



Saritow Spinning Mills Limited



Interim Financial Report for the half year ended
December 31, 2019

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Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman
Mr. Samir Iqbal Saigol	Chief Executive Officer
Mr. Muhammad Murad Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Omer Farooq	
Mr. Muhammad Athar Rafiq	
Mr. Arshad Ismail Khan	NIT Nominee

AUDIT COMMITTEE

Mr. Arshad Ismail Khan	Chairman/Member
Mr. M. Zeid Yousuf Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Mr. Arshad Ismail Khan	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

Directors' Report

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the half year ended December 31, 2019 along with director report thereon.

Financial High Lights

Financial High Lights	Half year ending December 31, 2019 Rupees in Million	Half year ending December 31, 2018 Rupees in Million
Net Sales	1,600.696	1,516.972
Gross Profit	88.858	90.984
Profit before Tax	5.85	20.471
Profit / (Loss) after Tax	(14.424)	1.509
Gross Profit Ratio to Sales	5.55%	6.00%

Operating Financial Results

During the half year 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. 1,600.696 million as compared to Rs. 1,516.972 million during the corresponding period last year. In spite of increase in turnover of the company gross margin decline due to increased input cost like raw cotton and energy.

Revised estimation of current year Raw Cotton crop was 10.000 million cotton bales against which till last week of February only 8.500 million bales could be harvested which is far less than the local mills demand. Mills were forced to import expensive cotton from international market, further levy of custom duty made it more expensive. During the period under review Federal Government levied Quarterly surcharge and ADMC on electricity in violation of committed flat rate of \$ 0.075 cents (all inclusive). Geo political environment of the whole world particularly of our region is not good. For last many months all trade activities are at its lowest. We hope that above scenario will improve in days to come.

Future Outlook

Currently Electricity distribution companies in addition to Quarterly surcharge and ADMC have started to charge Neelum Jehlum, Fuel price adjustment, Financial cost and MDI surcharge with retrospective from 1st January 2019 which resulted in great increase in Power Tariff. Outbreak of Corona virus in China which is our major trade partner has also affected the business activities. We hope that Federal Government will address the problems faced by Textile industry and with improvement in international trade activities, the days to come will be better for the industry.

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.

For and on behalf of the Board

Samir Iqbal Saigol
Chief Executive

Lahore : February 27, 2020

ڈائریکٹرز رپورٹ

سارینسپونڈنٹ ملز لمیٹڈ کے ڈائریکٹرز بوی مسرت کے ساتھ کمپنی کے آدھے سال کے مالیاتی نتائج پیش کرتے ہیں جو کہ 31 دسمبر، 2019 کو مکمل ہو رہے ہیں

آریشل نتائج

نظر ثانی کے تحت آدھے سال کے دوران، مارکیٹ میں انتہائی سخت حالات کے باوجود، آپ کی کمپنی نے مناسب کارکردگی کا مظاہرہ کیا ہے۔ ہماری کمپنی کی کل فروخت زیر نظر عرصے کے دوران 1,600.696 ملین روپے رہی جو کہ پچھلے سال کی اسی مدت کے دوران 1,516.972 ملین روپے تھی کل فروخت میں اضافے کے باوجود خام روٹی اور توانائی جیسے اہلٹ لاگت میں اضافے کی وجہ سے کمپنی کے کاروبار کے مجموعی مارجن میں کمی واقع ہوئی۔

موجودہ سال خام کپاس فصل کا نظر ثانی شدہ تخمینہ 10.000 ملین کپاس بیلز تھا جس کے برعکس فروری کے آخری ہفتے تک صرف 8.500 ملین بیلز کی پیداوار حاصل ہوئی۔ جو کہ ملز کی مانگ سے کہیں کم ہے۔ ان حالات نے ملز کو بین الاقوامی مارکیٹ سے مہنگی کپاس درآمد کرنے پر مجبور کر دیا گیا۔ مزید برآں کسٹم ڈیوٹی نے اس کو مزید مہنگا بنا دیا۔ گزشتہ کئی ماہ سے تمام تجارتی سرگرمیاں اس کے سبب بہت کم ہیں۔ ہم امید کرتے ہیں کہ آنے والے دنوں میں بہتری آئے گی۔

زیر نظر عرصہ کے دوران وفاقی حکومت نے بجلی کی قیمت جو کہ 0.075 \$ پر کلو واٹ تھی اُس میں سہ ماہی سرچارج اور ADMC کی مدد میں نیا ٹیکس لگا دیا جو کہ طشده قیمت کی صریحاً خلاف ورزی ہے۔ پوری دنیا کے سیاسی حالات اور خصوصاً ہمارے خطے کے حالات اچھے نہیں ہیں۔ گزشتہ کئی ماہ سے تجارتی حالات اچھے نہیں ہیں۔ ہم امید کرتے ہیں کہ موجودہ حالات میں آنے والے دنوں میں بہتری آئے گی۔

مستقبل کا نقطہ نظر

فی الحال اس وقت بجلی کی تقسیم کی کمپنیاں سہ ماہی سرچارج اور ADMC کے علاوہ دریائے نیلم جہلم ایندھن کی قیمت کی ایڈجسٹمنٹ، مالی لاگت اور MDI سرچارج جنوری سال 2019 سے وصول کرنا شروع کر دیا ہے۔ جس کی وجہ سے بجلی کی قیمت میں بہت زیادہ اضافہ ہو گیا ہے۔ چین میں کورونا وائرس کے پھیلنے سے جو کہ ہمارا اہم تجارتی پارٹنر ہے کاروباری سرگرمیاں بہت متاثر ہوئی ہیں۔ ہمیں امید ہے کہ وفاقی حکومت ٹیکسٹائل انڈسٹری کی طرف سے درپیش مسائل کو حل کرے گی اور بین الاقوامی تجارت کی سرگرمیوں میں بہتری کے ساتھ، آنے والے دن صنعت کے لئے بہتر ہوں گے

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام کسٹمر 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 اقبال سہگل

چیف ایگزیکٹو

لاہور: 27 فروری، 2020

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, 2019 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, 2019 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 Accountants

Date: February 27, 2020
Place: LAHORE

Condensed Interim Statement of Financial Position

as at December 31, 2019

	Note	December 31, 2019	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(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		58,379,236	58,691,100
Accumulated profit		250,422,529	264,534,174
TOTAL EQUITY		607,207,835	621,631,344
NON-CURRENT LIABILITIES			
Loan from directors and family members	7	265,884,966	265,884,966
Long term finances - Secured	8	165,914,549	186,653,868
Lease liabilities		8,242,945	11,893,981
Long term deposits		6,010,000	6,010,000
Employees retirement benefits		77,091,335	75,196,686
Deferred taxation		144,057,792	144,057,792
		667,201,587	689,697,293
CURRENT LIABILITIES			
Trade and other payables		435,509,816	372,040,231
Unclaimed dividend		485,351	485,351
Short term borrowings		547,086,682	517,422,358
Accrued interest/markup		25,462,011	24,716,864
Current portion of non-current liabilities		50,727,714	51,375,969
		1,059,271,574	966,040,773
TOTAL LIABILITIES		1,726,473,161	1,655,738,066
CONTINGENCIES AND COMMITMENTS			
	9		
		2,333,680,996	2,277,369,410

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Condensed Interim Statement of Financial Position

as at December 31, 2019

	Note	December 31, 2019	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,158,751,489	1,182,226,776
Right-of-use assets	11	72,402,043	74,258,506
Long term deposits		27,738,781	27,738,781
Long term investment		-	18,918,490
		1,258,892,313	1,303,142,553
CURRENT ASSETS			
Stores, spares and loose tools		24,340,686	23,077,455
Stock in trade		781,717,466	565,435,167
Trade receivables		85,108,221	149,098,303
Advances, prepayments and other receivables		27,385,689	54,494,062
Current taxation		12,738,749	25,083,672
Cash and bank balances		143,497,872	157,038,198
		1,074,788,683	974,226,857
TOTAL ASSETS		2,333,680,996	2,277,369,410

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Condensed Interim Statement of Profit or Loss (Un-audited)
for the six month period ended December 31, 2019

	Note	Six month ended		Three month ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	11	1,600,696,734	1,516,971,618	936,105,279	864,457,528
Cost of sales	12	(1,511,838,424)	(1,425,987,623)	(887,515,396)	(831,813,316)
Gross profit		88,858,310	90,983,995	48,589,883	32,644,212
Selling and distribution expenses		(5,405,190)	(3,435,694)	(3,893,931)	(1,693,135)
Administrative and general expenses		(27,527,941)	(24,372,240)	(13,726,896)	(12,206,597)
		(32,933,131)	(27,807,934)	(17,620,827)	(13,899,732)
Operating profit		55,925,179	63,176,061	30,969,056	18,744,480
Finance cost		(50,339,980)	(42,704,665)	(25,782,057)	(23,313,012)
Profit before taxation		5,585,199	20,471,396	5,186,999	(4,568,532)
Provision for taxation	13	(20,008,708)	(18,962,145)	(11,701,315)	(10,805,719)
(Loss)/profit after taxation		(14,423,509)	1,509,251	(6,514,316)	(15,374,251)
(Loss)/earning per share - basic and diluted		(0.48)	0.05	(0.22)	(0.52)

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Condensed Interim Statement of Comprehensive Income (Un-audited)
for the six month period ended December 31, 2019

	Six month ended		Three month ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Other comprehensive income	-	-	-	-
(Loss)/profit after taxation	(14,423,509)	1,509,251	(6,514,316)	(15,374,251)
Total comprehensive (loss)/income	(14,423,509)	1,509,251	(6,514,316)	(15,374,251)

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Condensed Interim Statement of Cash Flows (Un-audited)

for the six month period ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,585,199	20,471,396
Adjustments for non-cash items		
Depreciation	29,986,564	31,290,755
Provision for employees retirement benefits	13,542,534	10,828,926
Interest/markup on borrowings	50,339,982	42,704,665
	93,869,080	84,824,346
Operating profit before changes in working capital	99,454,279	105,295,742
Changes in working capital		
Stores, spares and loose tools	(1,263,231)	(1,471,690)
Stock in trade	(216,282,299)	(130,774,001)
Trade debts	63,990,082	18,260,728
Advances, prepayments and other receivables	27,108,373	76,572,749
Trade and other payables	63,469,585	54,850,707
	(62,977,490)	17,438,493
Net cash generated from from operations	36,476,789	122,734,235
Payments for:		
Interest/markup on borrowings	(49,594,835)	(34,544,653)
Income tax	(7,663,785)	(9,310,165)
Employees retirement benefits	(11,647,885)	(11,970,310)
Cash (used in)/generated from operating activities	(32,429,716)	66,909,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,654,814)	(4,381,262)
Proceeds from disposal of long term investments	18,918,490	-
Long term deposits refunded	-	191,725
Proceeds from disposal of property, plant and equipment	-	492,222
Cash used in investing activities	14,263,676	(3,697,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(25,038,610)	16,471,219
Net increase in short term borrowings	29,664,324	11,039,270
Cash generated from financing activities	4,625,714	27,510,489
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,540,326)	90,722,281
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	157,038,198	53,438,899
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	143,497,872	144,161,180

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Condensed Interim Statement of Changes in Equity (Un-audited)
for the six month period ended December 31, 2019

	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, 2018	298,406,070	59,676,306	213,180,813	571,263,189
Comprehensive loss				
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
Balance as at January 01, 2019	298,406,070	59,329,752	215,036,618	572,772,440
Comprehensive income				
Profit after taxation	-	-	50,991,358	50,991,358
Other comprehensive loss	-	-	(2,132,454)	(2,132,454)
Total comprehensive income	-	-	48,858,904	48,858,904
Incremental depreciation	-	(638,652)	638,652	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2019	298,406,070	58,691,100	264,534,174	621,631,344
Balance as at July 01, 2019	298,406,070	58,691,100	264,534,174	621,631,344
Comprehensive income				
Loss after taxation	-	-	(14,423,509)	(14,423,509)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(14,423,509)	(14,423,509)
Incremental depreciation	-	(311,864)	311,864	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2019	298,406,070	58,379,236	250,422,529	607,207,835

The annexed notes 1 to 19 form an integral part of these interim financial statements.

Notes to the Condensed Interim Financial Statements (Un-audited) for the six month period ended December 31, 2019

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, 2019.

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, 2019 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, 2018 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, 2019 and December 31, 2018 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 28, 2020.

Notes to the Condensed Interim Financial Statements (Un-audited) for the six month period ended December 31, 2019

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 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.

3.1 IFRS 16 - Leases (2016)

IFRS 16 - Leases (2016) specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company has elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on July 01, 2019. This is disclosed in note 5.

3.2 IFRIC 23 - Uncertainty over Income Tax Treatments

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

3.3 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.

3.4 Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)

IFRS 9 - Financial Instruments have been amended regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

3.5 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)

IAS 28 - Investments in Associates and Joint Ventures have been amended to clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

3.6 Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The annual improvements have made amendments to the following standards:

- **IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 - Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Notes to the Condensed Interim Financial Statements (Un-audited) for the six month period ended December 31, 2019

3.7 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

	Effective date (annual periods beginning on or after)
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
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
Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures)	January 01, 2020

Other than afore-mentioned standards, interpretations and amendments, IASB 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.

