

SARITOW SPINNING MILLS LIMITED

HALF YEAR REPORT

31-12-2020

(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. Jamal Nasim	NIT Nominee
Syed Raza Abbas Jaffari	NIT Nominee

AUDIT COMMITTEE

Syed Raza Abbas Jaffari	Chairman/Member
Mr. M. Zeid Yousuf Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mr. Jamal Nasim	Member

HR & REMUNERATION COMMITTEE

Syed Raza Abbas Jaffari	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 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



ISO 9001:2008 Certified

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 half year ended December 31, 2020 along with director report thereon.

Financial Highlights

	Half Year Ending December 31, 2020 <u>Rs. in Million</u>	Half Year Ending December 31, 2019 <u>Rs. in Million</u>
Net Sales	1,757.967	1,600.696
Gross Profit	152.056	88.858
Profit before Tax	84.941	5.585
Profit / (loss) after Tax	58.572	(14.424)
Gross Profit Ratio	8.65%	5.55%
Net Profit Ratio	3.33%	(0.90%)

Operating Financial Results

During the period under review Alhamdulillah, your Company had performed quite well as compared to same period last year. Your Company recorded net sales of Rs. 1,757.967 million as compared to Rs. 1,600.696 million during the same period last year. Net profit after tax jumped to Rs. 58.572 million against net loss after tax of Rs. (14.424) million in corresponding period. Increase in net profit of the company can be attributed to increased sales which were supported by running appropriate yarn counts at right time.

The year under review is very tough for the raw materials. Local cotton crop is expected to fetch only 5.500 million bales, which shows continuous reduction in local crop increasing reliance on expensive import option. As the price of cotton goes up all over the Globe the price of manmade fibers also shows huge increase in price as compared to last year. In spite of all these factors combine our Company was able to perform well due to timely procurement of Raw Materials.

Future Outlook

The textile industry has been informed by the concerned authorities that supply of natural gas will be discontinued from 15th of March 2021 and the entire industry will be shifted to Electricity Supply from disco's. In this happen our electricity cost will be increased by almost Rs.4 per KWH. This increase will have huge financial impact in days to come. Further Electricity Supply from disco's is quite unreliable and fluctuation in Grid supply cause considerable production loss.

At the moment Yarn Market is very responsive and if the scenario remains the same we expect to close the year at very good note.



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COMPOSITION OF BOARD

Composition of the Board of Directors is as under.

TOTAL NUMBER OF DIRECTORS	
Male	7
Female	NONE
COMPOSITION	
Independent Directors	Syed Raza Abbas Jaffari
	Mr. Jamal Nasim
Non-Executive Directors	Mr. M. Naseem Saigol
	Mr. Muhammad Zeid Yousuf Saigol
	Mr. Muhammad Murad Saigol
	Mr. Muhammad Omer Farooq
Executive Director	Mr. Samir Iqbal Saigol

COMMITTEE'S

Detail of Committee's of Board is as under.

AUDIT COMMITTEE

Syed Raza Abbas Jaffari	Chairman/Member
Mr. Muhammad Zeid Yousuf Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mr. Jamal Nasim	Member

HR & REMUNERATION COMMITTEE

Syed Raza Abbas Jaffari	Chairman/Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Zeid Yousuf Saigol	Member
Mr. Muhammad Omer Farooq	Member

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

Chief Executive

Lahore

February 26, 2021



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ڈائریکٹرز رپورٹ

سارٹو سپننگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے آدھے سال کے مالیاتی نتائج پیش کرتے ہیں جو کہ 31 دسمبر، 2020 کو مکمل ہو رہے ہیں

