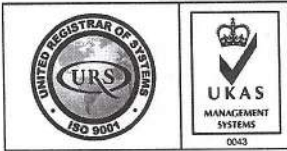


# **SARITOW SPINNING MILLS LIMITED**

**1<sup>ST</sup> QUARTER REPORT  
30-09-2019  
(UN-AUDITED)**



# 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 first quarter of financial year 2019-20 ending September 30, 2019 along with director report thereon.

### Financial High Lights

	Quarter Ending Sept 30, 2019	Quarter Ending Sept 30, 2018
Net Sales	664.591	652.514
Gross Profit	40.268	58.340
Profit before tax	0.398	25.040
Profit/ (Loss) after tax	(7.909)	16.884

### Operating Financial Results

During the quarter under review, in spite of very tough prevailing market conditions your Company had performed reasonably well. Our company was able to achieve net turnover of Rs. 664.519 million as compared to Rs. 652.514 million during the corresponding period of last year. The turnover of the company remained on lower side due to imposition of General Sales Tax and condition of obtaining copy of valid National Identity Card from unregistered buyers.

Estimation of current year Raw Cotton crop are not good and only 10.000 million cotton bales are expected to be harvested, which is far less then requirement of local Spinning industry. Geo political environment of the whole world particularly of our region is not good. War clouds are looming and all trade activities between Pakistan and India are suspended. Under the circumstances Raw Cotton import from India is impossible and the levy of hefty import duty makes the import of cotton from other international supplier's non compatible.

### Future Outlook

In order to achieve better results in future we have successfully converted our production pattern from producing yarn for unregistered market to registered Air Jet yarn market. Though imposition of sales tax from July 2019 onward affected the sales very badly but steps taken by us will results in better results in days to come. Improvement in geo political situation of the entire world, particularly our region will further improve the profitability of our company.

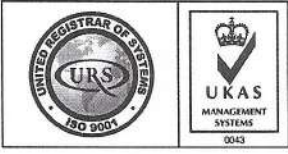
### Acknowledgement

The Directors of your company take this opportunity to thank entire stakeholders for their continued support. Your directors also placed on record their appreciation for the contribution made by the employees at all level.

For and on behalf of the Board

Chief Executive

Lahore : October 30, 2019



# 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

ساریٹو سپننگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے رواں تین ماہ کے مالیاتی نتائج پیش کرتے ہیں جو کہ 30 ستمبر، 2019 کو مکمل ہو رہا ہے

## آپریشنل نتائج

زیر نظر سہ ماہی کے دوران کاروبار کے بہت سخت حالات کے باوجود آپ کی کمپنی نے مناسب کارکردگی کا مظاہرہ کیا۔ آپ کی کمپنی کی تمام اشیاء کی فروخت 664.591 ملین روپے رہی اس کے مقابلے میں پچھلے اس عرصے کے دوران تمام مصنوعات کی فروخت 652.514 ملین روپے تھی۔ کمپنی کی مجموعی فروخت جنرل سیلز ٹیکس کے نفاذ اور غیر مصدقہ صارفین سے اشیاء کی فروخت کے وقت قومی شناختی کارڈ کے نقل حاصل کرنے کی شق کی وجہ سے بہت ہی کم رہی۔

رواں مالی سال کے لئے کپاس کی پیداوار کا تخمینہ کچھ اچھا نہیں ہے اور صرف 10.000 ملین کپاس کی گانٹھوں کی پیداوار متوقع ہے جو کہ ملکی ٹیکسٹائل کی صنعت کی ضروریات سے بہت کم ہے پوری دنیا کے معاشی حالات کافی خراب ہیں اور خاص طور پر ہمارے خطے کے حالات کافی خراب ہیں۔ جنگ کے بادل چھائے ہیں اور پاکستان اور ہندوستان کے درمیان تمام تجارتی تعلقات معطل ہیں۔ زیر نظر حالات کی وجہ سے ہندوستان سے کپاس کی درآمد ناممکن ہے۔ علاوہ ازیں کپاس کی درآمد پر عائد کسٹم ڈیوٹی نے دوسرے بین الاقوامی ذرائع سے کپاس کی درآمد کو غیر مسابقتی بنا دیا ہے۔

## مستقبل کا نقطہ نظر

مستقبل میں بہتر نتائج حاصل کرنے کے لئے ہماری کمپنی نے اپنی پیداوار کو غیر مصدقہ خریدار سے مصدقہ خریدار کی مارکیٹ کی طرف موڑ دیا ہے۔ بے شک جولائی 2019 سے سیلز ٹیکس لاگو ہونے سے کاروبار کافی متاثر ہوا ہے۔ لیکن ہمارے کئے گئے اقدامات کی وجہ سے آنے والے دنوں میں بہتری کی امید ہے۔ دنیا کے سیاسی اور معاشی حالات میں بہتری اور خاص طور پر ہمارے خطے کے حالات میں بہتری سے بھی آنے والے دنوں میں ادارے کے نفع میں مزید بہتری کا امکان ہے۔

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

سامراقبال سہگل

چیف ایگزیکٹو

لاہور 30 اکتوبر، 2019



# Saritow Spinning Mills Limited

## Condensed Interim Statement of Financial Position as at September 30, 2019

	Note	September 30, 2019 Rupees (Un-Audited)	June 30, 2019 Rupees (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	4	298,406,070	298,406,070
Surplus on revaluation of property, plant and equipment		58,361,542	58,691,100
Accumulated Profit		256,954,539	264,534,174
<b>Total Equity</b>		<b>613,722,151</b>	<b>621,631,344</b>
<b>Non-current liabilities</b>			
Loan from directors and family members		265,884,966	265,884,966
Long term finances - Secured		176,284,208	186,653,868
Liabilities against assets subject to finance lease - Secured		10,091,209	11,893,981
Long term deposits		6,010,000	6,010,000
Employees retirement benefits		79,086,098	75,196,686
Deferred taxation		144,057,792	144,057,792
		<b>681,414,273</b>	<b>689,697,293</b>
<b>Current liabilities</b>			
Trade and other payables		462,533,134	372,040,231
Unclaimed dividend		485,351	485,351
Short term borrowings		402,423,454	517,422,358
Accrued interest/mark-up		22,518,697	24,716,864
Current portion of non-current liabilities		50,937,581	51,375,969
		<b>938,898,217</b>	<b>966,040,773</b>
<b>Total Liabilities</b>		<b>1,620,312,490</b>	<b>1,655,738,066</b>
Contingencies and commitments	5	-	-
		<b>2,234,034,641</b>	<b>2,277,369,410</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,241,523,957	1,256,485,282
Long term deposits		27,738,781	27,738,781
Long term investments		18,918,490	18,918,490
		<b>1,288,181,228</b>	<b>1,303,142,553</b>
<b>Current assets</b>			
Stores, spares and loose tools		25,187,385	23,077,455
Stock in trade		644,116,889	565,435,167
Trade receivables		93,393,322	149,098,303
Advances, prepayments and other receivables		44,610,312	54,494,062
Current taxation		19,211,272	25,083,672
Cash and bank balances		119,334,233	157,038,198
<b>Total Assets</b>		<b>945,853,413</b>	<b>974,226,857</b>
		<b>2,234,034,641</b>	<b>2,277,369,410</b>

The annexed notes 1 to 11 form an integral part of this interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# Saritow Spinning Mills Limited

## Condensed Interim Statement of Profit Or Loss for the Quarter ended September 30, 2019

	Note	Quarter ended	
		September 30, 2019	September 30, 2018
		Rupees (Un-Audited)	Rupees (Un-Audited)
Sales - net	7	664,591,455	652,514,090
Cost of sales	8	624,323,028	594,174,307
Gross profit		40,268,427	58,339,783
Selling and distribution expenses		1,511,259	1,742,559
Administrative and general expenses		13,801,045	12,165,643
		15,312,304	13,908,202
		24,956,123	44,431,581
Other income		-	-
Operating profit		24,956,123	44,431,581
Finance cost		24,557,923	19,391,653
Other charges		-	-
		24,557,923	19,391,653
Profit before taxation		398,200	25,039,928
Taxation	9	(8,307,393)	(8,156,426)
Profit after taxation		(7,909,193)	16,883,502
Earnings per share - basic and diluted		(0.48)	1.02

The annexed notes 1 to 11 form an integral part of this interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# Saritow Spinning Mills Limited

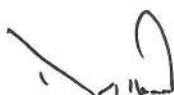
## Condensed Interim Statement of Comprehensive Income for the Quarter ended September 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
Other comprehensive income / loss	-	-
Profit after taxation	(7,909,193)	16,883,502
Total comprehensive income	<u>(7,909,193)</u>	<u>16,883,502</u>

The annexed notes 1 to 11 form an integral part of this interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# Saritow Spinning Mills Limited

## Condensed Interim Cash Flow Statement

### for the Quarter ended September 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	398,200	25,039,928
Adjustments for non-cash items	46,290,515	40,429,976
Operating profit before changes in working capital	46,688,715	65,469,904
Changes in working capital	75,289,982	(78,347,488)
Cash used in operations	121,978,697	(12,877,584)
Payments for:		
Interest / mark-up	(26,756,090)	(13,958,437)
Employees retirement benefits	(2,881,855)	(5,463,770)
Income tax	(2,434,993)	(4,316,196)
	(32,072,938)	(23,738,403)
Net cash used in operating activities	89,905,759	(36,615,987)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	-	(1,082,878)
Proceeds from disposal of assets	-	21,476
Long term deposits	-	185,725
Net cash used in investing activities	-	(875,677)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(10,808,048)	(10,151,655)
Liabilities against assets subject to finance lease - Secured	(1,802,772)	(2,241,160)
Net increase in short term borrowings	(114,998,904)	40,605,250
Net cash flow from financing activities	(127,609,724)	28,212,435
Net (decrease)/increase in cash and cash equivalents	(37,703,965)	(9,279,229)
Cash and cash equivalents as at beginning of the period	157,038,198	53,438,899
Cash and cash equivalents as at end of the period	119,334,233	44,159,670

The annexed notes 1 to 11 form an integral part of this interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR



# Saritow Spinning Mills Limited

## Condensed Interim Statement of Changes in Equity

for the Quarter ended September 30, 2019

	Share capital Issued subscribed and paid-up capital <i>Rupees</i>	Capital reserves revaluation of property, plant and equipment <i>Rupees</i>	Revenue reserves Accumulated profit <i>Rupees</i>	Total equity <i>Rupees</i>
Balance as at July 1, 2018	298,406,070	59,676,306	213,180,813	571,263,189
Profit after taxation for the year ended 30 June, 2019	-	-	52,500,609	52,500,609
Other comprehensive loss for the year ended 30 June, 2019	-	-	(2,132,454)	(2,132,454)
Total comprehensive income	-	-	50,368,155	50,368,155
Incremental depreciation	-	(985,206)	985,206	-
Balance as at June 30, 2019	298,406,070	58,691,100	264,534,174	621,631,344
Profit for the Quarter ended September 30, 2019	-	-	(7,909,193)	(7,909,193)
Other comprehensive income / (loss) for the Quarter	-	-	-	-
Total comprehensive income	-	-	(7,909,193)	(7,909,193)
Incremental depreciation	-	(329,558)	329,558	-
Balance as at September 30, 2019	298,406,070	58,361,542	256,954,539	613,722,151

The annexed notes 1 to 11 form an integral part of this interim financial information.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR



# Saritow Spinning Mills Limited

## Notes to and forming part of Condensed Interim Financial Statements for the Quarter ended September 30, 2019

### 1 REPORTING ENTITY

Saritow Spinning Mills Limited ("the Company") was incorporated in Pakistan on March 10, 1987 as Public Limited Company under the Companies Ordinance, 1984 (now Companies Act, 2017). 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 Limited. 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 information report is not 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 report should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2019.

#### 2.1 Statement of compliance

This condensed interim financial report of the Company for the Quarter ended September 30, 2019 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of or directives issued under the Companies Ordinance, 1984.

#### 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value or amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

#### 2.3 Judgements, estimates and assumptions

The preparation of financial information 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 authorization for issue

This financial information was authorized for issue on October 30, 2019 by the Board of Directors of the Company.

### 3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2019.

3.2 Corresponding figures have been re-arranged/re-classified where necessary to facilitate comparison. Appropriate disclosure has been given in the relevant note in case of any material re-arrangement/re-classification.

Note	September 30, 2019	June 30, 2019
	Rupees	Rupees

### 4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each:

13,275,000 (June 30, 2019: 13,275,000) ordinary shares issued for cash	132,750,000	132,750,000
16,565,607 (June 30, 2019: 16,565,607) ordinary shares issued as consideration on merger	165,656,070	165,656,070
	<u>298,406,070</u>	<u>298,406,070</u>

Notes to and forming part of Condensed Interim Financial Statements  
for the Quarter ended September 30, 2019

## Contingencies

There is no change in status and amount of contingencies since June 30, 2019.

		September 30, 2019	June 30, 2019
		Rupees	Rupees
<b>Commitments</b>			
Payments under irrevocable letters of credit for import of:			
Stores and spare		2,860,566	6,332,287
Raw material		35,633,269	129,070,673
		<b>38,493,835</b>	<b>135,402,960</b>
<b>6 Property, plant and equipment</b>		<b>1,241,523,957</b>	<b>1,256,485,282</b>
<b>6.1 Operating Assets</b>			
Assets owned by the Company	6.2	1,168,193,682	1,182,226,776
Assets subject to finance lease	6.3	73,330,275	74,258,506
Capital work in progress	6.4	-	-
		<b>1,241,523,957</b>	<b>1,256,485,282</b>
<b>6.2 Assets owned by the Company</b>			
Net book value at the beginning of the period/year		1,182,226,776	1,219,967,038
Additions during the period/year			
Plant and machinery		-	21,036,397
Office equipment		-	442,813
Vehicles		-	143,105
		-	21,622,315
Net book value of assets disposed during the period/year		-	(502,836)
Depreciation for the period/year		(14,033,094)	(58,859,741)
Net book value at the end of the period/year		<b>1,168,193,682</b>	<b>1,182,226,776</b>
<b>6.3 Assets subject to finance lease</b>			
Net book value at the beginning of the period/year		74,258,506	52,875,474
Additions during the period/year		-	25,291,375
Depreciation for the period/year		(928,231)	(3,908,343)
Net book value at the end of the period/year		<b>73,330,275</b>	<b>74,258,506</b>
<b>6.4 Capital work in progress</b>			
Book value as at beginning of the period		-	25,291,375
Additions during the period		-	-
Transfer during the year		-	(25,291,375)
Book value at the end of the period		-	-
		<b>Quarter ended</b>	
		<b>September 30, 2019</b>	<b>September 30, 2018</b>
		<b>Rupees</b>	<b>Rupees</b>
		<b>(Un-Audited)</b>	<b>(Un-Audited)</b>
<b>7 SALES - NET</b>			
Yarn		656,063,451	642,519,778
Waste		8,528,004	9,994,312
		<b>664,591,455</b>	<b>652,514,090</b>

# Saritow Spinning Mills Limited

## Notes to and forming part of Condensed Interim Financial Statements for the Quarter ended September 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
	Rupees (Un-Audited)	Rupees (Un-Audited)
<b>8 COST OF SALES</b>		
Raw material consumed	574,365,913	552,525,558
Stores, spares and loose tools consumed	28,947,903	21,478,771
Power and fuel	115,460,515	85,999,621
Salaries, wages and benefits	80,840,575	76,754,624
Insurance	1,028,538	900,728
Repair and maintenance	6,128,321	4,076,915
Depreciation	14,286,234	14,779,362
Vehicle running and maintenance	713,874	769,070
Other manufacturing overheads	509,236	500,264
	<u>822,281,109</u>	<u>757,784,913</u>
Work in process		
Opening stock	41,852,207	37,522,780
Closing stock	(41,730,796)	(45,268,470)
	<u>121,411</u>	<u>(7,745,690)</u>
Cost of goods manufactured	<u>822,402,520</u>	<u>750,039,223</u>
Finished goods		
Opening stock	75,281,067	150,869,988
Closing stock	(273,360,559)	(306,734,904)
	<u>(198,079,492)</u>	<u>(155,864,916)</u>
	<u>624,323,028</u>	<u>594,174,307</u>

### 9 TAXATION

9.1 Provision for current tax has been made in accordance with the requirements of section 113 of the Income Tax Ordinance, 2001.

9.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

### 10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and undertakings, key management personnel and sponsor 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.

Transactions with key management personnel are limited to payment of short term and post employment benefits. Transactions with sponsors and their family members are limited to provision of interest free 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.

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

		Quarter ended	
		September 30, 2019	September 30, 2018
		Rupees (Un-Audited)	Rupees (Un-Audited)
<b>Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Key management personnel	Short term employee benefits	1,395,000	1,155,000
	Post employment benefits	465,000	385,000
Kohinoor Power Company Ltd	Generator Rent	3,000,000	3,000,000
<b>Balances with related parties</b>			
Sponsors and their family members	Interest free loan-long term	265,884,966	265,884,966
Sponsors and their family members	Interest free loan-short term	102,000,000	102,000,000
Kohinoor Power Company Ltd	Generator Rent	2,782,607	1,872,114

### 11 GENERAL

Figures have been rounded off to the nearest rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR