

SARITOW SPINNING MILLS LIMITED

**HALF YEAR REPORT (UN-AUDITED)
31-12-2018**

Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman
Mr. Samir Iqbal Saigol	Chief Executive Officer
Mr. M. Murad Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Omer Farooq	
Mr. Muhammad Athar Rafiq	
Syed Haroon Rashid	NIT Nominee

AUDIT COMMITTEE

Syed Haroon Rashid	Chairman/Member
Mr. M. Zeid Yousuf Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Syed Haroon Rashid	Chairman/Member
Mr. M. Zeid Yousuf Saigol	Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Omer Farooq	Member

COMPANY SECRETARY

Mr. Anees-ur-Rehman

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shamil, FCA

AUDITORS

Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS

Bank Alfalah Limited
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
The Bank of Punjab
Summit Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited
Askari Bank Limited
Habib Bank Limited
JS Bank Limited
Sindh Bank Limited

SHARE REGISTRAR

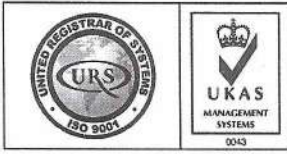
M/s Corplink (Pvt.) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel: 042-35916714-19, 35839182 Fax: 042-35869037
E-mail: shares@corplink.com.pk

REGISTERED OFFICE

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35717364-65 & 35715029-30
Fax: 042-35715105
E-mail: shares@saigols.com

MILLS

51-KM, Multan Road,
Phool Nagar, District Kasur



SARITOW SPINNING MILLS LIMITED

17 - Aziz Avenue, Canal Bank, Gulberg-V, Lahore, (Pakistan). Phone: (042) 35715029-31 Fax: 35715105
E-mail: azamsaritow@saigols.com

DIRECTORS' REPORT

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the half year ended December 31, 2018 along with director report thereon.

Financial High Lights

	Year Ending December 31, 2018	Year Ending December 31, 2017
Net Sales	1,516.972	1,429.372
Gross Profit	90.984	60.743
Profit before Tax	20.471	0.232
Profit / (Loss) after Tax	1.509	(17.635)
Gross Profit Ratio to Sales	6.00%	4.25%
Profit after Tax Ratio to Sales	0.10%	(1.23)%

Operating Financial Results

During the half year under review Alhamdulillah, your Company had performed well as compared to same period last year. Total net sales of the company raised to Rs. 1,516.972 million from Rs. 1,429.372 million during the same period last year. Consequently gross profit of the company raised to Rs. 90.984 million as compared to Rs. 60.743 million during the same period last year. This increase in gross profit resulted in small profit after tax as compared to after tax loss of Rs. (17.635) million last year.

During the period under review textile industry faced many challenges like further reduction in local cotton crop size, increased rate of raw materials and reduction in sale prices of yarn. Our economy is going through very critical period and our country is facing many economic crises. Current account deficit is increasing. In order to plug this gap Federal Government have devalue the currency by 33 % hoping that this will help boost the export of the country.

Inspite of few other steps taken by the Federal Government the export of textile could not increase as desired. This increased the pressure on already depressed local yarn market. Increased raw material prices were not supported by corresponding increase in yarn prices due to which your company managed to achieve only a nominal profit after tax.

Future Outlook

Currency devaluation and rising interest rate scenario adversely affected demand in the economy and many sectors are feeling the pinch. International economic scenario in wake of the ongoing trade war between two economic superpowers is also not business friendly. The Yarn Market remains under pressure, but we hope that prices of yarn will improve in the days to come. Present government has already implemented special energy tariff for the ailing export oriented sectors, and is considering other facilitating measures which should have a positive impact on all export oriented industries including Textiles.

Acknowledgement

We wish to thank to the shareholders for their support. We are pleased to record our appreciation of the services rendered by the employees of the company and hope that the same spirit of devotion will continue in future.

Lahore
February 23, 2019

For and on behalf of the Board


SAMIR SAIGOL
Chief Executive



SARITOW SPINNING MILLS LIMITED

17 - Aziz Avenue, Canal Bank, Gulberg-V, Lahore, (Pakistan). Phone: (042) 35715029-31 Fax: 35715105
E-mail: azamsaritow@saigols.com

ڈائریکٹرز رپورٹ

سارٹو سپننگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے آدھے سال کے مالیاتی نتائج پیش کرتے ہیں جو کہ 31 دسمبر، 2018 کو مکمل ہو رہے

ہیں

آپریٹنگ نتائج

زیر نظر مدت کے دوران الحمد للہ آپ کی کمپنی نے پچھلے سال کی نسبت بہتر کارکردگی کا مظاہرہ کیا ہے۔ کمپنی کی کل سیل پچھلے سال کی نسبت 1,429.372 ملین سے بڑھ کر 1,516.972 ملین پر پہنچ گئی ہے جس کی وجہ سے کمپنی کا مجموعی منافع پچھلے سال کی نسبت 60.743 ملین سے بڑھ کر 90.984 ملین روپے ہو گیا ہے۔ کمپنی کے مجموعی نفع بڑھنے سے کمپنی نے پچھلے سال کے نقصان (17.635) ملین کی بجائے کچھ منافع بھی کمایا ہے۔

زیر نظر مدت کے دوران ٹیکسٹائل کی صنعت کو کئی چیلنجز کا سامنا کرنا پڑا، جیسا کہ ملکی کپاس کی فصل میں مزید کمی، بڑھتی ہوئی خام مال کی قیمت اور کم ہوتی ہوئی دھاگے کی قیمت۔ ہماری ملکی مشینیت بہت مشکل حالات سے دوچار ہے جس کی وجہ سے ہمارا ملک بہت سارے معاشی تختیوں سے گزر رہا ہے کرنٹ اکاؤنٹ کا خسارہ بڑھ رہا ہے کرنٹ اکاؤنٹ کے خسارے کو کم کرنے کے لئے وفاقی حکومت نے ملکی کرنسی کی مالیت کو 33% سے کم کر دیا تاکہ ملکی برآمدات میں اضافہ کیا جاسکے۔

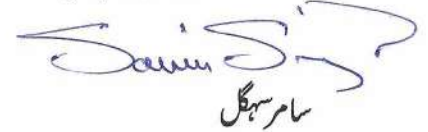
اس کے علاوہ بھی وفاقی حکومت نے کافی اقدامات کیے لیکن ملکی برآمدات میں خاطر خواہ اضافہ نہ ہو سکا۔ جس کی وجہ سے ہمارا اندرون ملک کاروبار مزید دباؤ میں آ گیا ہے دھاگے کی قیمت خام مال کی قیمت میں اضافے کا ساتھ نہ دے سکی جس کی وجہ سے آپ کی کمپنی بمشکل اپنے اخراجات کو پورا کر سکی۔

مستقبل کا نقطہ نظر

روپے کی مالیت میں کمی، بڑھتی ہوئی سود کی شرح اور طلب کی کمی وجہ سے مشینیت کے بہت سارے شعبے متاثر ہوئے۔ دو بڑی معاشی قوتوں کے درمیان جاری معاشی جنگ بھی کاروباری حالات کے لئے سود مند نہیں ہے دھاگے کی منڈی مندی کا شکار رہی۔ لیکن ہم اُمید کرتے ہیں کہ آنے والے دنوں میں اس میں بہتری آئے گی موجودہ حکومت نے بیمار درآمدی صنعت کی بحالی کے لئے توانائی کے الگ قیمت لاگو کر دی ہے اور اس کے علاوہ اور بھی سہولیات دینے کے متعلق سوچ رہی ہے جس کا تمام درآمدی اداروں پر مثبت اثر ہوگا۔

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام کسٹمرز حضرات اور شیئر ہولڈرز کا شکریہ ادا کرتے ہیں اور ساتھ ہی کمپنی کے اہداف کو پورا کرنے کے لئے اپنے تمام ملازمین کی ان تھک محنت کو بھی سہراتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



سامر سہگل

چیف ایگزیکٹو

لاہور: 23 فروری، 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SARITOW SPINNING MILLS LIMITED Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SARITOW SPINNING MILLS LIMITED** ['the Company'] as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the three-month period ended December 31, 2018 of the condensed interim statement of profit or loss, condensed interim statement of comprehensive income have not been reviewed as we are required to review only cumulative figures for the six-month period ended on that date.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is **ZUBAIR IRFAN MALIK**


