38.555	13.644	38.555
Ring Frames	30 Nos. (28800 Spindles)	154.419	61.574	39.723	61.574
Cone Winders	12 Nos.	115.018	93.165	36.976	93.165
Yarn Conditioning Machine	01 No.	4.131	3.250	1.862	3.250
Humidification, Air Conditioning and Filtration Plant	01 Unit	24.784	5.500	5.203	5.500
Air Compressors & Air Dryers	3 Nos.	3.804	4.139	1.397	4.139
Laboratories & Testing Equipment	01 Unit	9.803	2.000	2.022	2.000
<b>Total</b>		<b>525.956</b>	<b>305.951</b>	<b>151.495</b>	<b>305.951</b>
Proposed manner of selling	Negotiation. The disposal to be advertised in newspapers to solicit prospective buyers.				
Reason for Sale	To pay off the bank and creditors liabilities of the company and for strengthening of working capital.				
Expected benefit to the shareholders.	Company will not be declared defaulters and the financial expenses will be reduced.				
	Production capacity converted into 20/s Kgs. 8.800 (Million) Achieved capacity converted into 20/s Kgs. 6.600 (Million)				

**LEASE OF LAND**

Description	Lease of Land
Location	Land situated at Chak No. 120, J.B. Nanakpur, Tehsil & District, Faisalabad.
Area	50-Kanals
Cost	Rs. 3.075 Million.
Book Value	Rs. 175.000 Million.
Current Market Price/Fair Value (Appx.)	Rs. 200.000 Million
Revalued Amount	Rs. 175.000 Million
Proposed Manner of Lease	Negotiation
Reason for the Lease	To increase the liquidity position of the company and for strengthening of working capital.
Expected Benefits to the shareholders	To reduce the financial expenses of the company.

**DIRECTORS' REPORT**

Dear Shareholders,

The Directors of the Company welcome you to the 28th 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, 2014.

**Financial Results**

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

	<b>(RUPEES IN THOUSAND)</b>	
	<b>June 30 2014</b>	<b>June 30 2013</b>
Sales	3,053,261	2,975,596
Cost of Sales	(2,914,308)	(2,704,416)
Gross Profit	138,953	271,180
Distribution Cost	(57,091)	(70,219)
Administrative Expenses	(48,161)	(47,920)
Other Expenses	(1,708)	(19,640)
	(106,960)	(137,779)
	31,993	133,401
Other Income	16,578	15,636
Profit From Operations	48,571	149,037
Finance Cost	(54,280)	(61,568)
(Loss) / Profit Before Taxation	(5,709)	87,469
Taxation	(30,855)	(23,757)
(Loss) / Profit After Taxation	(36,564)	63,712
(Loss) / Earnings Per Share - Basic and Diluted (Rupees)	(1.17)	2.04

During the year under review, the Company sustained after tax loss of Rs. 36.564 million as compared to previous year after tax profit of Rs. 63.712 million. Sales were made amounting to Rs. 3,053.261 million including export sales of Rs. 1,129.741 million as compared to previous year sale of Rs. 2,975.596 million representing an increase of 2.61 % against previous year sales.

Financial results of the company has been affected mainly due to shortage and higher cost of energy, increase in raw material cost, global recession, devaluation of US Dollar, decline in demand of yarn in export market especially in China, the local market also become depressed due to excess supply and reduction in the prices of yarn and consequent inventory losses. In these circumstances the Company opted to produce blended yarn which also proved bitter experience as the market was in acute slump due to over supply.

During the year the Company has invested Rs. 52.531 million for BMR of machinery to make the project more viable and to improve the quality & flexibility in production and to compete with other spinning units. Major amount of BMR invested in the first half of the year.

**Future Prospects**

The energy crises in the country are still unresolved. The company is suffering production losses due to scheduled load shedding of electricity and gas. Gas is being provided to industry in Punjab for eight hours a day. These factors pushed our energy cost to higher side resulting in disparity between Punjab and Sindh industry. At present, electricity is being supplied for fourteen hours in a day. Without continuous supply of energy, full capacity utilisation is not possible and this uncertain situation has restrained the industry to make any future planning. Meanwhile this year cotton crop prospects are encouraging and cotton production will be hopefully better and it will be available at low price to meet export parity. The management is cognizant of these factors and strives to take all the steps to protect the interest of the company.





## Dividend

The directors have not recommended any dividend for the year ended June 30, 2014 due to tight liquidity position of the company.

## Corporate and Financial Reporting Framework

- a. 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.
- b. Proper books of account have been maintained by the Company.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Key operating and financial data of last six years is annexed to the annual report.
- i. There are no outstanding statutory payments on account of taxes, duties, levies and charges except routine payments of various levies.
- j. Value of investments of provident fund as on 30-06-2014 was Rs.11.417 million un-audited (2013: Rs. 13.651 million audited).
- k. The pattern of shareholding and the additional information as required by the CCG is annexed to the annual report.
- l. Directors, CEO, CFO, Company Secretary and their spouses and minor children have made no transaction in the company's shares during the year.

## Board of Directors Meetings

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

<u>Name of Director</u>	<u>No. of Meetings Attended</u>
Mian Farrukh Naseem	5
Mian Aamir Naseem	5
Mian Shahzad Aslam	5
Mr. Saad Naseem	5
Mr. Irfan Qamar	4
Mr. Shahid Mahmud	4
Mrs. Hina Farrukh	5

Leave of absence was granted to directors who could not attend the meetings

## Audit Committee

The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors including the chairman of the committee.



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

<u>Name of Director</u>	<u>No. of Meetings Attended</u>	
Mian Aamir Naseem	6	Chairman
Mian Shahzad Aslam	6	Member
Mrs. Hina Farrukh	6	Member

#### **Human Resource Committee**

The board has formed HR and Remuneration Committee. It comprises three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.

Mian Aamir Naseem	Chairman
Mian Farrukh Naseem	Member
Mr. Irfan Qamar	Member

During the year under review the HR and Remuneration Committee met for one time. All of the members attended the meeting.

#### **Directors Training Programme**

During the year under review, Mr. Saad Naseem, executive director and Mr. Shahid Mahmud, executive director of the company successfully completed directors training programme conducted by the University of Lahore.

#### **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 2014-2015.

#### **Corporate Social Responsibility**

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

#### **Health, Safety and Environment:**

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

#### **Work-Life Balance:**

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

#### **Business Ethics and Anti-corruption Measures:**

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

**Contribution to the National Exchequer:**

To meet our legal and social obligation towards the development of the economy of the country, the company has contributed Rs. 87.692 million in the FY 2013-14 into the Government exchequer on account of taxes, levies, excise duty and sales tax.

**Energy Conservation:**

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

**Acknowledgements**

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

For and on behalf of the Board

**MIAN FARRUKH NASEEM**  
Chairman / Chief Executive

Lahore: September 30, 2014



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	Nil
Executive Directors	Mian Farrukh Naseem Mr. Saad Naseem Mr. Shahid Mahmud
Non Executive Directors	Mian Aamir Naseem Mian Shahzad Aslam Mrs. Hina Farrukh Mr. Irfan Qamar

The condition of clause (i) (b), i (d) of the code relating to composition of Board is applicable on the expiry of its current term.

2. The directors have confirmed that none of them is serving as director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year ended June 30, 2014 no casual vacancy occurred on the Board.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps which have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and executive and non executive director have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
9. During the year under review, Mr. Saad Naseem, executive director and Mr. Shahid Mahmud, executive director of the company successfully completed directors training programme conducted by the University of Lahore.



10. There is no change in the position of CFO, Company Secretary and Head of Internal Audit during the year. Their remuneration and terms and conditions of employment have been approved by the Board.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee comprising of three members all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non executive director.
18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decision, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with

for and on behalf of the Board

**(MIAN FARRUKH NASEEM)**

Chairman/Chief Executive

LAHORE: September 30, 2014.



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of SARGODHA SPINNING MILLS LIMITED (“the Company”) for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

### **RIAZ AHMAD & COMPANY**

Chartered Accountants

Name of engagement partner:  
Muhammad Atif Mirza

LAHORE: September 30, 2014



## SIX YEARS' FINANCIAL DATA AT A GLANCE

(RUPEES IN THOUSAND)

PARTICULARS	2014	2013	2012	2011	2010	2009
<b>ASSETS EMPLOYED</b>						
Operating Fixed Assets	1,132,394	1,005,825	1,044,771	1,083,044	990,142	1,022,956
Capital Work in Progress	-	54	-	-	245	-
Assets subject to Finance Lease	-	-	-	-	7,222	19,741
Long Term Investments	3,863	3,104	924	310	259	190
Long Term Security Deposits	3,654	3,654	3,654	3,550	3,365	5,807
Deferred Tax	-	-	-	-	-	-
Current Assets	289,795	373,763	405,071	322,062	329,060	173,604
<b>TOTAL ASSETS EMPLOYED</b>	<b>1,429,706</b>	<b>1,386,400</b>	<b>1,454,420</b>	<b>1,408,966</b>	<b>1,330,293</b>	<b>1,222,298</b>
<b>FINANCED BY</b>						
Share Holder's Equity	82,909	112,905	42,526	97,617	91,621	(35,668)
Surplus on Revaluation of Property, plant & equipment	778,435	667,945	672,432	678,340	579,247	586,720
Sponsor Advance - Interest Free	28,465	30,644	30,644	30,644	30,644	30,644
Long Term Financing	43,276	65,022	93,403	132,022	186,218	139,368
Liabilities Against Assets Subject to Finance Lease	-	-	-	-	-	9,353
Current Liabilities	496,621	509,884	615,415	470,343	442,563	491,881
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,429,706</b>	<b>1,386,400</b>	<b>1,454,420</b>	<b>1,408,966</b>	<b>1,330,293</b>	<b>1,222,298</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Sales	3,053,261	2,975,596	2,337,805	3,499,736	1,928,141	1,402,105
Cost of Sales	2,914,308	2,704,416	2,206,256	3,243,996	1,638,531	1,386,328
<b>GROSS PROFIT</b>	<b>138,953</b>	<b>271,180</b>	<b>131,549</b>	<b>255,740</b>	<b>289,610</b>	<b>15,777</b>
Administrative Expenses	48,161	47,920	36,413	35,538	26,896	25,170
Distribution Cost	57,091	70,219	56,131	90,343	57,966	35,181
Other Operating Expenses	1,708	19,640	5,048	4,848	10,676	3,259
Other Operating Income	16,578	15,636	7,214	17,664	18,678	329
<b>PROFIT / (LOSS) FROM OPERATIONS</b>	<b>48,571</b>	<b>149,037</b>	<b>41,171</b>	<b>142,675</b>	<b>212,750</b>	<b>(47,504)</b>
Finance Cost	54,280	61,568	79,981	96,357	77,694	76,119
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>(5,709)</b>	<b>87,469</b>	<b>(38,810)</b>	<b>46,318</b>	<b>135,056</b>	<b>(123,623)</b>
Provision for Taxation	(30,855)	(23,757)	(22,803)	(31,290)	(15,043)	(4,986)
<b>(LOSS) / PROFIT AFTER TAXATION</b>	<b>(36,564)</b>	<b>63,712</b>	<b>(61,613)</b>	<b>15,028</b>	<b>120,013</b>	<b>(128,609)</b>
Effect of Changes in Accounting Policy	-	-	-	-	-	-
Final dividend for the year ended 30.06.10	-	-	-	(15,600)	-	-
Transfer From Revaluation Surplus	5,809	4,487	5,908	6,517	7,207	7,961
Surplus on revaluation of investment	759	2,180	614	51	69	2,925
<b>PREVIOUS YEAR'S BALANCE B/F</b>	<b>(199,095)</b>	<b>(269,474)</b>	<b>(214,383)</b>	<b>(220,379)</b>	<b>(347,668)</b>	<b>(229,945)</b>
<b>BALANCE CARRIED TO B/S</b>	<b>(229,091)</b>	<b>(199,095)</b>	<b>(269,474)</b>	<b>(214,383)</b>	<b>(220,379)</b>	<b>(347,668)</b>
<b>(LOSS) / EARNINGS PER SHARE (Rs.)</b>	<b>(1.17)</b>	<b>2.04</b>	<b>(1.97)</b>	<b>0.48</b>	<b>3.85</b>	<b>(4.12)</b>
Number of Spindles installed	54,432	54,432	54,432	54,432	54,432	54,432
Number of Spindles worked - average	43,077	43,380	43,228	48,937	51,270	51,528
Number of Shifts per Day	3	3	3	3	3	3
Actual Production Converted into 20's Count (Kgs. in million)	16.581	16.692	14.222	15.731	14.959	16.364



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SARGODHA SPINNING MILLS LIMITED** as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Name of engagement partner:  
Muhammad Atif Mirza

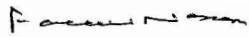
LAHORE : September 30, 2014



BALANCE SHEET AS  
(RUPEES IN THOUSAND)

	Note	2014	2013
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 42,000,000 (2013: 42,000,000) ordinary shares of Rupees 10 each		420,000	420,000
Issued, subscribed and paid-up share capital 31,200,000 (2013: 31,200,000) ordinary shares of Rupees 10 each fully paid-up in cash	3	312,000	312,000
Capital reserve		3,673	2,914
Accumulated loss		(232,764)	(202,009)
<b>Total equity</b>		<b>82,909</b>	<b>112,905</b>
Surplus on revaluation of property, plant and equipment	4	778,435	667,945
<b>LIABILITIES</b>			
<b>NON - CURRENT LIABILITIES</b>			
Sponsors' advances	5	28,465	30,644
Long term financing	6	43,276	65,022
		71,741	95,666
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	172,208	176,458
Accrued mark up	8	10,601	12,718
Short term borrowings	9	259,128	260,949
Current portion of long term financing	6	26,197	36,130
Provision for taxation		28,487	23,629
		496,621	509,884
<b>TOTAL LIABILITIES</b>		<b>568,362</b>	<b>605,550</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,429,706</b>	<b>1,386,400</b>

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

  
(Mian Farrukh Naseem)  
**Chief Executive**



AT 30 JUNE 2014

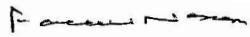
		(RUPEES IN THOUSAND)	
	Note	2014	2013
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	11	1,132,394	1,005,879
Long term investment	12	3,863	3,104
Long term security deposits		3,654	3,654
Deferred income tax	13	-	-
		<u>1,139,911</u>	<u>1,012,637</u>
<b>CURRENT ASSETS</b>			
Stores and spare parts	14	31,246	29,457
Stock in trade	15	185,934	243,961
Trade debts	16	3,386	47,480
Advances	17	11,702	2,935
Short term deposits and prepayments	18	579	1,724
Other receivables	19	54,781	47,249
Cash and bank balances	20	2,167	957
		<u>289,795</u>	<u>373,763</u>
<b>TOTAL ASSETS</b>		<u><u>1,429,706</u></u>	<u><u>1,386,400</u></u>


(Mian Aamir Naseem)  
Director

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2014

		(RUPEES IN THOUSAND)	
	Note	2014	2013
SALES	21	3,053,261	2,975,596
COST OF SALES	22	<u>(2,914,308)</u>	<u>(2,704,416)</u>
GROSS PROFIT		138,953	271,180
DISTRIBUTION COST	23	<u>(57,091)</u>	<u>(70,219)</u>
ADMINISTRATIVE EXPENSES	24	<u>(48,161)</u>	<u>(47,920)</u>
OTHER EXPENSES	25	<u>(1,708)</u>	<u>(19,640)</u>
		<u>(106,960)</u>	<u>(137,779)</u>
		31,993	133,401
OTHER INCOME	26	<u>16,578</u>	<u>15,636</u>
PROFIT FROM OPERATIONS		48,571	149,037
FINANCE COST	27	<u>(54,280)</u>	<u>(61,568)</u>
(LOSS) / PROFIT BEFORE TAXATION		(5,709)	87,469
TAXATION	28	<u>(30,855)</u>	<u>(23,757)</u>
(LOSS) / PROFIT AFTER TAXATION		<u>(36,564)</u>	<u>63,712</u>
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	31	<u>(1.17)</u>	<u>2.04</u>

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

  
(Mian Farrukh Naseem)  
Chief Executive

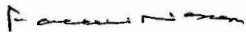
  
(Mian Aamir Naseem)  
Director



STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014

	(RUPEES IN THOUSAND)	
	2014	2013
(LOSS) / PROFIT AFTER TAXATION	(36,564)	63,712
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on re-measurement of available for sale investment to fair value	759	2,180
Other comprehensive income for the year	759	2,180
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	<u>(35,805)</u>	<u>65,892</u>

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

  
(Mian Farrukh Naseem)  
Chief Executive

  
(Mian Aamir Naseem)  
Director



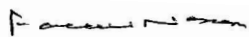
**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2014


	<b>(RUPEES IN THOUSAND)</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>(Loss) / Profit before taxation</b>	(5,709)	87,469
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	38,319	38,328
Loss / (gain) on sale of property, plant and equipment	1,708	(14,974)
Credit balances written back	-	(295)
Provision for slow moving and obsolete stores and spare parts	-	536
Exchange gain	(1,081)	(151)
Gain on recognition of sponsors' advances at fair value	(15,103)	-
Interest expense due to impact of IAS 39	4,957	4,059
Finance cost	49,323	57,509
<b>Cash flows from operating activities before working capital changes</b>	<u>72,414</u>	<u>172,481</u>
<b>(Increase) / decrease in current assets</b>		
Stores and spare parts	(1,789)	(4,853)
Stock in trade	58,027	31,415
Trade debts	43,374	14,441
Advances	(8,767)	(1,934)
Short term deposits and prepayments	1,145	(1,263)
Other receivables	(4,871)	(6,789)
<b>(Decrease) / Increase in trade and other payables</b>	(4,250)	2,944
<b>Effect on cash flows due to working capital changes</b>	<u>82,869</u>	<u>33,961</u>
<b>Cash generated from operations</b>	155,283	206,442
Finance cost paid	(51,440)	(61,248)
Income tax paid	(27,872)	(26,196)
<b>Net cash from operating activities</b>	<u>75,971</u>	<u>118,998</u>



	(RUPEES IN THOUSAND)	
	2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(54,129)	(7,762)
Proceeds from sale of property, plant and equipment	3,100	23,300
<b>Net cash (used in) / from investing activities</b>	(51,029)	15,538
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Sponsors' advance - Interest free	10,790	-
Repayment of long term financing - secured	(34,502)	(52,080)
Short term borrowings - net	(20)	(82,377)
<b>Net cash used in financing activities</b>	(23,732)	(134,457)
<b>Net increase in cash and cash equivalents</b>	1,210	79
<b>Cash and cash equivalents at the beginning of the year</b>	957	878
<b>Cash and cash equivalents at the end of the year</b>	<u>2,167</u>	<u>957</u>

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

  
(Mian Farrukh Naseem)  
**Chief Executive**

  
(Mian Aamir Naseem)  
**Director**

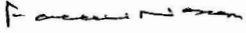



**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2014

(RUPEES IN THOUSAND)

	ISSUED, SUBSCRIBED AND SHARE CAPITAL	CAPITAL RESERVE FAIR VALUE RESERVE	ACCUMULATED LOSS	TOTAL EQUITY
<b>Balance as at 30 June 2012</b>	312,000	734	(270,208)	42,526
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,487	4,487
Profit for the year ended 30 June 2013	-	-	63,712	63,712
Other comprehensive income for the year	-	2,180	-	2,180
Total comprehensive income for the year	-	2,180	63,712	65,892
<b>Balance as at 30 June 2013</b>	312,000	2,914	(202,009)	112,905
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	5,809	5,809
Loss for the year ended 30 June 2014	-	-	(36,564)	(36,564)
Other comprehensive income for the year	-	759	-	759
Total comprehensive loss for the year	-	759	(36,564)	(35,805)
<b>Balance as at 30 June 2014</b>	<u>312,000</u>	<u>3,673</u>	<u>(232,764)</u>	<u>82,909</u>

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

  
(Mian Farrukh Naseem)  
**Chief Executive**

  
(Mian Aamir Naseem)  
**Director**



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 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 and is listed on Karachi and Lahore stock exchanges. Its registered office is situated at A-601/ B, City Towers, 6-K Main Boulevard, Gulberg-II, Lahore. The Company is principally engaged in the manufacturing and trading of yarn made from raw cotton and synthetic fibre and trading of fabric of all types and to generate electricity for internal use.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of Preparation

##### a) Statement of compliance

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

##### b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the financial instruments which are carried at fair value and certain items of property, plant and equipment which are carried at revalued amount.

##### c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

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

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





## Inventories

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

## Taxation

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

## Provision for doubtful debts

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

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

The following amendments to published approved standards are mandatory for the Company's accounting periods beginning on or after 01 July 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2013 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

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

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2014 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'.



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

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This 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 January 2017). 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 management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

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

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. However, the amendments are not expected to have a material impact on the Company's financial statements.



On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. However, the interpretation is not expected to have a material impact on the Company's financial statements.

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

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## 2.2 Employees' retirement benefits

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

## 2.3 Taxation

### a) Current

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

### b) Deferred

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

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



## 2.4 Foreign currencies

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

## 2.5 Property, plant and equipment

### a) Owned

#### (i) Cost

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

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

#### (ii) Depreciation

Depreciation on all property, plant and equipment is charged to profit and loss account on the reducing balance method so as to write off the cost of the assets over their estimated useful lives at the rates given in Note 11.1. Depreciation charge commences from the month in which asset is available for use and continues until the month of disposal. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

#### (iii) De-recognition

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

### b) Leased

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

## 2.6 Investments

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

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



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

**a) Investments at fair value through profit or loss account**

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

**b) Held to maturity**

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

**c) Available for sale**

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

**Quoted**

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

**Unquoted**

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

## 2.7 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.

**2.8 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.

**2.9 Borrowing cost**

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

**2.10 Provisions**

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

**2.11 Impairment****a) Financial assets**

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

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

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

**b) Non-financial assets**

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



## 2.12 Trade and other payables

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

## 2.13 Borrowings

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

## 2.14 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.

## 2.15 Share capital

Ordinary shares are classified as share capital.

## 2.16 Financial instruments

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

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

Financial assets are long term investments, trade debts, deposits, loans and 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, long term financing, 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.

## 2.17 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.

## 2.18 Cash and cash equivalents

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

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

500 (2013: 500) ordinary shares of the Company are held by Husein Sugar Mills Limited - an associated company.

**(RUPEES IN THOUSAND)**

	<b>2014</b>	<b>2013</b>
<b>4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Opening balance as at 01 July	697,695	705,944
Add: Surplus incorporated on land	115,513	-
Less: Incremental depreciation transferred to statement of changes in equity - (Note 4.1)	7,358	8,249
Less: Surplus transferred to statement of changes in equity on disposal of assets	1,444	-
	<u>804,406</u>	<u>697,695</u>
Less: Related deferred income tax liability	<u>(25,971)</u>	<u>(29,750)</u>
Closing balance as at 30 June	<u>778,435</u>	<u>667,945</u>

- 4.1** 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.