آپریٹنگ نتائج

الحمد للہ زیر نظر مدت کے دوران آپ کی کمپنی نے گزشتہ سال کی اسی مدت کے مقابلے میں کافی بہتر کارکردگی کا مظاہرہ کیا تھا۔ آپ کی کمپنی نے گزشتہ سال کی اسی مدت کے دوران 1,600.696 ملین روپے کے مقابلے میں 1,757.967 ملین روپے کی خالص فروخت ریکارڈ کی ہے۔ ٹیکس کے بعد خالص منافع اسی مدت میں 58.572 ملین روپے رہا جو کہ پچھلے سال اسی مدت میں (14.424) ملین روپے کا نقصان تھا۔ کمپنی کے خالص منافع میں اضافے کی وجہ فروخت میں اضافہ کیا جاسکتا ہے جو مناسب وقت پر سوت کی مناسب تعداد کو چلانے کے ذریعے حاصل ہوئی ہے۔ زیر جائزہ سال ختم ہونے کے لئے بہت مشکل ہے۔ مقامی کپاس کی فصل میں صرف 5.500 ملین گانٹھوں کی ہی توقع ہے۔ جو کہ مقامی فصلوں میں متواتر کمی دکھاتی ہے جس سے ہسٹک درآمد کے متبادل پر انحصار بڑھتا ہے۔ چونکہ پوری دنیا میں روٹی کی قیمت بڑھ رہی ہے۔ مصنوعی ریشوں کی قیمت میں بھی پچھلے سال کے مقابلے میں قیمت میں زبردست اضافہ دیکھا گیا ہے۔ ان تمام عوامل کے باوجود ہماری کمپنی ختم مال کی بروقت خریداری کی وجہ سے اچھی کارکردگی کا مظاہرہ کرنے میں کامیاب رہی۔

مستقبل کا نقطہ نظر

ٹیکسٹائل انڈسٹری کو متعلقہ حکام نے مطلع کیا ہے کہ قدرتی گیس کی فراہمی 15 مارچ 2021 سے بند کر دی جائے گی اور پوری صنعت کو ڈسکو سے بجلی کی فراہمی میں منتقل کر دیا جائے گا۔ اس طرح ہماری بجلی کی لاگت میں فی کلو واٹ میں تقریباً 4 روپے اضافہ ہو جائے گا۔ آنے والے دنوں میں اس اضافے کا بہت بڑا مالی اثر پڑے گا۔ مزید برآں ڈسکو سے بجلی کی فراہمی کافی حد تک ناقابل اعتماد ہے اور گرڈ سپلائی میں اتار چڑھاؤ کافی پیداواری نقصان کا سبب بنتا ہے۔ اس وقت سوت مارکیٹ بہت ہی ساڑگار ہے اور اگر منظر نامہ ایک ہی رہا تو ہم توقع کرتے ہیں کہ سال بہت اچھے نوٹ پر بند ہو جائے گا۔

بورڈ کی ساخت

بورڈ آف ڈائریکٹرز کی ساخت درج ذیل ہے۔

کل ڈائریکٹرز کی تعداد	
مرد	7
عورت	کوئی نہیں
ساخت	
آزاد ڈائریکٹرز	سید رضا عباس جعفری
	جناب جمال نسیم
نان ایگزیکٹو ڈائریکٹرز	جناب محمد نسیم سہگل
	جناب محمد زید یوسف سہگل
	جناب محمد مراد سہگل
	جناب محمد عمر فاروق
ایگزیکٹو ڈائریکٹر	جناب سامرا اقبال سہگل

کمیشن

بورڈ کی کمیٹیوں کی تفصیل درج ذیل ہے۔

آؤٹ کمیٹی

سید رضا عباس جعفری	چیئر مین / ممبر
جناب محمد زید یوسف سہگل	ممبر
جناب محمد عمر فاروق	ممبر
جناب جمال نسیم	ممبر

ایچ آر اینڈ ایمینسٹریشن کمیٹی

سید رضا عباس جعفری	چیئر مین / ممبر
جناب سامرا اقبال سہگل	ممبر
جناب محمد زید یوسف سہگل	ممبر
جناب محمد عمر فاروق	ممبر

ہم تمام حصہ داران کے بھرپور تعاون کے تہدیل سے مشکور ہیں۔ ہم یہ اعلان کرتے ہوئے خوشی محسوس کرتے ہیں کہ کمپنی اپنے ملازمین کو سراہتے ہوئے یہ امید کرتی ہے کہ وہ اسی انداز میں آئندہ بھی اپنے فرائض سرانجام دیتے رہیں گے۔

لاہور

26 فروری، 2021

منجانب ویرائے بورڈ
چیف ایگزیکٹو

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, 2020 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, 2020 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 26, 2021
Place: LAHORE



SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	December 31, 2020	June 30, 2020
		Rupees (Un-Audited)	Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
35,000,000 (June 30, 2020: 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		57,128,992	57,755,154
Accumulated profit		263,787,123	204,588,957
TOTAL EQUITY		619,322,185	560,750,181
NON-CURRENT LIABILITIES			
Loan from directors and family members	6	265,884,966	265,884,966
Long term finances	7	120,586,598	237,430,692
Long term deposits		6,010,000	6,010,000
Employees retirement benefits		86,551,473	84,313,128
Gas infrastructure development cess		10,380,633	-
Deferred taxation		118,631,945	118,631,945
Deferred grant	8	1,429,943	2,978,614
		609,475,558	715,249,345
CURRENT LIABILITIES			
Trade and other payables		389,331,320	408,177,418
Unclaimed dividend		485,351	485,351
Short term borrowings		609,120,923	675,711,452
Accrued interest		14,093,337	18,889,075
Current taxation		15,640,346	-
Current portion of non-current liabilities	9	101,542,879	49,973,521
		1,130,214,156	1,153,236,817
TOTAL LIABILITIES		1,739,689,714	1,868,486,162
CONTINGENCIES AND COMMITMENTS			
	10		
		2,359,011,899	2,429,236,343

The annexed notes 1 to 21 form an integral part of these interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

For identification only

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	December 31, 2020	June 30, 2020
		Rupees (Un-Audited)	Rupees (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,122,341,929	1,143,274,680
Right-of-use assets	12	68,781,942	70,545,580
Long term deposits		26,085,661	26,085,661
		1,217,209,532	1,239,905,921
CURRENT ASSETS			
Stores, spares and loose tools		23,884,502	21,828,549
Stock in trade		846,212,734	855,709,830
Trade receivables		18,927,406	35,405,841
Advances, prepayments and other receivables		208,195,454	213,195,032
Current taxation		-	40,295
Cash and bank balances		44,582,271	63,150,875
		1,141,802,367	1,189,330,422
TOTAL ASSETS		2,359,011,899	2,429,236,343

The annexed notes 1 to 21 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

RSFC
for identification only

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Six month ended		Three month ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rupees	Rupees	Rupees	Rupees
Sales - net	13	1,757,966,983	1,600,696,734	881,785,370	936,105,279
Cost of sales	14	(1,605,911,350)	(1,511,838,424)	(787,304,089)	(887,515,396)
Gross profit		152,055,633	88,858,310	94,481,281	48,589,883
Selling and distribution expenses		(2,623,674)	(5,405,190)	(1,194,008)	(3,893,931)
Administrative and general expenses		(27,404,884)	(27,527,941)	(13,652,570)	(13,726,896)
		(30,028,558)	(32,933,131)	(14,846,578)	(17,620,827)
Other income		2,052,234		2,052,234	
Operating profit		124,079,309	55,925,179	81,686,937	30,969,056
Finance cost		(39,137,801)	(50,339,980)	(18,621,981)	(25,782,057)
Profit before taxation		84,941,508	5,585,199	63,064,956	5,186,999
Provision for taxation	15	(26,369,504)	(20,008,708)	(13,226,781)	(11,701,315)
Profit/(loss) after taxation		58,572,004	(14,423,509)	49,838,175	(6,514,316)
Earnings/(loss) per share - basic and diluted		1.96	(0.48)	1.67	(0.22)

The annexed notes 1 to 21 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Six month ended		Three month ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Profit/(loss) after taxation	58,572,004	(14,423,509)	49,838,175	(6,514,316)
Total comprehensive income/(loss)	58,572,004	(14,423,509)	49,838,175	(6,514,316)

The annexed notes 1 to 21 form an integral part of these interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

for identification only

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	December 31, 2020	December 31, 2019
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	84,941,508	5,585,199
Adjustments for non-cash items		
Depreciation	29,099,713	29,986,564
Provision for employees retirement benefits	12,746,830	13,542,534
Loss on disposal of fixed assets	356,188	-
Interest on borrowings	39,137,801	50,339,982
	81,340,532	93,869,080
Operating profit before changes in working capital	166,282,040	99,454,279
Changes in working capital		
Stores, spares and loose tools	(2,055,953)	(1,263,231)
Stock in trade	9,497,096	(216,282,299)
Trade debts	16,478,435	63,990,082
Advances, prepayments and other receivables	4,999,578	27,108,373
Trade and other payables	9,692,275	63,469,585
	38,611,431	(62,977,490)
Net cash generated from from operations	204,893,471	36,476,789
Payments for:		
Interest on borrowings	(43,933,539)	(49,594,835)
Income tax	(10,688,863)	(7,663,785)
Employees retirement benefits	(10,508,485)	(11,647,885)
Net cash generated from/(used in) operating activities	139,762,584	(32,429,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,963,567)	(4,654,814)
Proceeds from disposal of long term investments	-	18,918,490
Long term deposits refunded	-	-
Proceeds from disposal of property, plant and equipment	204,055	-
Net cash (used in)/generated from investing activities	(6,759,512)	14,263,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(80,000,000)	(25,038,610)
Repayment of lease liability	(4,981,147)	-
Net decrease in short term borrowings	(66,590,529)	29,664,324
Net cash (used in)/generated from financing activities	(151,571,676)	4,625,714
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(18,568,604)	(13,540,326)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	63,150,875	157,038,198
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	44,582,271	143,497,872

The annexed notes 1 to 21 form an integral part of these interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

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for identification only

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 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, 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
Balance as at January 01, 2020	298,406,070	58,379,236	250,422,529	607,207,835
Comprehensive income				
Loss after taxation	-	-	(43,780,852)	(43,780,852)
Other comprehensive loss	-	-	(2,676,802)	(2,676,802)
Total comprehensive loss	-	-	(46,457,654)	(46,457,654)
Incremental depreciation	-	(624,082)	624,082	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2020	298,406,070	57,755,154	204,588,957	560,750,181
Balance as at July 01, 2020	298,406,070	57,755,154	204,588,957	560,750,181
Comprehensive income				
Profit after taxation	-	-	58,572,004	58,572,004
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	58,572,004	58,572,004
Incremental depreciation	-	(626,162)	626,162	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2020	298,406,070	57,128,992	263,787,123	619,322,185

The annexed notes 1 to 21 form an integral part of these interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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for identification only

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 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

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 judgments, 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 judgments 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, 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 interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2021.

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

The following new and revised standards, interpretations and amendments are effective in the current year 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, except as stated otherwise.

3.1 Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

3.2 Definition of a Business (Amendments to IFRS 3 - Business Combinations)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

3.3 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)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

3.4 Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3.5 Covid-19 - Related Rent Concessions (Amendment to IFRS 16 - Leases)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts (2017)	January 01, 2023
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
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards).	January 01, 2023
Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations).	January 01, 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment).	January 01, 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets).	January 01, 2022
Annual Improvements to IFRS Standards 2018–2020.	January 01, 2022
Amendments to IFRS 17	January 01, 2023
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures, IFRS 4 - Insurance Contracts, IFRS 16 - Leases).	January 01, 2021

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

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

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

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

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual audited financial statements of the Company for the year ended June 30, 2020.

6 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. 13.52 million (June 30, 2020: Rs. 26.18 million) was waived by the lenders at their sole discretion.

	Note	December 31, 2020	June 30, 2020
		Rupees	Rupees
		(Un-Audited)	(Audited)
7 LONG TERM FINANCES			
From Banking companies			
As at beginning of the period/year		269,287,154	228,132,505
Obtained during the period/year		-	79,997,748
Accretion during the period/year		2,408,422	-
Repayments made during the period/year		(80,000,000)	(31,108,977)
Deferred grant recognised during the period/year		-	(7,734,122)
As at end of the period/year		191,695,576	269,287,154
Current maturity presented under current liabilities		(71,108,978)	(31,856,462)
		120,586,598	237,430,692

8 DEFERRED GRANT

As at beginning of the period/year	7,734,122	-
Recognized during the period/year	-	7,734,122
Amortized during the period/year	(2,408,422)	-
As at end of the period/year	5,325,700	7,734,122
Current maturity presented under current liabilities	(3,895,757)	(4,755,508)
	1,429,943	2,978,614

9 CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long term finances	7	71,108,978	31,856,462
Lease liability		8,380,404	13,361,551
Deferred grant	8	3,895,757	4,755,508
Gas infrastructure development cess		18,157,740	-
		101,542,879	49,973,521

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

There is no significant change in status and amount of contingencies since June 30, 2020.

10.2 Commitments

	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-Audited)	(Audited)
10.2.1 Commitments under irrevocable letters of credit for import of:		
Purchase of raw material	326,164,337	172,610,696
Purchase of stores, spare and loose tools	64,984,103	15,345,638
	391,148,440	187,956,334

10.2.2 Commitments under short term leases:

The Company has rented office premises under short term 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, 2020	June 30, 2020
	Rupees	Rupees
	(Un-Audited)	(Audited)
- payments not later than one year	5,093,660	2,243,846
- payments later than one year	-	-
	5,093,660	2,243,846

10.2.3 Commitments under short term leases:

The Company has rented generator under short term 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:

	Note	December 31, 2020	June 30, 2020
		Rupees	Rupees
		(Un-Audited)	(Audited)
- payments not later than one year		2,000,000	8,000,000
- payments later than one year		-	-
		2,000,000	8,000,000

11 PROPERTY, PLANT AND EQUIPMENT

Net book value at the beginning of the period/year	1,143,274,680	1,256,485,282
Additions during the period/year		
Office equipment	454,626	408,000
Plant and machinery	6,434,441	13,000,493
Vehicles	74,500	5,479,264
	6,963,567	18,887,757
Net book value of assets disposed during the period/year	(560,243)	(1,120,966)
Depreciation for the period/year	(27,336,075)	(60,431,813)
Transfer to right-of-use assets	-	(70,545,580)
Net book value at the end of the period/year	1,122,341,929	1,143,274,680

12 RIGHT-OF-USE ASSETS

Net book value at the beginning of the period/year	70,545,580	-
Depreciation for the period/year	(1,763,638)	-
Transfer from property, plant and equipment	-	70,545,580
Net book value at the end of the period/year	68,781,942	70,545,580

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Note	Six month ended		Three month ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
13 SALES - NET					
Yarn		1,739,168,594	1,571,644,551	874,583,911	915,581,100
Waste		18,798,389	29,052,183	7,201,459	20,524,179
		1,757,966,983	1,600,696,734	881,785,370	936,105,279
14 COST OF GOODS SOLD					
Raw material consumed		1,053,993,188	1,210,678,736	531,830,719	636,312,823
Stores, spares and loose tools consumed		55,217,628	54,808,984	26,816,126	25,861,081
Salaries, wages and benefits		171,157,196	160,135,695	84,056,064	79,295,120
Insurance		2,257,073	2,122,992	1,223,371	1,094,454
Repair and maintenance		16,550,158	12,778,405	7,776,534	6,650,084
Depreciation		27,598,054	28,587,331	13,812,432	14,301,097
Other manufacturing overheads		238,472,618	247,184,551	129,960,403	130,500,926
Manufacturing cost		1,565,245,915	1,716,296,694	795,475,649	894,015,585
Work in process					
as at beginning of the period		52,754,805	41,852,207	45,708,760	41,730,796
as at end of the period		(45,470,785)	(48,293,266)	(45,470,785)	(48,293,266)
		7,284,020	(6,441,059)	237,975	(6,562,470)
Cost of goods manufactured		1,572,529,935	1,709,855,635	795,713,624	887,453,115
Finished goods					
as at beginning of the period		207,853,345	75,281,067	166,062,395	273,360,559
as at end of the period		(174,471,930)	(273,298,278)	(174,471,930)	(273,298,278)
		33,381,415	(198,017,211)	(8,409,535)	62,281
		1,605,911,350	1,511,838,424	787,304,089	887,515,396
15 TAXATION					
Provision for taxation					
Current taxation	15.1	26,369,504	20,008,708	13,226,781	11,701,315
Deferred taxation	15.2	-	-	-	-
		26,369,504	20,008,708	13,226,781	11,701,315
15.1	Provision for current tax has been made in accordance with the requirements of section 113 and 154 of the Income Tax Ordinance, 2001.				
15.2	No provision for deferred tax has been made as the impact of the same is considered immaterial.				
16 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.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

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	0.00%
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)	0.00%
M. Murad Saigol	Key management personnel	Director	8.37%
M. Zeid Yousuf Saigol	Key management personnel	Director	8.39%
Arshad Ismail Khan	Key management personnel	Director	0.00%
Amber Haroon Saigol	Close family member of director	Spouse of director	16.93%

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, 2020	December 31, 2019
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
16.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	3,300,000	2,815,000
	Post employment benefits	550,000	930,000
Associated company	Generator rent	6,000,000	6,000,000
		December 31, 2020	June 30, 2020
		Rupees	Rupees
		(Un-Audited)	(Audited)
16.2 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	550,000	930,000
	Post employment benefits payable	11,550,000	9,765,000
Associated company	Generator rent payable	6,617,691	5,215,909
17 FINANCIAL INSTRUMENTS			
The carrying amounts of the Company's financial instruments by class and category are as follows:			
		December 31, 2020	June 30, 2020
		Rupees	Rupees
		(Un-Audited)	(Audited)
17.1 Financial assets			
Cash in hand		1,950,867	1,008,826
Financial assets at amortized cost			
Long term deposits		26,085,661	26,085,661
Trade receivables		18,927,406	35,405,841
Advances to employees		6,676,249	6,339,578
Margin deposits		86,428,832	163,125,101
Cash at bank		42,631,404	62,142,049
		182,700,419	294,107,056

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	December 31, 2020	June 30, 2020
	Rupees	Rupees
	(Un-Audited)	(Audited)
17.2 Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Loan from directors and family members	265,884,966	265,884,966
Long term finances	191,695,576	269,287,154
Lease liability	8,380,404	13,361,551
Long term deposits	6,010,000	6,010,000
Short term borrowings	609,120,923	675,711,452
Accrued interest	14,093,337	18,889,075
Trade creditors	126,539,871	108,854,311
Accrued liabilities	146,045,604	177,324,477
Unclaimed dividend	485,351	485,351
	1,368,256,032	1,535,808,337

18 FAIR VALUE MEASUREMENTS

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

18.1 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.

18.2 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.

18.3 Assets and liabilities other than financial instruments.

18.3.1 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, 2020	June 30, 2020
				Rupees	Rupees
				(Un-Audited)	(Audited)
Freehold land	-	99,418,125	-	99,418,125	99,418,125
Buildings	-	139,038,412	-	139,038,412	142,603,499
Plant and machinery	-	937,303,108	-	937,303,108	954,874,585

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

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2020

	Valuation technique	Significant inputs	Sensitivity
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, 2020: 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. 6.95 million (June 30, 2020: Rs. 7.13 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. 46.87 million (June 30, 2020: Rs. 47.74 million).

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

18.3.2 Non-recurring fair value measurements

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

19 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.

20 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.

21 GENERAL

21.1 There are no other significant activities since June 30, 2020 affecting the interim financial statements.

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

21.3 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

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