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered AccountantsDate: **FEBRUARY 23, 2019**
Place: **LAHORE**

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	December 31, 2018 Rupees (Un-Audited)	June 30, 2018 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
35,000,000 (June 30, 2018: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital		298,406,070	298,406,070
Surplus on revaluation of property, plant and equipment		59,329,752	59,676,306
Accumulated profit		215,036,618	213,180,813
TOTAL EQUITY		572,772,440	571,263,189
NON-CURRENT LIABILITIES			
Loan from directors and family members - <i>Unsecured, subordinate</i>	6	265,884,966	265,884,966
Long term finances - <i>Secured</i>	7	207,393,186	228,132,505
Liabilities against assets subject to finance lease - <i>Secured</i>		17,232,109	21,771,155
Long term deposits - <i>Unsecured</i>		8,000,000	8,000,000
Employees retirement benefits		68,347,631	69,489,015
Deferred taxation		144,239,578	144,239,578
		711,097,470	737,517,219
CURRENT LIABILITIES			
Trade and other payables		368,286,056	313,435,349
Unclaimed dividend		485,351	485,351
Short term borrowings		501,349,185	490,309,915
Accrued interest/markup		20,964,453	12,804,441
Current portion of non-current liabilities		50,355,502	50,084,555
		941,440,547	867,119,611
TOTAL LIABILITIES		1,652,538,017	1,604,636,830
CONTINGENCIES AND COMMITMENTS			
	8	2,225,310,457	2,175,900,019

The annexed notes 1 to 18 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

rsr/r
for identification only

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	December 31, 2018	June 30, 2018
		Rupees (Un-Audited)	Rupees (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,270,732,172	1,298,133,887
Long term deposits - <i>Unsecured, considered good</i>		27,732,781	27,924,506
		1,298,464,953	1,326,058,393
CURRENT ASSETS			
Stores, spares and loose tools		22,426,726	20,955,036
Stock in trade		697,714,861	566,940,860
Trade receivables - <i>Unsecured, considered good</i>		38,323,296	56,584,024
Advances, deposits, prepayments and other receivables		18,859,606	95,432,355
Current taxation		46,838,472	56,490,452
Cash and bank balances		102,682,543	53,438,899
		926,845,504	849,841,626
TOTAL ASSETS		2,225,310,457	2,175,900,019

The annexed notes 1 to 18 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

rsr/r
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SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Note	Six month ended		Three month ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees	Rupees	Rupees	Rupees
Sales - net	10	1,516,971,618	1,429,372,434	864,457,528	755,992,387
Cost of sales	11	(1,425,987,623)	(1,368,629,465)	(831,813,316)	(727,882,485)
Gross profit		90,983,995	60,742,969	32,644,212	28,109,902
Selling and distribution expenses		(3,435,694)	(1,685,906)	(1,693,135)	(1,030,107)
Administrative and general expenses		(24,372,240)	(22,535,959)	(12,206,597)	(9,121,306)
		(27,807,934)	(24,221,865)	(13,899,732)	(10,151,413)
Operating profit		63,176,061	36,521,104	18,744,480	17,958,489
Finance cost		(42,704,665)	(36,289,116)	(23,313,012)	(18,532,015)
Profit/(loss) before taxation		20,471,396	231,988	(4,568,532)	(573,526)
Provision for taxation	12	(18,962,145)	(17,867,155)	(10,805,719)	(17,867,155)
Profit/(loss) after taxation		1,509,251	(17,635,167)	(15,374,251)	(18,440,681)
Earning/(loss) per share - basic and diluted		0.05	(0.59)	(0.52)	(0.62)

The annexed notes 1 to 18 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Six month ended		Three month ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Profit/(loss) after taxation	1,509,251	(17,635,167)	(15,374,251)	(18,440,681)
Total comprehensive income/(loss)	<u>1,509,251</u>	<u>(17,635,167)</u>	<u>(15,374,251)</u>	<u>(18,440,681)</u>

The annexed notes 1 to 18 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

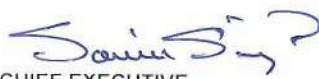
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SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	December 31, 2018	December 31, 2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,471,396	231,988
Adjustments for non-cash items		
Depreciation	31,290,755	31,798,790
Provision for employees retirement benefits	10,828,926	10,426,188
Interest/markup on borrowings	42,704,665	36,289,116
	84,824,346	78,514,094
Operating profit before changes in working capital	105,295,742	78,746,082
Changes in working capital		
Stores, spares and loose tools	(1,471,690)	(2,820,224)
Stock in trade	(130,774,001)	(253,985,716)
Trade debts	18,260,728	55,124,459
Advances, deposits, prepayments and other receivables	76,572,749	16,255,876
Trade and other payables	54,850,707	13,641,183
	17,438,493	(171,784,422)
Net cash generated from/(used in) from operations	122,734,235	(93,038,340)
Payments for:		
Interest/markup on borrowings	(34,544,653)	(35,228,165)
Income tax	(9,310,165)	(9,917,162)
Employees retirement benefits	(11,970,310)	(9,657,649)
Net cash generated from/(used in) operating activities	66,909,107	(147,841,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,381,262)	(1,221,300)
Long term deposits refunded	191,725	-
Proceeds from disposal of property, plant and equipment	492,222	-
Net cash used in investing activities	(3,697,315)	(1,221,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(25,007,418)	(34,480,349)
Net increase in short term borrowings	11,039,270	183,221,580
Net cash (used in)/generated from financing activities	(13,968,148)	148,741,231
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	49,243,644	(321,385)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	53,438,899	23,529,694
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	102,682,543	23,208,309

The annexed notes 1 to 18 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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SARITOW SPINNING MILLS LIMITED


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Share capital	Capital reserves	Revenue reserves	
	Issued subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Accumulated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2017	298,406,070	60,421,236	198,639,972	557,467,278
Comprehensive loss				
Loss after taxation	-	-	(17,635,167)	(17,635,167)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(17,635,167)	(17,635,167)
Incremental depreciation	-	427,186	(427,186)	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2017	298,406,070	60,848,422	180,577,619	539,832,111
Balance as at January 01, 2018	298,406,070	60,848,422	180,577,619	539,832,111
Comprehensive income				
Profit after taxation	-	-	35,502,739	35,502,739
Other comprehensive loss	-	277,523	(4,349,184)	(4,071,661)
Total comprehensive income	-	277,523	31,153,555	31,431,078
Incremental depreciation	-	(1,449,639)	1,449,639	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2018	298,406,070	59,676,306	213,180,813	571,263,189
Balance as at July 01, 2018	298,406,070	59,676,306	213,180,813	571,263,189
Comprehensive income				
Profit after taxation	-	-	1,509,251	1,509,251
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,509,251	1,509,251
Incremental depreciation	-	(346,554)	346,554	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2018	298,406,070	59,329,752	215,036,618	572,772,440

The annexed notes 1 to 18 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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for identification only

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND OPERATIONS

Saritow Spinning Mills Limited [the Company] was incorporated in Pakistan on March 10, 1987 as Public Limited Company under the repealed Companies Ordinance, 1984. The registered office of the Company is situated at 17- Aziz Avenue, Canal Bank Gulberg - V, Lahore. The Company is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn. The Mill is located at Bhai Pheru, District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

The interim financial statements are un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

This interim financial information has been subjected to limited scope review by the auditors of the company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2018 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of profit or loss and other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the six months period ended December 31, 2017 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2018 and December 31, 2017 are neither audited nor reviewed.

2.1 Statement of compliance

These interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of:

- International Accounting Standard 34 - Interim Financial Reporting, issued by International Accounting Standards Board [IASB] as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

2.5 Date of authorisation for issue

This interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 23, 2019.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE PERIOD.

The following new and revised standards, interpretations and amendments are effective in the current period but, unless specified otherwise, are either not relevant to the Company or their application does not have any material impact on the interim financial statements of the Company other than presentation and disclosures.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when (or as) the entity satisfies a performance obligation.

Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

	Effective date (reporting period / year ended on or after)
IFRS 9 - Financial Instruments (2014)	June 30, 2019
	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 17 - Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 - Financial Instruments

Finalised version of IFRS 9 - Financial Instruments: *Recognition and Measurement* which contains accounting requirement for financial instruments, replacing IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification 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.
- **Impairment:** 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 recognised.

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

- **Hedge accounting:** 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.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2018.

6 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE

This represents loan obtained from directors of the Company and their family members. The loan is unsecured.

The loan is subordinate to long term finances of the Company. Accordingly the loan matures on March 31, 2021 being the date before which the lenders cannot demand repayment of this loan under the subordination agreement.

The loan carries interest at one year KIBOR plus 2.5% per annum payable on maturity. The lender may at their sole discretion waived the payment of interest. During the period, interest amounting to 17.668 million was waived by the lender at their sole discretion

7 LONG TERM FINANCES - SECURED

	Note	December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	7.1	248,871,823	269,611,142
Current maturity presented under current liabilities		(41,478,637)	(41,478,637)
		<u>207,393,186</u>	<u>228,132,505</u>

- 7.1 The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries markup at three months KIBOR plus 2.5% per annum (June 30, 2018: three months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in twenty eight unequal installments with the first installment was due on January 2018.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no change in status and amount of contingencies since June 30, 2018.

8.2 Commitments

	Note	December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
8.2.1 Commitments under irrevocable letters of credit for import of:			
Purchase of raw material		69,529,613	100,154,387
Purchase of stores, spare and loose tools		10,136,767	4,395,781
		<u>79,666,380</u>	<u>104,550,168</u>
8.2.2 Commitments under operating leases:			

The Company has rented office premises under operating lease arrangements. Lease agreement covers a period of three years and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Note	December 31, 2018	June 30, 2018		
		Rupees	Rupees		
		(Un-Audited)	(Audited)		
- payments not later than one year		4,295,618	1,807,920		
- payments later than one year		-	-		
		4,295,618	1,807,920		
9	PROPERTY, PLANT AND EQUIPMENT				
Assets owned by the Company	9.1	1,194,519,494	1,219,967,038		
Assets subject to finance lease	9.2	76,212,678	52,875,474		
		1,270,732,172	1,272,842,512		
9.1	Assets owned by the Company				
Net book value at the beginning of the period/year		1,219,967,038	1,259,919,776		
Additions during the period/year					
Office equipment		442,813	-		
Plant and machinery		3,870,044	18,675,699		
Vehicles		68,405	2,827,300		
		4,381,262	21,502,999		
Net book value of assets disposed during the period/year		(492,222)	(333,052)		
Depreciation for the period/year		(29,336,584)	(61,122,685)		
Net book value at the end of the period/year		1,194,519,494	1,219,967,038		
9.2	Assets subject to finance lease				
Net book value at the beginning of the period/year		52,875,474	55,658,393		
Additions during the period/year		25,291,375	-		
Depreciation for the period/year		(1,954,171)	(2,782,919)		
Net book value at the end of the period/year		76,212,678	52,875,474		
		Six month ended	Three month ended		
	Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
10	SALES - NET				
Yarn		1,490,569,372	1,401,109,095	848,049,594	741,035,148
Waste		26,402,246	28,263,339	16,407,934	14,957,239
		1,516,971,618	1,429,372,434	864,457,528	755,992,387

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

Note	Six month ended		Three month ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)
11 COST OF GOODS SOLD				
Raw material consumed	1,100,772,633	1,000,986,538	548,247,075	502,917,331
Stores, spares and loose tools consumed	44,504,467	48,012,029	23,025,696	26,632,599
Salaries, wages and benefits	153,981,825	146,771,714	77,227,201	72,764,874
Insurance	1,816,664	1,511,158	915,936	733,854
Repair and maintenance	11,493,385	7,745,750	7,416,470	5,038,705
Depreciation	29,594,422	31,798,790	14,815,060	15,929,928
Other manufacturing overheads	200,970,909	180,286,294	113,701,954	92,881,371
	1,543,134,305	1,417,112,273	785,349,392	716,898,662
Work in process				
as at beginning of the period	37,522,780	38,534,085	45,268,470	31,824,012
as at end of the period	(43,095,988)	(33,782,031)	(43,095,988)	(33,782,031)
	(5,573,208)	4,752,054	2,172,482	(1,958,019)
Cost of goods manufactured	1,537,561,097	1,421,864,327	787,521,874	714,940,643
Finished goods				
as at beginning of the period	150,869,988	63,355,593	306,734,904	129,532,297
as at end of the period	(262,443,462)	(116,590,455)	(262,443,462)	(116,590,455)
	(111,573,474)	(53,234,862)	44,291,442	12,941,842
	1,425,987,623	1,368,629,465	831,813,316	727,882,485
12 TAXATION				
Provision for taxation				
Current taxation	12.1 18,962,145	17,867,155	10,805,719	17,867,155
Deferred taxation	12.2 -	-	-	-
	18,962,145	17,867,155	10,805,719	17,867,155