**(RUPEES IN THOUSAND)**

	<b>2014</b>	<b>2013</b>
<b>5. SPONSORS' ADVANCES</b>		
<b>Interest free and unsecured</b>		
Subordinated (Note 5.1 and 5.3)	12,590	21,700
Others (Note 5.2 and 5.3)	15,875	8,944
	<u>28,465</u>	<u>30,644</u>

- 5.1** These are subordinated to long term financing obtained from banking companies and are repayable on 30 June 2019.

- 5.2** These are repayable on 30 June 2016.

- 5.3** Fair value of sponsors' advances has been estimated at the present value of future cash flows discounted at the effective interest rate of 11.50% per annum. Recognition of sponsors' advances at fair value has resulted in gain of Rupees 15.103 million.

**6. LONG TERM FINANCING****From banking companies - secured**

National Bank of Pakistan:

Term finance (Note 6.1 and 6.6)	-	3,620
Term finance (Note 6.2)	7,000	21,000
Demand finance (Note 6.3 and 6.6)	5,593	10,499
NIB Bank Limited (Note 6.4)	30,495	41,378
NIB Bank Limited (Note 6.5 and 6.6)	26,385	24,655
	<u>69,473</u>	<u>101,152</u>

Less: Current portion shown under current liabilities	<u>26,197</u>	<u>36,130</u>
	<u>43,276</u>	<u>65,022</u>





- 6.1** This facility has been repaid during the year. This facility carried no mark up and was secured against first charge on fixed assets on Unit No. 1 of the Company and personal guarantees of directors.
- 6.2** This term finance facility is secured against registered first charge on fixed assets of Unit No. 1 of the Company and personal guarantees of directors. According to rescheduling arrangement dated 06 March 2010, this facility is repayable in 10 equal half yearly instalments of Rupees 7.000 million each commenced from 28 February 2010 and ending on 28 August 2014. This facility carries markup at the rate of 6 months KIBOR plus 3% per annum. Mark up is payable on quarterly basis.
- 6.3** According to rescheduling arrangement dated 06 March 2010, the short term borrowing of the Company was converted into this demand finance facility. This facility is secured against first charge on fixed assets of Unit No. 1 of the Company and personal guarantees of the sponsoring directors. This facility is repayable in 60 equal monthly instalments of Rupees 0.500 million each commenced from 01 July 2010 and ending on 01 June 2015. This facility carries no mark up.
- 6.4** This finance was obtained for Balancing Modernization and Replacement (BMR). This is secured against registered first charge on all the present and future assets of Unit No. 2 of the Company ranking pari passu and personal guarantees of sponsoring directors. As per rescheduling arrangements dated 29 December 2011, this finance is repayable in 21 quarterly instalments. Mark up of Rupees 12.302 million up to 30 April 2009 was frozen by the bank and this may be waived off subject to timely repayment of principal and mark up. The payment of mark up for the period from May 2009 to June 2011 and fifty percent mark up for the period from July 2011 to 30 June 2012 has been deferred and will be paid in 10 equal quarterly instalments commencing from 31 March 2017. The remaining fifty percent mark up (from July 2011 to June 2012) and mark up for the period from July 2012 to December 2016 at the rate of 3 months KIBOR will be paid in quarterly instalments commenced from July 2011.
- 6.5** This represents accrued mark up deferred by the bank on the long term finance facility as explained in Note 6.4.
- 6.6** Fair value of these loans are estimated at the present value of future cash flows discounted at the effective interest rate of 14% per annum.

**(RUPEES IN THOUSAND)**

	<b>2014</b>	<b>2013</b>
<b>7. TRADE AND OTHER PAYABLES</b>		
Creditors	84,835	61,189
Accrued liabilities	79,557	107,553
Advances from customers	5,890	112
Retention money	146	111
Payable to provident fund trust	636	861
Income tax deducted at source	64	139
Unclaimed dividend	1,066	1,066
Security deposits	14	823
Workers' profit participation fund (Note 7.1)	-	4,604
	<u>172,208</u>	<u>176,458</u>
<b>7.1 Workers' profit participation fund</b>		
Balance as at 01 July	4,604	-
Add: Interest for the year (Note 27)	430	-
Add: Provision for the year (Note 25)	-	4,604
	<u>5,034</u>	<u>4,604</u>
Less: Payments during the year	5,034	-
Balance as at 30 June	<u>-</u>	<u>4,604</u>



7.1.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	(RUPEES IN THOUSAND)	
	2014	2013
<b>8. ACCRUED MARK UP</b>		
Long term financing	1,133	1,658
Short term borrowing	9,468	11,060
	<u>10,601</u>	<u>12,718</u>

#### 9. SHORT TERM BORROWINGS

##### From banking companies - secured

Export finance (Note 9.1 and 9.2)	78,433	99,666
Others (Note 9.1 and 9.3)	180,695	161,283
	<u>259,128</u>	<u>260,949</u>

9.1 These borrowings are secured against pledge / hypothecation of raw materials, work-in-process, finished goods, lien on export / import documents, letter of indemnity, trust receipt on bank's standard form, charge on current assets / fixed assets of the Company and personal guarantees of directors.

9.2 The rates of mark up on Pak Rupees finances and US Dollar finance ranged from 11.47% to 13.18% (2013: 11.76% to 14.49%) per annum and 1.91740% to 5.34790% (2013: 1.91740% to 3.79180%) per annum respectively on the balance outstanding.

9.3 The rates of mark up range from 11.58% to 14.37% (2013: 11.81% to 14.49%) per annum on the balance outstanding.

#### 10. CONTINGENCIES AND COMMITMENTS

##### Contingencies

10.1 The Company is contingently liable for Rupees 4.161 million (2013: Rupees 4.161 million) on account of custom duty on humidification plant and excise duty on yarn.

10.2 The Company has issued counter-guarantee of Rupees 17.215 million (2013: 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.

10.3 Sales tax recoverable includes an amount of Rupees 1.234 million (2013: Rupees 1.234 million) deferred by sales tax department against which the Company has filed appeals to the Sales Tax Collectorate, Lahore.

10.4 During the year ended 30 June 2013, the Company paid amount of Rupees 14.500 million against sales tax amnesty scheme dated 07 March 2013. During the year, sales tax demand of Rupees 15.141 million inclusive of penalty @ 5% was further raised by the Sales Tax Department against which the Company has obtained stay order from Honourable Lahore High Court, Lahore. The Management, based on advice of legal counsel, believes that it has strong grounds of appeal and payment of any further amount of sales tax will not be required.

	(RUPEES IN THOUSAND)	
	2014	2013
<b>10.5 Commitments</b>		
Letter of credit for capital expenditures	<u>-</u>	<u>5,810</u>
Letters of credit for other than capital expenditures	<u>27,167</u>	<u>9,463</u>

11. PROPERTY, PLANT AND EQUIPMENT

(RUPEES IN THOUSAND)

2014 2013

Operating fixed assets - owned (Note 11.1)	1,132,394	1,005,825
Capital work-in-progress - Plant and machinery	-	54
	<u>1,132,394</u>	<u>1,005,879</u>

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

(RUPEES IN THOUSAND)

	OWNED									TOTAL
	Freehold land	Buildings on freehold land	Plant and machinery	Stand -by Equipment	Electrical installations	Vehicles	Furniture and fixtures	Office and other equipment	Factory equipment	
<b>As at 01 July 2012</b>										
Cost / revalued amount	624,300	168,141	1,184,935	11,076	10,723	12,529	3,182	2,161	2,987	2,020,034
Accumulated depreciation	-	(84,555)	(862,040)	(9,450)	(6,399)	(7,458)	(2,105)	(1,284)	(1,972)	(975,263)
Net book value	<u>624,300</u>	<u>83,586</u>	<u>322,895</u>	<u>1,626</u>	<u>4,324</u>	<u>5,071</u>	<u>1,077</u>	<u>877</u>	<u>1,015</u>	<u>1,044,771</u>
<b>Year ended 30 June 2013</b>										
Opening net book value	624,300	83,586	322,895	1,626	4,324	5,071	1,077	877	1,015	1,044,771
Additions	-	-	4,066	-	-	3,452	-	-	190	7,708
Disposals:										
Cost	-	(9,222)	(1,334)	-	-	(1,071)	(590)	-	-	(12,217)
Accumulated depreciation	-	2,584	183	-	-	827	297	-	-	3,891
		(6,638)	(1,151)	-	-	(244)	(293)	-	-	(8,326)
Depreciation charge	-	(3,847)	(32,481)	(163)	(433)	(1,135)	(78)	(88)	(103)	(38,328)
Closing net book value	<u>624,300</u>	<u>73,101</u>	<u>293,329</u>	<u>1,463</u>	<u>3,891</u>	<u>7,144</u>	<u>706</u>	<u>789</u>	<u>1,102</u>	<u>1,005,825</u>
<b>As at 30 June 2013</b>										
Cost / revalued amount	624,300	158,919	1,187,667	11,076	10,723	14,910	2,592	2,161	3,177	2,015,525
Accumulated depreciation	-	(85,818)	(894,338)	(9,613)	(6,832)	(7,766)	(1,886)	(1,372)	(2,075)	(1,009,700)
Net book value	<u>624,300</u>	<u>73,101</u>	<u>293,329</u>	<u>1,463</u>	<u>3,891</u>	<u>7,144</u>	<u>706</u>	<u>789</u>	<u>1,102</u>	<u>1,005,825</u>
<b>Year ended 30 June 2014</b>										
Opening net book value	624,300	73,101	293,329	1,463	3,891	7,144	706	789	1,102	1,005,825
Additions	-	-	52,531	-	-	1,545	107	-	-	54,183
Disposals:										
Cost	-	-	(34,798)	-	-	(1,065)	-	-	-	(35,863)
Accumulated depreciation	-	-	30,117	-	-	938	-	-	-	31,055
			(4,681)	-	-	(127)	-	-	-	(4,808)
Surplus on revaluation	115,513									115,513
Depreciation charge	-	(3,655)	(32,191)	(146)	(389)	(1,669)	(80)	(79)	(110)	(38,319)
Closing net book value	<u>739,813</u>	<u>69,446</u>	<u>308,988</u>	<u>1,317</u>	<u>3,502</u>	<u>6,893</u>	<u>733</u>	<u>710</u>	<u>992</u>	<u>1,132,394</u>
<b>As at 30 June 2014</b>										
Cost / revalued amount	739,813	158,919	1,205,400	11,076	10,723	15,390	2,699	2,161	3,177	2,149,358
Accumulated depreciation	-	(89,473)	(896,412)	(9,759)	(7,221)	(8,497)	(1,966)	(1,451)	(2,185)	(1,016,964)
Net book value	<u>739,813</u>	<u>69,446</u>	<u>308,988</u>	<u>1,317</u>	<u>3,502</u>	<u>6,893</u>	<u>733</u>	<u>710</u>	<u>992</u>	<u>1,132,394</u>
Annual rate of depreciation (%)	-	5	10	10	10	20	10	10	10	





**11.2** Property, plant and equipment of the Company were revalued as at 30 September 1995, 31 March 2004, 31 December 2007 and 23 December 2010 by independent valuers. The latest revaluation as at 05 December 2013 was carried out only for freehold land by Messers Hamid Mukhtar and Company (Private) Limited, the approved valuers. Had there been no revaluation, the value of the assets would have been lower by Rupees 804.406 million (2013: Rupees 697.695 million).

**11.3** The book value of freehold land, buildings on freehold land and plant and machinery on cost basis is Rupees 14.016 million, Rupees 45.521 million and Rupees 255.532 million respectively (2013: Rupees 14.016 million, Rupees 47.917 million and Rupees 232.476 million respectively).

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

**(RUPEES IN THOUSAND)**

DESCRIPTION	QTY	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
<b>Plant and machinery</b>							
Doubling Machines	2	493	374	119	500	Negotiation	Mr. Faryyad Ali, Faisalabad
Drawing Frame	1	3,446	2,406	1,040	125	Negotiation	Mr. Maqbool Ahmed, Faisalabad
Drawing Frame	1	500	234	266	125	Negotiation	Mr. Muhammad Yaseen, Faisalabad
Diesel Generator	3	30,359	27,103	3,256	1,695	Negotiation	Mr. Muhammad Bilal, Faisalabad
		<u>34,798</u>	<u>30,117</u>	<u>4,681</u>	<u>2,445</u>		
<b>Vehicle</b>							
Hyundai Santro FSK-495	1	624	510	114	375	Negotiation	Mr. Muhammad Sufian, Faisalabad
Suzuki Khyber FDW-425	1	441	428	13	280	Negotiation	Mr. Athar Majeed, Faisalabad
		<u>1,065</u>	<u>938</u>	<u>127</u>	<u>655</u>		
		<u>35,863</u>	<u>31,055</u>	<u>4,808</u>	<u>3,100</u>		

**(RUPEES IN THOUSAND)**

**11.5** Depreciation charge for the year has been allocated as follows:

	2014	2013
Cost of sales (Note 22)	36,332	36,860
Distribution cost (Note 23)	87	92
Administrative expenses (Note 24)	1,900	1,376
	<u>38,319</u>	<u>38,328</u>



		(RUPEES IN THOUSAND)	
		2014	2013
<b>12.</b>	<b>LONG TERM INVESTMENT</b>		
	Available for sale		
	Quoted		
	<b>Sajjad Textile Mills Limited</b>		
	344,900 (2013: 344,900) fully paid ordinary shares of Rupees 10 each	3,449	3,449
	Less: Impairment loss charged to profit and loss account	3,259	3,259
	Add: Fair value adjustment	3,673	2,914
		<u>3,863</u>	<u>3,104</u>
<b>13.</b>	<b>DEFERRED INCOME TAX</b>		
	The (liability) / asset for deferred income tax originated due to temporary differences relating to:		
	Accelerated tax depreciation	(40,954)	(28,092)
	Surplus on revaluation of property, plant and equipment	(25,971)	(29,750)
		<u>(66,925)</u>	<u>(57,842)</u>
	Accumulated tax losses	108,525	114,917
	Minimum tax available for carry forward	25,309	6,072
		<u>66,909</u>	<u>63,147</u>
	Less: Deferred income tax asset not recognized	66,909	63,147
		<u>-</u>	<u>-</u>
<b>13.1</b>	The net deferred income tax asset of Rupees 66.909 million (2013: Rupees 63.147 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.		
<b>14.</b>	<b>STORES AND SPARE PARTS</b>		
	Stores	6,555	6,131
	Spare parts	25,227	23,862
		<u>31,782</u>	<u>29,993</u>
	Less: Provision for slow moving and obsolete stores and spare parts (Note 25)	536	536
		<u>31,246</u>	<u>29,457</u>
<b>15.</b>	<b>STOCK IN TRADE</b>		
	Raw materials	120,539	198,535
	Work-in-process	22,865	22,546
	Finished goods	42,306	21,758
	Waste	224	1,122
		<u>185,934</u>	<u>243,961</u>

**15.1** Stock in trade of Rupees 82.324 million (2013: Nil) is being carried at net realizable value.

**15.2** The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 7.451 million (2013: Nil).



		(RUPEES IN THOUSAND)	
		2014	2013
<b>16. TRADE DEBTS</b>			
	<b>Considered good:</b>		
	Secured - against letters of credit	-	27,014
	Unsecured - local	3,386	20,466
		3,386	47,480
	<b>Considered doubtful:</b>		
	Others - Unsecured	-	1,358
	Less: Provision for doubtful trade debts		
	Balance as on 01 July	-	1,358
	Add: Provision for the year	-	-
	Less: Trade debts written off against provision	-	(1,358)
		-	-
	Balance as on 30 June	-	-
<b>16.1</b>	As at 30 June 2014, trade debts of Rupees 3.386 million (2013: Rupees 20.466 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:		
	Upto 1 month	2,367	15,280
	1 to 6 months	896	2,151
	More than 6 months	123	3,035
		3,386	20,466
<b>17. ADVANCES</b>			
	<b>Considered good</b>		
	Employees – interest free	-	307
	Suppliers	3,724	1,362
	Against expenses	81	115
	Letters of credit	7,897	1,151
		11,702	2,935
<b>18. SHORT TERM DEPOSITS AND PREPAYMENTS</b>			
	Deposits – margin against letter of credit	-	1,133
	Prepayments	579	591
		579	1,724
<b>19. OTHER RECEIVABLES</b>			
	Sales tax	26,502	21,343
	Advance income tax	28,148	25,487
	Miscellaneous	131	419
		54,781	47,249
<b>20. CASH AND BANK BALANCES</b>			
	Cash in hand	50	28
	Cash with banks:		
	Current accounts	2,117	928
	Saving account (Note 20.1)	-	1
		2,117	929
		2,167	957

**20.1** Rate of profit on saving bank account ranges Nil (2013: 5.952% to 6.031%) per annum.



	(RUPEES IN THOUSAND)	
	2014	2013
<b>21. SALES</b>		
Export	1,129,741	1,740,813
Local	1,943,330	1,213,219
Waste	28,939	30,941
	<u>3,102,010</u>	<u>2,984,973</u>
Less: Sales tax	48,749	9,377
	<u>3,053,261</u>	<u>2,975,596</u>
<b>22. COST OF SALES</b>		
Raw materials consumed (Note 22.1)	2,167,534	2,002,867
Salaries, wages and other benefits (Note 22.2)	228,677	220,331
Packing materials consumed	46,050	47,163
Stores and spare parts	71,644	63,962
Fuel and power	367,670	296,813
Repair and maintenance	8,344	8,092
Insurance	6,431	6,066
Other factory overheads	1,595	2,880
Depreciation (Note 11.5)	36,332	36,860
	<u>2,934,277</u>	<u>2,685,034</u>
Work-in-process inventory		
Opening stock	22,546	25,901
Closing stock	(22,865)	(22,546)
	<u>(319)</u>	<u>3,355</u>
Cost of goods manufactured	2,933,958	2,688,389
Finished goods inventory		
Opening stock	22,880	38,907
Closing stock	(42,530)	(22,880)
	<u>(19,650)</u>	<u>16,027</u>
	<u>2,914,308</u>	<u>2,704,416</u>
<b>22.1 Raw materials consumed</b>		
Opening stock	198,535	210,568
Add: Purchases	2,089,538	1,990,834
	<u>2,288,073</u>	<u>2,201,402</u>
Less: Closing stock	120,539	198,535
	<u>2,167,534</u>	<u>2,002,867</u>
<b>22.2</b> Salaries, wages and other benefits include Rupees 3.908 million (2013: Rupees 3.964 million) in respect of contributions towards provident fund.		
<b>23. DISTRIBUTION COST</b>		
Commission to selling agents	29,164	29,235
Salaries and other benefits (Note 23.1)	1,704	1,602
Freight and handling – local	2,498	2,361
Freight and forwarding – export	22,995	36,416
Insurance	643	513
Depreciation (Note 11.5)	87	92
	<u>57,091</u>	<u>70,219</u>
<b>23.1</b> Salaries and other benefits include Rupees 0.060 million (2013: Rupees 0.057 million) in respect of contributions towards provident fund.		



	(RUPEES IN THOUSAND)	
	2014	2013
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits (Note 24.1)	28,335	29,743
Travelling and conveyance	803	1,245
Rent, rates and taxes	624	631
Printing and stationery	663	1,133
Communication	892	837
Utilities	3,129	3,046
Vehicles' running	4,313	3,845
Insurance	1,458	734
Fee and subscription	1,063	959
Entertainment	825	799
Legal and professional	999	747
Auditors' remuneration (Note 24.2)	550	618
Repair and maintenance	2,528	2,131
Advertisement	28	41
Miscellaneous	51	35
Depreciation (Note 11.5)	1,900	1,376
	<u>48,161</u>	<u>47,920</u>
<b>24.1</b> Salaries and other benefits include Rupees 0.723 million (2013: Rupees 0.646 million) in respect of contributions towards provident fund.		
<b>24.2 Auditors' remuneration</b>		
Annual audit fee	500	500
Half yearly review fee	50	50
Reimbursable expenses	-	18
Other certification fee	-	50
	<u>550</u>	<u>618</u>
<b>25. OTHER EXPENSES</b>		
Loss on sale of fixed assets	1,708	-
Provision for slow moving and obsolete stores and spare parts (Note 14)	-	536
Workers' profit participation fund (Note 7.1)	-	4,604
Sales tax paid under amnesty scheme (Note 10.5)	-	14,500
	<u>1,708</u>	<u>19,640</u>
<b>26. OTHER INCOME</b>		
<b>From financial assets</b>		
Exchange gain	1,081	151
Dividend income	155	-
Credit balances written back	-	295
Gain on recognition of sponsors' advances at fair value (Note 5.3)	15,103	-
<b>From non-financial assets</b>		
Sale of scrap	178	216
Miscellaneous incomes	61	-
Gain on sale of fixed assets	-	14,974
	<u>16,578</u>	<u>15,636</u>





(RUPEES IN THOUSAND)

**27. FINANCE COST**

	2014	2013
Interest on workers' profit participation fund (Note 7.1)	430	-
Mark-up on:		
Long term financing	4,794	7,943
Short term borrowings	39,188	44,237
Adjustment due to impact of IAS - 39	4,957	4,059
Bank and other charges	4,911	5,329
	<u>54,280</u>	<u>61,568</u>

**28. TAXATION**

Current:

- For the year (Note 28.1)	25,560	23,629
- Prior year	4,509	128
- Deferred tax	786	-
	<u>30,855</u>	<u>23,757</u>

**28.1** Provision for current income tax represents final tax on export sales under section 169, minimum tax on local sales under section 113 of the Income Tax Ordinance, 2001. As the Company has carry forwardable tax losses of Rupees 328.86 million (2013: Rupees 337.99 million), therefore, it is impracticable to prepare the tax charge reconciliation for the years presented.

**29. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

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

(RUPEES IN THOUSAND)

DESCRIPTION	2014			2013		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	1,260	1,141	5,078	1,260	1,064	3,323
House rent	582	467	1,965	582	434	1,277
Utility allowance	132	89	252	132	77	164
Medical allowance	126	114	504	126	106	327
Contribution to employees' provident fund trust	-	48	184	-	43	145
	<u>2,100</u>	<u>1,859</u>	<u>7,983</u>	<u>2,100</u>	<u>1,724</u>	<u>5,236</u>
	1	2	8	1	2	4

**29.1** Chief executive, directors and executives are provided with the Company maintained vehicles.

**29.2** No meeting fee was paid to directors during the year under reference (2013: Rupees Nil).

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

**30. 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)	
	2014	2013
<b>i) Transactions</b>		
<b>Associated company</b>		
Purchase of spare parts	-	128
Purchase of operating fixed assets	4,200	-
Sale of office building and furniture and fixtures	-	21,000
Sale of spare parts	2,597	-
<b>Other related parties</b>		
The Company's contribution to provident fund trust	4,691	4,667
<b>ii) Period end balances</b>		
<b>Other related parties</b>		
Payable to provident fund trust	636	861

**31. EARNINGS / (LOSS) PER SHARE – BASIC AND DILUTED**

There is no dilutive effect on the basic earnings / (loss) per share, which is based on

(Loss) / profit attributable to ordinary shareholders (Rupees in thousand)	<u>(36,564)</u>	<u>63,712</u>
Weighted average number of ordinary shares (Numbers)	<u>31,200,000</u>	<u>31,200,000</u>
(Loss) / earnings per share - Basic (Rupees)	<u>(1.17)</u>	<u>2.04</u>

**32. PROVIDENT FUND RELATED DISCLOSURES**

The following information is based on un-audited financial statements of the provident fund for the year ended 30 June 2014 and audited financial statements of the provident fund for the year ended 30 June 2013:

Size of the fund - Total assets	16,939	17,891
Cost of investments	11,417	13,651
Percentage of investments made	67.40%	76.29%
Fair value of investments	16,110	16,842

	(PERCENTAGE)		(RUPEES IN THOUSAND)	
	2014	2013	2014	2013
<b>32.1</b> The break-up of cost of investments is as follows:				
Deposits	23.80	36.27	2,717	4,951
Defence Savings certificates	74.45	62.27	8,500	8,500
NBP NAFA Saving Plus Fund	1.75	1.46	200	200
	<u>100</u>	<u>100</u>	<u>11,417</u>	<u>13,651</u>



**32.2** Investments out of the provident fund trust have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	<b>2014</b>	<b>2013</b>
<b>33. NUMBER OF EMPLOYEES</b>		
Number of employees as on June 30	1,194	1,575
Average number of employees during the year	1,382	1,505

### **34 FINANCIAL RISK MANAGEMENT**

#### **34.1 Financial risk factors**

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

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

#### **(a) Market risk**

##### **(i) Currency risk**

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

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

	<b>2014</b>	<b>2013</b>
Trade debts - USD	-	273,420
Short term borrowing - USD	591,723	609,980
Net exposure - USD	<u>(591,723)</u>	<u>(336,560)</u>

The following significant exchange rates were applied during the year:

#### **Rupees per US Dollar**

Average rate	102.70	96.9
Reporting date rate	98.55	98.80

**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 2.916 million higher / lower (2013: Impact on profit after taxation would have been Rupees 1.592 million lower / higher) mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

**(ii) Interest rate risk**

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

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

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

	<b>(RUPEES IN THOUSAND)</b>	
	<b>2014</b>	<b>2013</b>
<b>Fixed rate instruments</b>		
<b>Financial liabilities</b>		
Long term financing	31,978	38,774
<b>Floating rate instruments</b>		
<b>Financial asset</b>		
Bank balances - saving account	-	1
<b>Financial liabilities</b>		
Long term financing	37,495	62,378
Short term borrowings	259,128	260,949

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 2.967 million higher / lower (2013: Impact on profit after taxation would have been Rupees 3.072 million lower / higher) mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

**(iii) Other price risk**

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

**Sensitivity analysis**

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

(RUPEES IN THOUSAND)		
Index	Statement of other comprehensive income (fair value reserve)	
	2014	2013
KSE 100 (5% increase in)	193	155
KSE 100 (5% decrease in)	193	155

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

**(b) Credit risk**

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

(RUPEES IN THOUSAND)		
	2014	2013
Long term investment	3,863	3,104
Long term security deposits	3,654	3,654
Trade debts	3,386	47,480
Advances	-	307
Other receivables	131	419
Bank balances	2,117	929
	13,151	55,893

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



	RATING			(RUPEES IN THOUSAND)	
	Short Term	Long Term	Agency	2014	2013
<b>Banks</b>					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	50	689
Askari Bank Limited	A1+	AA	PACRA	10	13
Bank Alfalah Limited	A1+	AA	PACRA	1,917	23
Habib Bank Limited	A-1+	AAA	JCR-VIS	6	27
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	30	40
NIB Bank Limited	A1+	AA-	PACRA	8	15
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	16
Soneri Bank Limited	A1+	AA-	PACRA	13	55
MCB Bank Limited	A1+	AAA	PACRA	35	26
Meezan Bank Limited	A-1+	AA	JCR-VIS	48	25
				<u>2,117</u>	<u>929</u>

The Company's exposure to credit risk and impairment losses, if any related to trade debts is disclosed in Note 16.

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 Company manages liquidity risk through committed credit facilities. At 30 June 2014, the Company had Rupees 355.872 million (2013: Rupees 352.763 million) available borrowing limits from financial institutions and Rupees 2.167 million (2013: Rupees 0.957 million) cash and bank balances. In spite of the fact that the Company is in a negative working capital position at the year end, the management believes that the liquidity risk is manageable. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2014

	(RUPEES IN THOUSAND)					
	Carrying amount	Contractual cash flows	6 Month or less	6-12 month	1-2 Year	More than 2 Years
<b>Non-derivative financial liabilities:</b>						
Sponsor's advances	28,465	41,434	-	-	-	41,434
Long term financing	69,473	72,006	23,401	6,912	11,996	29,697
Trade and other payables	165,618	165,618	165,618	-	-	-
Accrued mark up	10,601	10,601	10,601	-	-	-
Short term borrowings	259,128	276,192	276,192	-	-	-
	<u>533,285</u>	<u>565,851</u>	<u>475,812</u>	<u>6,912</u>	<u>11,996</u>	<u>71,131</u>



Contractual maturities of financial liabilities as at 30 June 2013:

(RUPEES IN THOUSAND)

Carrying amount	Contractual cash flows	6 Month or less	6-12 month	1-2 Year	More than 2 Years
<b>Non-derivative financial liabilities:</b>					
Sponsor's advances	30,644	30,644	-	-	30,644
Long term financing	101,152	123,953	22,657	17,642	57,118
Trade and other payables	170,742	170,742	170,742	-	-
Accrued mark up	12,718	12,718	12,718	-	-
Short term borrowings	260,949	275,158	275,158	-	-
	<u>576,205</u>	<u>613,215</u>	<u>481,275</u>	<u>17,642</u>	<u>87,762</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 6 and Note 9 to these financial statements.

### 34.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable:

(RUPEES IN THOUSAND)

	Level 1	Level 2	Level 3	Total
<b>As at 30 June 2014</b>				
<b>Assets</b>				
Available for sale financial asset	3,863	-	-	3,863
<b>As at 30 June 2013</b>				
<b>Assets</b>				
Available for sale financial asset	3,104	-	-	3,104

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2014.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The Company has no such type of financial instruments as on 30 June 2014. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**34.3 Financial instruments by categories****(RUPEES IN THOUSAND)**

	Loans and receivables	Available for sale	Total
<b>As at 30 June 2014</b>			
<b>Assets as per balance sheet</b>			
Long term investment	-	3,863	3,863
Long term security deposits	3,654	-	3,654
Trade debts	3,386	-	3,386
Advances	-	-	-
Other receivables	131	-	131
Cash and bank balances	2,167	-	2,167
	<u>9,338</u>	<u>3,863</u>	<u>13,201</u>

**(RUPEES IN THOUSAND)****Financial liabilities at amortized cost**

<b>Liabilities as per balance sheet</b>			
Sponsors' advances			28,465
Long term financing			69,473
Trade and other payables			165,618
Accrued mark up			10,601
Short term borrowings			259,128
			<u>533,285</u>

**(RUPEES IN THOUSAND)**

	Loans and receivables	Available for sale	Total
<b>As at 30 June 2013</b>			
<b>Assets as per balance sheet</b>			
Long term investment	-	3,104	3,104
Long term security deposits	3,654	-	3,654
Trade debts	47,480	-	47,480
Advances	307	-	307
Other receivables	419	-	419
Cash and bank balances	957	-	957
	<u>52,817</u>	<u>3,104</u>	<u>55,921</u>

**(RUPEES IN THOUSAND)****Financial liabilities at amortized cost**

<b>Liabilities as per balance sheet</b>			
Sponsors' advances			30,644
Long term financing			101,152
Trade and other payables			170,742
Accrued mark up			12,718
Short term borrowings			260,949
			<u>576,205</u>

**35 CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order 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 issue new shares.





	2014	2013
<b>36. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
Number of spindles installed	54,432	54,432
Number of spindles operated	43,077	43,380
100 % plant capacity converted to 20s count based on 3 shifts per day (Kgs)	18,023,002	18,654,162
Actual production converted to 20s count based on 3 shifts per day (Kgs)	16,581,162	16,692,300

**36.1 Reason for low production**

Under utilization of available capacity is due to normal maintenance and heavy load shedding.

**37. OPERATING SEGMENT**

- i) These financial statements have been prepared on the basis of single reportable segment.
- ii) Sales of yarn represents 91.54% (2013: 98.97%) of the total sales of the Company.
- iii) 63.58% (2013: 41.50%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 93.88% (2013: 88.79%) of those sales are made to customers in China.
- iv) All non-current assets of the Company at 30 June 2014 are located in Pakistan.
- v) The Company has one customer (China National Services Corporation) having sales of 10% or more during the year ended 30 June 2014 (2013: China National Services Corporation).

**38. EVENTS AFTER THE REPORTING PERIOD**

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2014 of Rupees Nil per share (2013: Rupees NIL) at their meeting held on 30 September 2014.

**39. DATE OF AUTHORIZATION**


These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 30 September 2014.


**40. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison, however, no significant reclassification has been made during the year.

**41. GENERAL**

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

  
(Mian Farrukh Naseem)  
Chief Executive

  
(Mian Aamir Naseem)  
Director



**THE COMPANIES ORDINANCE 1984**  
(Section 236(1) and 464)

FORM-34

**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** **2014**

4.	No. of Shareholders	Shareholdings			Total shares held
		From		To	
	181	1	-	100	14,869
	2270	101	-	500	1,088,230
	80	501	-	1,000	78,078
	81	1,001	-	5,000	181,062
	9	5,001	-	10,000	72,900
	9	10,001	-	15,000	110,372
	1	15,001	-	20,000	17,782
	2	20,001	-	25,000	45,905
	1	25,001	-	30,000	29,000
	6	30,001	-	35,000	190,823
	1	35,001	-	40,000	36,500
	3	40,001	-	45,000	130,000
	1	50,001	-	55,000	53,776
	1	75,001	-	80,000	77,300
	1	80,001	-	85,000	84,500
	2	85,001	-	90,000	172,100
	1	105,001	-	110,000	105,182
	1	120,001	-	125,000	122,500
	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	460,001	-	465,000	460,212
	1	585,001	-	590,000	588,202
	1	635,001	-	640,000	637,139
	1	720,001	-	725,000	723,000
	3	730,001	-	735,000	2,198,908
	1	840,001	-	845,000	842,200
	1	920,001	-	925,000	921,635
	2	1,730,001	-	1,735,000	3,460,526
	1	1,820,001	-	1,825,000	1,820,786
	1	1,880,001	-	1,885,000	1,882,425
	1	1,910,001	-	1,915,000	1,913,225
	1	2,695,001	-	2,700,000	2,698,319
	1	3,985,001	-	3,990,000	3,988,200
	1	4,380,001	-	4,385,000	4,383,542
	2677				31,200,000



5. Categories of shareholders	Shares Held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	11,692,968	37.4775
5.2 Associated Companies, undertakings and related parties.	500	0.0016
5.3 NIT and ICP	500	0.0016
5.4 Banks, Development Financial Institutions, Non-Banking Financial Institutions.	34,831	0.1116
5.5 Insurance Companies	-	-
5.6 Modarabas and Mutual Funds	588,202	18.853
5.7 Shareholders holding 10% or more	8,371,742	26.8325
5.8 General public a. Local b. Foreign	18,738,272 - -	60.0586 - -
5.9 Others (to be specified) 1. Joint Stock Companies 2. Pension Funds 3. Others	89,064 53,776 1,887	0.2855 0.1724 0.0060
6. Signature of Company Secretary		
7. Name of Signatory	Mr. Mazhar Hussain	
8. Designation	Company Secretary	
9. NIC Number	3 5 2 0 2 - 2 7 2 5 5 7 6 - 3	
10. Date	30-06-2014	



**DETAILS OF CATEGORIES OF SHAREHOLDERS UNDER C.C.G.  
AS AT JUNE 30, 2014**

<u>S.No.</u>	<u>Name</u>	<u>Shareholding</u>	<u>%age</u>
<b>Associated Companies, Undertakings and Related parties</b>			
1.	Husein Sugar Mills Limited	500	0.0016
<b>Mutual Funds</b>			
1.	CDC Trustee National Investment (Unit) Trust (CDC)	588,202	1.8853
<b>DIRECTORS AND THEIR SPOUSE AND MINOR CHILDREN</b>			
1.	Mian Shahzad Aslam	1,913,225	6.1321
2.	Mian Farrukh Naseem	4,383,542	14.0498
3.	Mian Aamir Naseem	3,988,200	12.7827
4.	Mr. Saad Naseem	122,500	0.3926
5.	Mr. Irfan Qamar	500	0.0016
6.	Mr. Shahid Mahmud	500	0.0016
7.	Mrs. Hina Farrukh	112,382	0.3602
8.	Mrs. Fatima Aamir W/o Mian Aamir Naseem	1,172,119	3.7568
<b>Executives:</b>		-	-
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Bank, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		88,607	0.2840
<b>Shareholders holding five percent or more voting interest in the listed company</b>			
1.	Mian Farrukh Naseem	4,383,542	14.0498
2.	Mian Aamir Naseem	3,988,200	12.7827
3.	Mst. Nusrat Shamim	2,713,319	8.6965
4.	Mian Shahzad Aslam	1,913,225	6.1321
5.	Mian Sajjad Aslam	1,900,207	6.0904
6.	Mr. Mustafa Ali Tariq (CDC)	1,730,263	5.5457
7.	Mr. Ahmed Ali Tariq (CDC)	1,730,263	5.5457
8.	Mian Pervaiz Aslam (CDC)	1,820,786	5.8359

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children are as follows:-**

<u>S. No.</u>	<u>Name</u>	<u>Sale</u>	<u>Purchase</u>
-	-	-	-



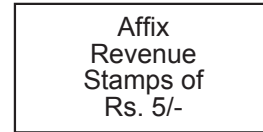
FORM OF PROXY

I / We \_\_\_\_\_
Son / Daughter / Wife of \_\_\_\_\_
being a member of SARGODHA SPINNING MILLS LIMITED and holder of \_\_\_\_\_
Ordinary Shares as per Registered Folio No. \_\_\_\_\_
hererby appoint Mr. \_\_\_\_\_ of \_\_\_\_\_
of failing him Mr. \_\_\_\_\_ of \_\_\_\_\_
who is also a member of SARGODHA SPINNING MILLS LIMITED, Vide Registered Folio No. \_\_\_\_\_
as my / our proxy to vote for me / us and on my / our behalf at the 28th Annual General Meeting of the
Company to be held on Friday, October 31, 2014 at 10:00 a.m. and at any adjournment thereof.

As witness my / our hand (s) this \_\_\_\_\_ day of \_\_\_\_\_ 2014

1. Witness:

Signature \_\_\_\_\_
Name \_\_\_\_\_
Address \_\_\_\_\_



Signature of Member

2. Witness:

Signature \_\_\_\_\_
Name \_\_\_\_\_
Address \_\_\_\_\_

Shareholder's Folio No. \_\_\_\_\_

CDC A/c No. \_\_\_\_\_

NIC No. [ ]

NOTE:

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a 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 member of the Company.
2. CDC shareholders are requested to bring with them their Computrised National Identity Cards alongwith the participants' ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
3. Signature should agree with specimen signature registered with the company.