



Sargodha Spinning Mills Limited

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Ref : SSM/KSE-32/10

Date: 21-06-2010

Haroon Askari,
General Manager Operations,
Karachi Stock Exchange (Guarantee) Ltd.,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Placement of our Company on the Non-Compliant Segment of the Exchange on account of Default of the Listing Regulation

Dear Sir,

Please refer to your letter No. LSE/Gen-4042 dated June 4, 2010 on the captioned subject.

We submit that the company has suffered after tax loss of Rs. 128.609 million as compared to after tax loss of Rs. 59.202 million for the year ended June 30, 2009. The auditors of the company expressed their modified opinion regarding going concern of the company because the company sustained a net loss of Rs. 128.609 million during the year ended June 30, 2009 which has turned the equity into negative balance. At balance sheet date, the company's current liabilities exceeded its current assets. The company was facing problems in timely repayments of loans. The Board of directors has not recommended any dividend for the year ended June 30, 2009 due to the cash losses.

The auditors of the company again expressed their modified opinion while reviewing the half yearly accounts for the period ended December 31, 2009 regarding going concern of the company because of accumulated loss of Rs. 339.281 million and increase of current liabilities over current assets by Rs. 316.518 million.

For the third quarter ended March 31, 2010 the financial results of the company have improved due to favorable domestic as well as international yarn markets in spite of unprecedented increase in prices of cotton & fibre long hour load shedding and suspension of gas supply. Moreover, rescheduling of long term loans made by banks has provided relief to some extent to the company's financial liquidity and carrying out its operation smoothly.

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