5 CHANGE IN ACCOUNTING POLICY

As indicated in note 3 above, the group has adopted IFRS - 16 Leases retrospectively from July 01, 2019, but has not restated comparatives for the reporting period ended June 30, 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on July 01, 2019. There is no impact, however, on the amounts reported in these interim financial statements.

6 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, 2019, except of change referred to in note 5.

7 LOAN FROM DIRECTORS AND FAMILY MEMBERS

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 and short term borrowings 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 lenders may at their sole discretion waive the payment of interest. During the period/year, interest amounting to Rs. 21.529 million (June 30, 2019: Rs. 26.67 million) was waived by the lenders at their sole discretion.

Notes to the Condensed Interim Financial Statements (Un-audited) for the six month period ended December 31, 2019

8 LONG TERM FINANCES - SECURED

	<i>Note</i>	December 31, 2019	June 30, 2019
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	8.1	207,393,186	228,132,505
Current maturity presented under current liabilities		(41,478,637)	(41,478,637)
		165,914,549	186,653,868

- 8.1 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, 2019: 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.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

9.2 Commitments

	<i>Note</i>	December 31, 2019	June 30, 2019
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
9.2.1 Commitments under irrevocable letters of credit for import of:			
Purchase of raw material		391,951,075	129,070,673
Purchase of stores, spare and loose tools		654,377	6,332,287
		392,605,452	135,402,960

9.2.2 Commitments under operating leases:

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

	December 31, 2019	June 30, 2019
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
- payments not later than one year	4,716,360	2,064,652
- payments later than one year	-	-
	4,716,360	2,064,652

9.2.3 Commitments under operating leases:

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

	December 31, 2019	June 30, 2019
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
- payments not later than one year	2,000,000	8,000,000
- payments later than one year	-	-
	2,000,000	8,000,000

Notes to the Condensed Interim Financial Statements (Un-audited)

for the six month period ended December 31, 2019

	Note	December 31, 2019	June 30, 2019		
		Rupees	Rupees		
		(Un-Audited)	(Audited)		
10 PROPERTY, PLANT AND EQUIPMENT					
Net book value at the beginning of the period/year		1,182,226,776	1,272,842,512		
Additions during the period/year					
Office equipment		-	442,813		
Plant and machinery		1,784,180	46,327,772		
Vehicles		2,870,634	143,105		
		4,654,814	46,913,690		
Net book value of assets disposed during the period/year		-	(502,836)		
Depreciation for the period/year		(28,130,101)	(62,768,084)		
Transfer to right-of-use assets		-	(74,258,506)		
Net book value at the end of the period/year		1,158,751,489	1,182,226,776		
11 RIGHT-OF-USE ASSETS					
Net book value at the beginning of the period/year		74,258,506	-		
Depreciation for the period/year		(1,856,463)	-		
Transfer from property, plant and equipment		-	74,258,506		
Net book value at the end of the period/year		72,402,043	74,258,506		
		Six month ended	Three month ended		
	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
11 SALES - NET					
Yarn		1,571,644,551	1,490,569,372	915,581,100	848,049,594
Waste		29,052,183	26,402,246	20,524,179	16,407,934
		1,600,696,734	1,516,971,618	936,105,279	864,457,528
12 COST OF GOODS SOLD					
Raw material consumed		1,210,678,736	1,100,772,633	636,312,823	548,247,075
Stores, spares and loose tools consumed		54,808,984	44,504,467	25,861,081	23,025,696
Salaries, wages and benefits		160,135,695	153,981,825	79,295,120	77,227,201
Insurance		2,122,992	1,816,664	1,094,454	915,936
Repair and maintenance		12,778,405	11,493,385	6,650,084	7,416,470
Depreciation		28,587,331	29,594,422	14,301,097	14,815,060
Other manufacturing overheads		247,184,551	200,970,909	130,500,926	113,701,954
Manufacturing cost		1,716,296,694	1,543,134,305	894,015,585	785,349,392
Work in process					
as at beginning of the period		41,852,207	37,522,780	41,730,796	45,268,470
as at end of the period		(48,293,266)	(43,095,988)	(48,293,266)	(43,095,988)
		(6,441,059)	(5,573,208)	(6,562,470)	2,172,482
Cost of goods manufactured		1,709,855,635	1,537,561,097	887,453,115	787,521,874
Finished goods					
as at beginning of the period		75,281,067	150,869,988	273,360,559	306,734,904
as at end of the period		(273,298,278)	(262,443,462)	(273,298,278)	(262,443,462)
		(198,017,211)	(111,573,474)	62,281	44,291,442
		1,511,838,424	1,425,987,623	887,515,396	831,813,316

Notes to the Condensed Interim Financial Statements (Un-audited) for the six month period ended December 31, 2019

	Note	Six month ended		Three month ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
13 TAXATION					
Provision for taxation					
Current taxation	13.1	20,008,708	18,962,145	11,701,315	10,805,719
Deferred taxation	13.2	-	-	-	-
		20,008,708	18,962,145	11,701,315	10,805,719

13.1 Provision for current tax has been made in accordance with the requirements of section 113 and section 154 of the Income Tax Ordinance, 2001.

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

14 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. The details of Company's related parties, with whom the Company had transactions during the period or has balances outstanding as at the reporting date are as follows:

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
Amber Haroon Saigol	Close family member of director	Spouse of director	13.81%

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..

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

		Six month ended	
		December 31, 2019	December 31, 2018
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
14.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	2,815,000	2,310,000
	Post employment benefits	930,000	358,050
Associated company	Generator rent	6,000,000	6,000,000

Notes to the Condensed Interim Financial Statements (Un-audited)
for the six month period ended December 31, 2019

		December 31, 2019	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)
14.2 Balances with related parties			
Nature of relationship	Nature of balance		
Directors and their family members	Long term loans	265,884,966	265,884,966
	Short term borrowings	102,000,000	102,000,000
Key management personnel	Short-term employee benefits payable	770,000	770,000
	Post employment benefits payable	7,700,000	7,700,000
Associated company	Generator rent payable	3,499,459	2,846,134

15 FINANCIAL INSTRUMENTS

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

		December 31, 2019	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)
15.1 Financial assets			
<i>Cash in hand</i>		1,058,572	467,049
<i>Financial assets at amortized cost</i>			
Long term deposits		27,738,781	27,738,781
Advances to employees		6,409,829	7,404,216
Trade receivables		85,108,221	149,098,303
Security deposits		13,408,371	-
Bank balances		142,439,300	156,571,149
		276,163,074	341,279,498

15.2 Financial liabilities

Financial liabilities at amortized cost

Loan from directors and family members	265,884,966	265,884,966
Long term finances	207,393,186	228,132,505
Liabilities against assets subject to finance lease	58,970,659	21,791,313
Long term deposits	6,010,000	6,010,000
Short term borrowings	547,086,682	517,422,358
Accrued interest/mark-up	25,462,011	24,716,864
Trade creditors	131,227,007	97,961,221
Accrued liabilities	149,312,254	125,634,303
Bills payable	-	24,918,955
Unclaimed dividend	485,351	485,351
	1,391,832,116	1,312,957,836

16 FAIR VALUE MEASUREMENTS

The Company measures some of its financial assets 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).

Notes to the Condensed Interim Financial Statements (Un-audited) for the six month period ended December 31, 2019

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:

16.1 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.

16.2 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.

16.3 Assets and liabilities other than financial instruments.

16.3.1 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, 2019	June 30, 2019
				<i>Rupees</i>	<i>Rupees</i>
				<i>(Un-Audited)</i>	<i>(Audited)</i>
Freehold land	-	99,418,125	-	99,418,125	99,418,125
Buildings	-	150,108,947	-	150,108,947	150,108,947
Plant and machinery	-	920,954,489	-	920,954,489	991,587,222

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, 2019: 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. 7.32 million (June 30, 2019: Rs. 7.51 million).
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. 44.81 million (June 30, 2019: Rs. 49.58 million).

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

***Notes to the Condensed Interim Financial Statements (Un-audited)
for the six month period ended December 31, 2019***

16.3.2 Non-recurring fair value measurements

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

17 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.

18 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.

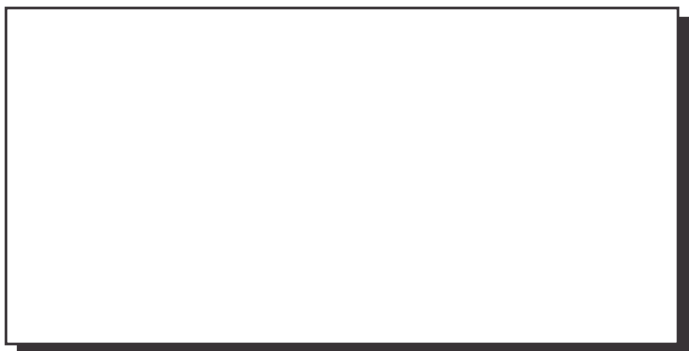
19 GENERAL

19.1 There are no other significant activities since June 30, 2019 affecting the interim financial statements.

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

19.3 Figures have been rounded off to the nearest Rupee.

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