- 12.1 Provision for current tax has been made in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001.
- 12.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated company, key management personnel and sponsors, directors and their family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Kohinoor Power Company Limited	Associated company	Common directorship	N/A
Samir Iqbal Saigol	Key management personnel	Chief Executive Officer	0.004%
Naseem Saigol	Key management personnel	Director	27.27%
M. Azam Saigol	Key management personnel	Director(late)	3.12%
M. Murad Saigol	Key management personnel	Director	8.37%
M. Zeid Yousuf Saigol	Key management personnel	Director	8.39%
Syed Haroon Rashid	Key management personnel	Director	N/A

Transactions with directors and their family members are limited to provision of long term and temporary short term loans to the Company. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction..

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

Details of transactions and balances with related parties are as follows:

		Six month ended	
		December 31, 2018	December 31, 2017
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
13.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	2,310,000	2,245,000
	Post employment benefits	358,050	325,525
Associated company	Generator rent	6,000,000	6,000,000
		December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)

13.2 Balances with related parties

Nature of relationship	Nature of balance		
Directors and their family members	Long term loan from director and family members	265,884,966	265,884,966
Associated company	Generator rent payable	2,846,134	472,929

14 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

		December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
14.1 Financial assets			
<i>Cash in hand</i>		2,065,601	474,847
<i>Loans and receivables</i>			
Long term deposits		27,732,781	27,924,506
Advances to employees		3,599,477	7,533,928
Trade receivables		38,323,296	56,584,024
Security deposits		6,000	-
Bank balances		100,616,942	52,964,052
		<u>172,344,097</u>	<u>145,481,357</u>
14.2 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Loan from directors and family members		265,884,966	265,884,966
Long term finances		248,871,823	269,611,142
Liabilities against assets subject to finance lease		67,587,611	30,377,073
Long term deposits		8,000,000	8,000,000
Short term borrowings		501,349,185	490,309,915
Accrued interest/mark-up		20,964,453	12,804,441
Trade creditors		101,984,327	122,276,552
Accrued liabilities		128,513,939	87,274,807
Bills payable		-	46,185,724
Unclaimed dividend		485,351	485,351
		<u>1,343,641,655</u>	<u>1,333,209,971</u>

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

15 FAIR VALUE MEASUREMENTS

The Company measures some of its financial instruments at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of financial instruments measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

15.1 Financial instruments measured at fair value

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all financial instruments to approximate their fair values.

15.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

15.3 Assets and liabilities other than financial instruments.

15.3.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	December 31, 2018	June 30, 2018
				Rupees (Un-Audited)	Rupees (Audited)
Freehold land	-	99,418,125	-	99,418,125	99,418,125
Buildings	-	-	158,009,418	158,009,418	158,009,418
Plant and machinery	-	-	948,953,295	948,953,295	996,697,895

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 4.97 million (June 30, 2018: Rs. 4.97 million).
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a increase in fair value of buildings by Rs. 7.7 million (June 30, 2018: Rs. 7.9 million).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018

	Valuation technique	Significant inputs	Sensitivity
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in an increase in fair value of plant and machinery by Rs. 46.2 million (June 30, 2018: Rs. 49.83 million).

There were no transfers between fair value hierarchies during the period/year.

15.3.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

16 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these interim financial statements.

17 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these interim financial statements.

18 GENERAL

18.1 There are no other significant activities since June 30, 2018 affecting the interim financial statements.

18.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.

18.3 Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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