

# **SARITOW SPINNING MILLS LIMITED**

**3<sup>RD</sup> QUARTER REPORT**

**31-03-2020**

**(Un-audited)**

## 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	
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. M. Zeid Yousuf Saigol	Chairman/Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Athar Rafiq	Member
Mr. Muhammad Omer Farooq	Member

## COMPANY SECRETARY

Mr. Anees-ur-Rehman

## CHIEF FINANCIAL OFFICER

Mr. Muhammad Shamil, FCA

## AUDITORS

Rahman Sarfaraz 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  
Email: azamsaritow@saigols.com

## **DIRECTORS' REPORT**

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the third quarter of the year 2019-20 ended on March 31, 2020 along with director report thereon.

### **Financial High Lights**

	<b><u>Quarter Ending March 31, 2020 Rs. in Million</u></b>	<b><u>Quarter Ending March 31, 2019 Rs. in Million</u></b>
Net Sales	2,415.222	2,436.461
Gross Profit	126.880	160.913
Profit before Tax	3.200	52.251
Profit / ( Loss ) after Tax	(26.989)	21.795
Gross Profit Ratio to Sales	5.25%	6.60%

### **Operating Financial Results**

During the quarter under review, in spite of tough market conditions your Company had performed reasonably well. Our company was able to achieve net turnover of Rs. 2,415.222 million as compared to Rs. 2,436.461 million during the corresponding period last year. Turnover of the company is bit lower as compared to same period last year due to closure of mills during the later part of March 2020 due to spread of Corona Virus resultantly reducing gross margin of the company.

### **Future Outlook**

Domestic production of raw cotton is far less than local mills demand. Mills were forced to import expensive cotton from international market, further levy of custom duty on imported cotton made it more expensive.

Geo political and over all environment of the whole world including our own region is badly affected due to spread of Corona Virus Pandemic. Trade activities are completely stopped at the moment. Outbreak of Corona virus in China which is our major trade partner has affected the export business activities which put pressure on local market as well. We hope that Federal Government will address the problems faced by Textile industry badly affected by Corona Virus impact. Hopefully the trade activities will be restored soon and we will work harder to set off the losses incurred during shut down period.

### **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

Lahore  
April 30, 2020

  
**SAMIR IQBAL SAIGOL**  
Chief Executive

## ڈائریکٹرز رپورٹ

سارٹو سپننگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کی تیسری سہ ماہی کے مالیاتی نتائج بمعہ ڈائریکٹرز کی رپورٹ پیش کرتے ہیں جو کہ 31 مارچ، 2020 کو مکمل ہو رہے ہیں

## آپریشنل نتائج

زیر جائزہ سہ ماہی کے دوران سخت مارکیٹ کے حالات کے باوجود آپ کی کمپنی نے مناسب کارکردگی کا مظاہرہ کیا ہے۔ کمپنی کی کل فروخت زیر نظر مدت کے دوران 2,415.22 ملین رہی جو کہ پچھلے سال اسی مدت کے دوران 2,436.46 ملین روپے تھی۔ گزشتہ سال اسی مدت کے مقابلے میں کمپنی کی کل فروخت کچھ کم رہی کیونکہ مارچ 2020 کے آخری حصے کے دوران کرونا وائرس کے پھیلاؤ کی وجہ سے ملوں کی بندش کے نتیجے میں کمپنی کا مجموعی مارجن کم ہوا۔

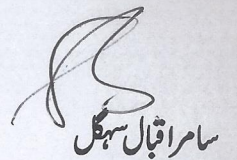
## مستقبل کا نقطہ نظر

خام کپاس کی ملکی پیداوار مقامی ملوں کی مانگ سے کہیں کم ہے۔ ملیں بین الاقوامی مارکیٹ سے مہنگا روئی درآمد کرنے پر مجبور ہو گئیں، درآمد شدہ روئی پر کسٹم ڈیوٹی عائد کرنے سے اس کی قیمت اور زیادہ ہو گئی۔

جیوساسی اور ہمارے اپنے خطے سمیت پوری دنیا کا تمام ماحول کرونا وائرس وبائی امراض کے پھیلاؤ کی وجہ سے بُری طرح متاثر ہے۔ اس وقت تجارتی سرگرمیاں مکمل طور پر بند کر دی گئیں ہیں۔ چین میں کرونا وائرس کے پھیلنے سے جو ہمارے بڑے تجارتی شراکت دار ہیں نے برآمدی کاروباری سرگرمیوں کو متاثر کیا ہے۔ جس نے مقامی مارکیٹ پر بھی دباؤ ڈالا ہے۔ ہم اُمید کرتے ہیں کہ وفاقی حکومت کرونا وائرس کے اثر سے بُری طرح متاثر ٹیکسٹائل کی صنعت کو درپیش مسائل کو حل کرے گی۔ اُمید ہے کہ تجارتی سرگرمیاں جلد بحال ہو جائیں گی اور ہم شٹ ڈاؤن مدت کے دوران ہونے والے نقصانات کو دور کرنے کے لئے مزید محنت کریں گے۔

ہم شراکت داروں کی حمایت کے لئے ان کا شکریہ ادا کرنا چاہتے ہیں۔ ہمیں کمپنی کے ملازمین کی جانب سے پیش کی گئی خدمات کی تعریف کو ریکارڈ کرتے ہوئے خوشی ہے اور اُمید ہے کہ عقیدت کا وہی جذبہ آئندہ بھی جاری رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
سامرا اقبال سہیل

چیف ایگزیکٹو

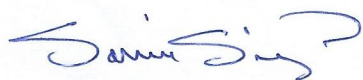
لاہور: 30 اپریل، 2020

# SARITOW SPINNING MILLS LIMITED

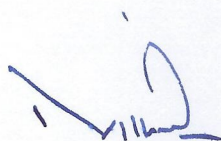
## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

	Note	March 31, 2020 Rupees (Un-Audited)	June 30, 2019 Rupees (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<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		58,223,304	58,691,100
Accumulated profit		238,012,675	264,534,174
<b>TOTAL EQUITY</b>		<b>594,642,049</b>	<b>621,631,344</b>
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors and family members	7	265,884,966	265,884,966
Long term finances - Secured	8	155,544,890	186,653,868
Lease liabilities		6,348,042	11,893,981
Long term deposits		6,010,000	6,010,000
Employees retirement benefits		78,676,410	75,196,686
Deferred taxation		144,057,792	144,057,792
		<b>656,522,100</b>	<b>689,697,293</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		443,202,197	372,040,231
Unclaimed dividend		485,351	485,351
Short term borrowings		534,167,638	517,422,358
Accrued interest/markup		25,042,078	24,716,864
Current portion of non-current liabilities		51,295,099	51,375,969
		<b>1,054,192,363</b>	<b>966,040,773</b>
<b>TOTAL LIABILITIES</b>		<b>1,710,714,463</b>	<b>1,655,738,066</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9	<b>2,305,356,512</b>	<b>2,277,369,410</b>

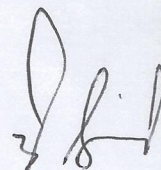
The annexed notes 1 to 18 form an integral part of these interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER




DIRECTOR

# SARITOW SPINNING MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

	Note	March 31, 2020 Rupees (Un-Audited)	June 30, 2019 Rupees (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,146,064,811	1,182,226,776
Right-of-use assets	11	71,473,809	74,258,506
Long term deposits		27,738,781	27,738,781
Long term investment		-	18,918,490
		1,245,277,401	1,303,142,553
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		20,081,815	23,077,455
Stock in trade		749,747,627	565,435,167
Trade receivables		56,128,792	149,098,303
Advances, prepayments and other receivables		86,485,931	54,494,062
Current taxation		8,281,112	25,083,672
Cash and bank balances		139,353,834	157,038,198
		1,060,079,111	974,226,857
<b>TOTAL ASSETS</b>		<b>2,305,356,512</b>	<b>2,277,369,410</b>

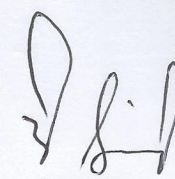
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CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

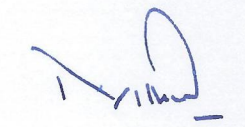
# SARITOW SPINNING MILLS LIMITED

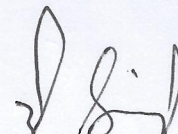
## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Note	Nine months ended		Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		Rupees	Rupees	Rupees	Rupees
Sales - net	12	2,415,222,292	2,436,461,126	814,525,558	919,489,508
Cost of sales	13	(2,288,342,684)	(2,275,548,216)	(776,504,260)	(849,560,593)
Gross profit		126,879,608	160,912,910	38,021,298	69,928,915
Selling and distribution expenses		(6,867,495)	(5,747,149)	(1,462,305)	(2,311,455)
Administrative and general expenses		(38,276,992)	(36,475,522)	(10,749,051)	(12,103,282)
		(45,144,487)	(42,222,671)	(12,211,356)	(14,414,737)
Operating profit		81,735,121	118,690,239	25,809,942	55,514,178
Finance cost		(78,534,138)	(66,439,623)	(28,194,158)	(23,734,958)
Profit/(loss) before taxation		3,200,983	52,250,616	(2,384,216)	31,779,220
Provision for taxation	14	(30,190,278)	(30,455,763)	(10,181,570)	(11,493,618)
Profit/(loss) after taxation		(26,989,295)	21,794,853	(12,565,786)	20,285,602
Earning/(loss) per share - basic and diluted		(0.90)	0.73	(0.42)	0.68

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CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

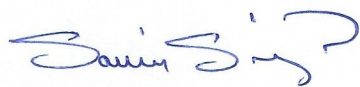
  
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

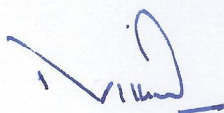
## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Nine months ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Profit/(loss) after taxation	(26,989,295)	21,794,853	(12,565,786)	20,285,602
Total comprehensive income/(loss)	<u>(26,989,295)</u>	<u>21,794,853</u>	<u>(12,565,786)</u>	<u>20,285,602</u>

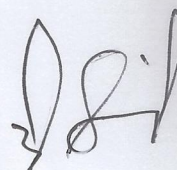
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CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



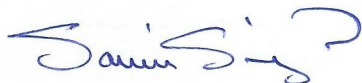
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

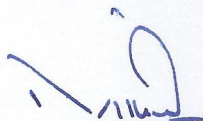
## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	March 31, 2020	March 31, 2019
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,200,983	52,250,616
Adjustments for non-cash items		
Depreciation	45,131,087	46,957,876
Provision for employees retirement benefits	-	16,243,389
Interest/markup on borrowings	78,534,138	66,439,623
	123,665,225	129,640,888
Operating profit before changes in working capital	126,866,208	181,891,504
Changes in working capital		
Stores, spares and loose tools	2,995,640	(714,163)
Stock in trade	(184,312,460)	(334,702,521)
Trade debts	92,969,511	5,719,969
Advances, prepayments and other receivables	(31,991,869)	22,856,420
Trade and other payables	71,161,966	74,248,825
	(49,177,212)	(232,591,470)
Net cash generated from/(used in) from operations	77,688,996	(50,699,966)
Payments for:		
Interest/markup on borrowings	(78,208,924)	(58,439,121)
Income tax	(13,387,718)	(6,975,610)
Employees retirement benefits	3,479,724	(16,410,727)
Net cash generated from/(used in) operating activities	(10,427,922)	(132,525,424)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,208,314)	(9,301,062)
Long term deposits refunded	-	185,725
Proceeds from disposal of long term investments	18,918,490	-
Proceeds from disposal of property, plant and equipment	23,889	502,836
Net cash used in investing activities	12,734,065	(8,612,501)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(36,735,787)	(37,508,903)
Increase in long term deposits	-	-
Net increase in short term borrowings	16,745,280	238,764,631
Net cash (used in)/generated from financing activities	(19,990,507)	201,255,728
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(17,684,364)	60,117,803
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	139,353,834	113,556,702

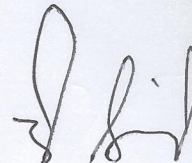
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CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



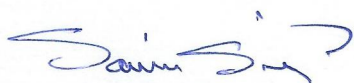
DIRECTOR

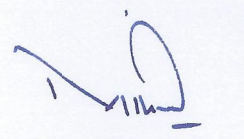
# SARITOW SPINNING MILLS LIMITED

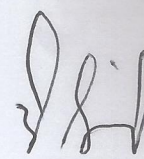
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	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
<b>Comprehensive loss</b>				
Profit after taxation	-	-	21,794,853	21,794,853
Other comprehensive loss	-	-	-	-
<b>Total comprehensive loss</b>	-	-	21,794,853	21,794,853
<b>Incremental depreciation</b>	-	(519,831)	519,831	-
<b>Transaction with owners</b>	-	-	-	-
<b>Balance as at March 31, 2019</b>	<u>298,406,070</u>	<u>59,156,475</u>	<u>235,495,497</u>	<u>593,058,042</u>
Balance as at April 01, 2019	298,406,070	59,156,475	235,495,497	593,058,042
<b>Comprehensive income</b>				
Profit after taxation	-	-	30,705,756	30,705,756
Other comprehensive loss	-	-	(2,132,454)	(2,132,454)
<b>Total comprehensive income</b>	-	-	28,573,302	28,573,302
<b>Incremental depreciation</b>	-	(465,375)	465,375	-
<b>Transaction with owners</b>	-	-	-	-
<b>Balance as at June 30, 2019</b>	<u>298,406,070</u>	<u>58,691,100</u>	<u>264,534,174</u>	<u>621,631,344</u>
Balance as at July 01, 2019	298,406,070	58,691,100	264,534,174	621,631,344
<b>Comprehensive income</b>				
Profit after taxation	-	-	(26,989,295)	(26,989,295)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	(26,989,295)	(26,989,295)
<b>Incremental depreciation</b>	-	(467,796)	467,796	-
<b>Transaction with owners</b>	-	-	-	-
<b>Balance as at March 31, 2020</b>	<u>298,406,070</u>	<u>58,223,304</u>	<u>238,012,675</u>	<u>594,642,049</u>

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

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

### 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 nine months period ended March 31, 2019 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 March 31, 2020 and March 31, 2019 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 April 30, 2020.

### 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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

### 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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2020

### 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 - 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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2020

### 8 LONG TERM FINANCES - SECURED

	Note	March 31, 2020	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	8.1	197,023,527	228,132,505
Current maturity presented under current liabilities		(41,478,637)	(41,478,637)
		<u>155,544,890</u>	<u>186,653,868</u>

- 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, 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.

### 9 CONTINGENCIES AND COMMITMENTS

#### 9.1 Contingencies

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

#### 9.2 Commitments

	Note	March 31, 2020	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)
9.2.1 Commitments under irrevocable letters of credit for import of:			
Purchase of raw material		381,050,800	129,070,673
Purchase of stores, spare and loose tools		22,007,074	6,332,287
		<u>403,057,874</u>	<u>135,402,960</u>

#### 9.2.2 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:

	Note	March 31, 2020	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)
- payments not later than one year		4,295,618	2,064,652
- payments later than one year		-	-
		<u>4,295,618</u>	<u>2,064,652</u>

### 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	3,254,180	46,327,772
Vehicles	2,954,134	143,105
	6,208,314	46,913,690
Net book value of assets disposed during the period/year	(23,889)	(502,836)
Depreciation for the period/year	(42,346,390)	(62,768,084)
Transfer to right-of-use assets	-	(74,258,506)
Net book value at the end of the period/year	<u>1,146,064,811</u>	<u>1,182,226,776</u>

### 11 RIGHT-OF-USE ASSETS

Net book value at the beginning of the period/year	74,258,506	-
Depreciation for the period/year	(2,784,697)	-
Transfer from property, plant and equipment	-	74,258,506
Net book value at the end of the period/year	<u>71,473,809</u>	<u>74,258,506</u>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

Note	Nine months ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees	Rupees	Rupees
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
<b>12 SALES - NET</b>				
Yarn	2,358,106,800	2,398,017,697	786,462,249	907,448,325
Waste	57,115,492	38,443,429	28,063,309	12,041,183
	<u>2,415,222,292</u>	<u>2,436,461,126</u>	<u>814,525,558</u>	<u>919,489,508</u>
Note	Nine months ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees	Rupees	Rupees
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
<b>13 COST OF GOODS SOLD</b>				
Raw material consumed	1,709,862,015	1,602,125,606	499,183,279	501,352,973
Stores, spares and loose tools consumed	77,174,395	71,254,337	22,365,411	26,749,870
Salaries, wages and benefits	247,003,478	232,067,000	86,867,783	78,085,175
Insurance	3,236,244	2,760,232	1,113,252	943,568
Repair and maintenance	20,184,049	17,490,649	7,405,644	5,997,264
Depreciation	45,131,085	44,429,665	16,543,754	14,835,243
Other manufacturing overheads	381,780,864	303,673,359	134,596,313	102,702,450
	<u>2,484,372,130</u>	<u>2,273,800,848</u>	<u>768,075,436</u>	<u>730,666,543</u>
Work in process				
as at beginning of the period	41,852,207	37,522,780	48,293,266	43,095,988
as at end of the period	(50,190,166)	(45,562,962)	(50,190,166)	(45,562,962)
	<u>(8,337,959)</u>	<u>(8,040,182)</u>	<u>(1,896,900)</u>	<u>(2,466,974)</u>
Cost of goods manufactured	<u>2,476,034,171</u>	<u>2,265,760,666</u>	<u>766,178,536</u>	<u>728,199,569</u>
Finished goods				
as at beginning of the period	75,281,067	150,869,988	273,298,278	262,443,462
as at end of the period	(262,972,554)	(141,082,438)	(262,972,554)	(141,082,438)
	<u>(187,691,487)</u>	<u>9,787,550</u>	<u>10,325,724</u>	<u>121,361,024</u>
	<u>2,288,342,684</u>	<u>2,275,548,216</u>	<u>776,504,260</u>	<u>849,560,593</u>
<b>14 TAXATION</b>				
Provision for taxation				
Current taxation	14.1 (30,190,278)	(30,455,763)	(10,181,570)	(11,493,618)
Deferred taxation	14.2 -	-	-	-
	<u>(30,190,278)</u>	<u>(30,455,763)</u>	<u>(10,181,570)</u>	<u>(11,493,618)</u>

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

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

### 15 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

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%
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:

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

		Nine months ended	
		March 31, 2020	March 31, 2019
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
<b>15.1 Transactions with related parties</b>			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	4,210,000	3,465,000
	Post employment benefits	465,000	358,050
Associated company	Generator rent	9,000,000	9,000,000
		March 31, 2020	June 30, 2019
		Rupees	Rupees
		(Un-Audited)	(Audited)

### 15.2 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	4,232,537	3,741,973

### 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

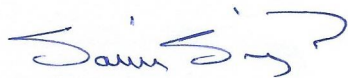
As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these interim financial statements.

### 18 GENERAL

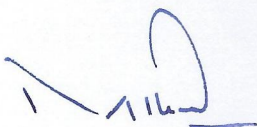
18.1 There are no other significant activities since June 30, 2019 affecting the interim financial statements.

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

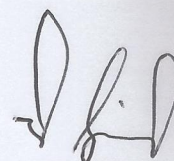
18.3 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR