

# **SARITOW SPINNING MILLS LIMITED**

**ANNUAL REPORT 2022**

**BOARD OF DIRECTORS**

Mr. M. Naseem Saigol	Chairman
Mr. Muhammad Zeid Yousuf Saigol	Chief Executive Officer
Mr. Muhammad Murad Saigol	
Mr. Samir Iqbal Saigol	
Mr. Muhammad Omer Farooq	
Mrs. Sadaf Kashif	
Mr. Jamal Nasim	

**AUDIT COMMITTEE**

Mr. Jamal Nasim	Chairman/Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mrs. Sadaf Kashif	Member

**HR & REMUNERATION COMMITTEE**

Mr. Jamal Nasim	Chairman/Member
Mr. Muhammad Zeid Yousuf Saigol	Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member

**COMPANY SECRETARY**

Mr. Anees-ur-Rehman

**CHIEF FINANCIAL OFFICER**

Mr. Muhammad Shamil, FCA

**AUDITORS**

M/s Rahman Sarfaraz Rahim Iqbal Rafiq & Co.  
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

ISO 9001:2008 Certified

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 36<sup>th</sup> Annual General Meeting of Shareholders of **SARITOW SPINNING MILLS LIMITED** will be held on **Friday, October 28, 2022** at **10:30 A.M.**, at 06-Egerton Road, Lahore to transact the following business: -

1. To confirm the minutes of the last Annual General Meeting held on October 28, 2021.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2022 along with Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

Company Secretary

Lahore: October 06, 2022

### **Notes:**

1. Share Transfer Books of the Company will remain closed from **October 22, 2022 to October 28, 2022 (both days inclusive)**. Physical transfers/CDS transactions ID's received in order at "Company Registrar office M/s Corplink (Pvt.) Limited", Wings Arcade, 1-K, Commercial Model Town, Lahore on or before **October 21, 2022** will be treated in time.
2. A member entitled to attend and vote at this Meeting may appoint another Member as his/her proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.
4. Members are requested to notify the Company change in their addresses, if any.
5. Annual Audited Financial Statements of the Company for the Financial Year ended June 30, 2022 have been placed on the Company's website i.e. [www.saritowspinningmills.com](http://www.saritowspinningmills.com)





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## **6. SUBMISSION OF COPY OF CNIC/NTN DETAILS (MANDATORY)**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2019, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as : for filers of Income Tax return 15.00% and Non-filers of Income Tax return 30.00%.

## **7. Payment of Cash Dividend Electronically**

As per provision of Section 242 of Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled shareholders. The shareholders are requested to provide their folio number, name and details of bank account consisting of bank name, branch name, branch code, Account number, Title of Account and IBAN in which they desire their dividend to be credited, failing which the Company will be unable to pay the dividend through any other mode. Standard request form has also been placed on website of the Company. The members are requested to send the information on the same to our share's registrar (M/s Corplink Private Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.) at the earliest possible.

In case shares are held in CDC then the form must be submitted directly to shareholder's broker/participant/CDC Investor account services.

## **8. Transmission of Annual Financial Statements through E-mail**

The Securities and Exchange Commission of Pakistan vide SRO 787(I)/2014 dated September 08, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors' and directors' reports along with notice of annual general meeting to its members through e-mail. Members who wish to avail this facility can give their written consent. Standard request form has also been placed on website of the Company. The members are requested to send the information on the same to our share's registrar (M/s Corplink Private Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.)

## **9. Transmission of Annual Financial Statements through CD/DVD/USB**

SECP through its SRO 470(I)/2016 dated May 31, 2016 have allowed companies to circulate the annual balance sheet, profit and loss account, auditors' report and directors' report etc to its members through CD/DVD/USB at their registered addresses. However, a shareholder may request to the Company Secretary at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore to provide printed copy of Annual Financial Statements and the same will be provided at his/her registered address, free of cost, within one week of the demand.

## **10. ZAKAT DECLARATIONS (CZ-50)**

The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs. 10/- each) under Zakat and Ushr Laws and will be deposited within the prescribed period with the relevant authority, Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd. (in case the shares are held in Investor Account Services on the CDC) or to our Registrars, M/s Corplink Private Limited, 1-K, Commercial Model Town, Lahore (in case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and respective folio numbers.





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## **CHAIRMANS' REVIEW REPORT**

**I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2022, pertaining to the overall performance of the board and its role in achieving the company's objectives.**

During the year the Board committees continue to work with a great measure of proficiency. The Audit Committee has focused in particular on the management and control of risks associated with the business. The Human Resource and Remuneration Committee has ensured that the HR Policies regarding performance management, HR staffing, compensation and benefits are market driven and are properly aligned to the Company's performance, shareholder's interest and the long-term success of the company.

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board has developed a mechanism for the evaluation of performance of the Board of Directors. During the year a comprehensive questionnaire was circulated among all members of the board for the evaluation of performance of the Board of Directors. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2022, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an on-going process leading to action plan. The overall assessment as satisfactory is based on an evaluation of integral component including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiencies in carrying out the Board's business.

The Board of Directors of the Company, received agendas and supporting written material including follow up materials in sufficient time prior to the board and its Committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The non-executive and Independent directors are equally involved in important decisions.

On an overall basis, I believe the strategic direction of the Company is clear and appropriate. Further, the processes adopted in developing and reviewing the overall corporate strategy and achievement of the Company's objective are commendable.

**M. NASEEM SAIGOL**

CHAIRMAN

06 October, 2022





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## **DIRECTORS' REPORT**

The Directors of M/s. Saritow Spinning Mills Limited are please to present Financial Results for the year ended June 30, 2022 along with Auditors Report and Director Report thereupon.

	Year Ending June 30, 2022	Year Ending June 30, 2021
<b>Financial Highlights</b>		
Net Sales	4,860.004	3,653.463
Gross Profit	305.974	379.791
Operating Profit	225.332	315.767
Profit before Tax	150.649	228.669
Profit / (loss) after Tax	94.727	172.261
Gross Profit Ratio	6.22%	10.40%
Operating Profit Ratio	4.56%	8.64%
Net Profit Ratio	1.88%	4.71%
Earnings Per Share	3.17	5.77

## **Operating Financial Results**

During the first three quarters of the year under review, Alhamdulillah your Company's performance was quite satisfactory and was able to earn Rs. 106.160 million after tax profit. During the last quarter of the year raw material prices were gone up quite considerably resulting in reduction in net profit. Your Company recorded net sales of Rs. 4,860.004 million as compared to Rs. 3,653.463 million last year. Company achieved Net Profit after tax of Rs. 94.727 million against net Profit after tax of Rs. 172.261 million during corresponding year.

The year under review was very tough as whole for the industry due to raw materials prices and fluctuation in Rupee Dollar parity. Local cotton crop fetched only 8.500 million bales, which is far less than the requirement of the local textile industry. Reduction in local crop increased reliance on expensive import substitute. 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 and efficient running of the mills.

## **Future Outlook**

As always major risk factor remains the availability of raw cotton at competitive prices along with availability of electricity at special tariff sanctioned for textile industry. Recent heavy floods all across the country devastated the crops, including cotton. Revised estimates of Raw Cotton Production after considering the devastation caused by floods is around 6.000 million bales which is far less then local demand. In local market cotton is being traded at the rate of Rs. 20,000/- per mond coming down from Rs. 23,000 per mond. Due to sharp fluctuations in New York future cotton in international market is also bullish.

NEPRA has announced to with draw special electricity rate for the industry from the month of October. Withdrawing special electricity rate and non-availability of cotton have already caused closure of so many textile mills to date.

We hope that in coming days NEPRA will consider restoration of special rate for electricity and improvement in raw material prices will improve future profitability of Industry.



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## **Cash Flow Management**

Board of Directors' places great importance for an effective cash flow management so as to ensure smooth running of the business. For this purpose, cash inflows and outflows are projected on regular basis and verified periodically. Working capital requirements have been planned to be finance through internal cash generation and short-term financing from external sources.

## **Corporate Social Responsibility (CSR)**

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CSR responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in assisting the under privileged patients' students and children of various walks of life.

## **Health Safety and Environment**

Your company is well aware of the importance of skilled workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

## **COMPOSITION OF BOARD**

Composition of the Board of Directors is as under.

Names	Category
Mr. Jamal Nasim	Independent Director
Mrs. Sadaf Kashif	Female Director/ Independent Director
Mr. M. Naseem Saigol	Non-Executive Directors
Mr. Muhammad Murad Saigol	
Mr. Muhammad Omer Farooq	
Mr. Muhammad Zeid Yousuf Saigol	Executive Directors
Mr. Samir Iqbal Saigol	





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## **COMMITTEE'S**

Detail of Committee's of Board is as under.

### **AUDIT COMMITTEE**

Mr. Jamal Nasim	Chairman/Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mrs. Sadaf Kashif	Member

### **HR & REMUNERATION COMMITTEE**

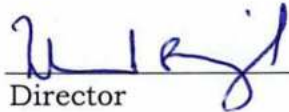
Mr. Jamal Nasim	Chairman/Member
Mr. Muhammad Zeid Yousuf Saigol	Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member

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 Boards

Lahore  
October 06, 2022

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

**THE COMPANIES ACT, 2017**  
**(Section 227(2)(f))**  
**PATTERN OF SHAREHOLDING**

1.1 Name of the Company

SARITOW SPINNING MILLS LIMITED

2.1. Pattern of holding of the shares held by the shareholders as at

30-06-2022

-----Shareholdings-----			
2.2 No. of Shareholders	From	To	Total Shares Held
206	1	100	4,998
271	101	500	84,283
186	501	1,000	146,346
224	1,001	5,000	592,773
58	5,001	10,000	468,416
25	10,001	15,000	314,367
14	15,001	20,000	260,000
15	20,001	25,000	351,454
13	25,001	30,000	369,000
4	30,001	35,000	131,573
4	35,001	40,000	155,500
3	40,001	45,000	128,000
2	45,001	50,000	100,000
5	50,001	55,000	263,500
1	60,001	65,000	62,093
1	65,001	70,000	70,000
1	70,001	75,000	74,000
1	75,001	80,000	80,000
1	90,001	95,000	91,000
2	95,001	100,000	199,500
2	100,001	105,000	204,170
2	105,001	110,000	211,500
1	130,001	135,000	130,136
1	140,001	145,000	142,000
1	145,001	150,000	149,745
1	170,001	175,000	173,500
2	195,001	200,000	400,000
1	200,001	205,000	203,500
1	210,001	215,000	212,500
1	235,001	240,000	235,500
1	240,001	245,000	240,500
1	1,305,001	1,310,000	1,309,435
1	1,910,001	1,915,000	1,910,500
1	2,175,001	2,180,000	2,179,462
1	2,495,001	2,500,000	2,497,500
1	2,500,001	2,505,000	2,502,500
1	5,050,001	5,055,000	5,053,206
1	8,135,001	8,140,000	8,138,150
<b>1,058</b>			<b>29,840,607</b>

**SARITOW SPINNING MILLS LIMITED**  
**Catagories of Shareholding required under Listed Companies (Code of Coprorate Governance)**  
**Regulations, 2019 as on June 30, 2022**

Sr.No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties:</b>		-	-
<b>Mutual Funds:</b>			
1	PRUDENTIAL STOCK FUND LTD (CDC)	5,000	0.0168
<b>Directors and their Spouse and Minor Chidren:</b>			
1	MR. M. NASEEM SAIGOL (CDC)	8,138,150	27.2721
2	MR. MUHAMMAD ZEID YOUSUF SAIGOL	2,503,123	8.3883
3	MR. MUHAMMAD MURAD SAIGOL (CDC)	2,497,500	8.3695
4	MR. MUHAMMAD OMER FAROOQ	2,881	0.0097
5	MR. SAMIR IQBAL SAIGOL	1,123	0.0038
6	MRS. SADAF KASHIF	500	0.0017
7	MR. JAMAL NASIM (CDC)	500	0.0017
8	MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL (CDC)	2,179,462	7.3037
<b>Executives:</b>		-	-
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:</b>		271,503	0.9098
<b>Shareholders holding five percent or more voting intrest in the listed company</b>			
1	MR. M. NASEEM SAIGOL (CDC)	8,138,150	27.2721
3	MR. MUHAMMAD ZEID YOUSUF SAIGOL (CDC)	2,503,123	8.3883
4	MR. MUHAMMAD MURAD SAIGOL (CDC)	2,497,500	8.3695
5	MRS. SEHYR SAIGOL (CDC)	2,179,462	7.3037
2	MRS. AMBER HAROON SAIGOL (CDC)	5,053,206	16.9340
6	Y.H. SECURITIES (PVT) LTD. (CDC)	1,910,500	6.4023
<b>All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:</b>			

S. No.	NAME	SALE	PURCHASE
	NIL		



<b>Categories of Shareholders</b>	<b>No. of Shareholders</b>	<b>Share held</b>	<b>Percentage</b>
Directors, Chief Executive Officer, and their spouse and minor children	8	15,323,239	51.3503
Associated Companies, undertakings and related party	-	-	-
NIT and ICP	3	1,349,991	4.5240
Banks Development Financial Institutions Non Banking Financial Institution	8	30,337	0.1017
Insurance Companies	2	108,784	0.3646
Modarabas and Mutual Funds	3	7,246	0.0243
General Public	1,011	10,649,720	35.6887
Others (to be specified)			
Pension Funds	1	130,136	0.4361
Other Companies	1	4,566	0.0153
Joint Stock Companies	15	2,218,781	7.4354
Foreign Companies	6	17,807	0.0597
	<u>1,058</u>	<u>29,840,607</u>	<u>100.0000</u>



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## ڈائریکٹرز رپورٹ

مارننگ پیٹھ ٹولینڈ کے ڈائریکٹرز برائے ہیرائی 30 جون 2022 کو ختم ہونے والے سال کے بائینائی ٹرکی اور اس کے بعد آئیڈر ڈی رپورٹ اور ڈائریکٹرز کی رپورٹ پیش کریں۔

Financial Highlights	Year Ending June 30, 2022	Year Ending June 30, 2021
	June 30, 2022	June 30, 2021
Net Sales	4,860,004	3,653,463
Gross Profit	305,974	379,791
Operating Profit	225,332	315,767
Profit before Tax	150,649	228,669
Profit / (loss) after Tax	94,727	172,261
Gross Profit Ratio	6.22%	10.40%
Operating Profit Ratio	4.56%	8.64%
Net Profit Ratio	1.88%	4.71%
Earnings Per Share	3.17	5.77

## آپ کے مالیاتی نتائج

زیر نظر سال کی پہلی تین سہ ماہیوں کے دوران، اگلا اٹھ آپ کی کمپنی کی کارکردگی کا کافی اعلیٰ ملے اور کمپنی 106,160 ٹینوں روپے کا خاص منافع کمائے میں کامیاب رہی۔ سال کی آخری سہ ماہی کے دوران عام مال کی قیمتوں میں کافی اضافہ ہوا جس کے نتیجے میں خاص منافع میں کمی واقع ہوئی۔ آپ کی کمپنی نے 4,860,004 ٹینوں روپے کے مقابلے میں گزشتہ سال 3,653,463 ٹینوں روپے کی خاص فروخت کی۔ کمپنی نے پورے سال میں ٹیکس ادا کرنے کے بعد 94,727 ٹینوں روپے کا خاص منافع کمایا جو کہ پہلے سال 172,261 ٹینوں روپے تھا۔

عام مال کی قیمتوں میں اضافہ اور روپے اور ڈالر کی راہی میں اضافہ چڑھاؤ کی وجہ سے زیر حاذر سال پوری صنعت کے لیے بہت مشکل تھا۔ مقامی کپاس کی فصل سے صرف 8,500 ٹینوں ٹیکس حاصل ہو گئیں جو کہ مقامی ٹیکسٹائل انڈسٹری کی ضرورت سے بہت کم ہے۔ مقامی فصلوں میں کمی نے مینڈر اور آمدنی متبادل پر انحصار بڑھا دیا۔ دنیا بھر میں روٹی کی قیمت بڑھنے سے مقامی سامانہ بنیاد کی قیمتوں میں بھی گزشتہ سال کے مقابلے میں تیزی سے اضافہ ہوا ہے۔ ان تمام عوامل کے کجا ہونے کے باوجود کمپنی عام مال کی بر وقت خریداری اور ملوں کو موثر طریقے سے چلانے کی وجہ سے اچھی کارکردگی دکھانے میں کامیاب رہی۔

## مشعل کا منظر

بیشک کی طرح سب سے بڑا خطرہ عام کپاس کی دستیابی کی قیمتوں پر دستیابی کے ساتھ ساتھ ٹیکسٹائل انڈسٹری کے لیے منظر کردہ خصوصی ٹریف کی کمی کی دستیابی ہے۔ ملک بھر میں حالیہ شدید سیلاب نے کپاس سمیت فصلوں کو تباہ کر دیا۔ سیلاب سے ہونے والی تباہی کو مد نظر رکھتے ہوئے عام کپاس کی پیداوار کے تخمینہ جگ جگ 6,000 ٹینوں کا تخمینہ ہیں جو مقامی طلب سے کہیں کم ہیں۔ مقامی مارکیٹ میں روٹی کا پھیلاؤ 20,000 روپے فی من ہے۔ جو کہ 23,000 روپے فی من سے نیچے آ رہا ہے۔ نیو مارک میں شدید چڑھاؤ کے باعث بین الاقوامی مارکیٹ میں روٹی کے پھاڑ میں کمی تیزی سے۔

پھر اسلئے آگے کے مہینے سے انڈسٹری کے لیے ٹیکسٹائل کے مخصوص زخموں کو معطل کرنے کا اعلان کیا ہے۔ ٹیکسٹائل کی خصوصی شرا دہیں لینے اور کپاس کی عدم دستیابی کی وجہ سے اب تک بہت سی ٹیکسٹائل میں بند ہو چکی ہیں۔

میں امید ہے کہ آگے والے دنوں میں پھر اگلے کے لیے خصوصی نریغ کی بحالی پر غور کرے گا، عام مال کی قیمتوں میں بہتری سے انڈسٹری کے مستقبل کے منافع میں بہتری آئے گی۔

## بورڈ کی ملاحظہ

بورڈ آف ڈائریکٹرز کی ملاحظہ اور ج ڈیل ہے۔

کل ڈائریکٹرز کی تعداد	
مرد	6
عورت	1
ملاحظہ	
عورت ڈائریکٹر (آزاد ڈائریکٹر)	متزرمصرف کاشت
آزاد ڈائریکٹر	جناب جمال نسیم
جان ایگزیکٹو ڈائریکٹر	جناب محمد مراد سہیل
	جناب محمد مراد سہیل
	جناب محمد مراد سہیل
	جناب محمد مراد سہیل
ایگزیکٹو ڈائریکٹر	جناب محمد مراد سہیل
	جناب محمد مراد سہیل

## کنیٹر

بورڈ کی کنیٹری کی تفصیل درج ذیل ہے۔

## آڈٹ کلپ

جناب جمال نسیم	میزر میں امیر
جناب محمد مراد سہیل	میر
جناب محمد مراد سہیل	میر
متزرمصرف کاشت	میر
ایگزیکٹو ڈائریکٹر	میزر میں امیر
جناب جمال نسیم	میر
جناب محمد مراد سہیل	میر
جناب محمد مراد سہیل	میر
جناب محمد مراد سہیل	میر

مقامی حصار داران کے گھر اور قحطان کے تبدیل سے منظور ہیں۔ ہم یہ اعلان کرتے ہوئے خوشی محسوس کرتے ہیں کہ کمپنی اپنے ملازمین کو راجے ہوئے یا سید کرتی ہے کہ وہ اسی اعزاز میں اس کو بھی اپنے فرائض سرانجام دیتے رہیں گے۔  
مخاطب و دعا ہے پورا:

ڈائریکٹر: چیف ایگزیکٹو  
ڈائریکٹر: 06 اگست 2022

# پیٹرن آف شیئر ہولڈنگ

30 جون 2022

نمبر شمار	کمپنی آف شیئر ہولڈرز	تعداد حصص داران	تعداد حصص	فیصد
1	ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی بیویاں اور چھوٹے بچے۔	8	15,323,239	51.3503
2	ایسوسی ایٹڈ کمپنیز، انڈر رائٹرز اور متعلقہ پارٹی۔	-	-	-
3	این آئی ٹی اور آئی سی پی	3	1,349,991	4.5240
4	بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس انسٹی ٹیوشنز	8	30,337	0.1017
5	انسورنس کمپنیز	2	108,784	0.3646
6	مدار بہ اور میوچل فنڈز	3	7,246	0.0243
7	عام عوام	1,011	10,649,720	35.6887
8	دوسرے (خصوص کیا جائے گا)			
	پینشن فنڈز	1	130,136	0.4361
	دوسری کمپنیز	1	4,566	0.0153
	جوائنٹ سٹاک کمپنیز	15	2,218,781	7.4354
	غیر ملکی کمپنیز	6	17,807	0.0597
	کل تعداد	1,058	29,840,607	100.0000

## تعداد حصص

-	ایسوسی ایٹڈ کمپنیز، انڈر رائٹرز اور متعلقہ پارٹی۔
5,000	میوچل فنڈز
15,323,239	ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی بیویاں اور چھوٹے بچے۔
-	ایگزیکٹوز
-	پبلک سیکورٹیز اور کارپوریشنز
271,503	بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس انسٹی ٹیوشنز، انسورنس کمپنیز، مدار بہ اور پینشن فنڈز
22,281,941	پانچ فیصد یا اس سے زیادہ کے حصص داران
	لسٹڈ کمپنیز میں ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ان کی بیویاں اور چھوٹے بچوں کے حصص کی خرید و فروخت

نمبر شمار	نام	فروخت	خرید
			کوئی نہیں



## Statement in Compliance of the Code of Corporate Governance

- The Financial Statements, prepared by the management, present a true and fair state of affairs of the company, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and maintained at all levels within the Company.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no outstanding statutory payments on account of duties, levies and charges.
- Significant deviation from last year in operating results of the Company and reasons thereof have been explained.
- The Key Operating and Financial Data of last six years are attached to the Report.
- There are no significant plans for corporate restructuring and discontinuation of operations except for improvement in the normal business activities to increase the business.
- Four Meetings of the Board of Directors of the Company were held during the year under review. Following was the attendance of the Directors: -

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
Mr. M. Naseem Saigol	4
Mr. Muhammad Zeid Yousuf Saigol	4
Mr. Muhammad Murad Saigol	4
Mr. Samir Iqbal Saigol	4
Mr. Muhammad Omer Farooq	4
Mrs. Sadaf Kashif	4
Mr. Jamal Nasim	2

- Four Meetings of the Audit Committee were held during the year under review. Following was the attendance of the Members: -

<u>Name of Members</u>	<u>No. of Meetings Attended</u>
Mr. Muhammad Zeid Yousuf Saigol	2 (Resigned as on 28-02-2022)
Mr. Muhammad Murad Saigol	2 (Appointed as on 28-02-2022)
Mr. Muhammad Omer Farooq	4
Mr. Jamal Nasim	2
Mrs. Sadaf Kashif	4

- One Meeting of HR & Remuneration Committee was held during the year under review. Following was the attendance of the Members: -

<u>Name of Members</u>	<u>No. of Meeting Attended</u>
Mr. Jamal Nasim	1
Mr. Muhammad Zeid Yousuf Saigol	1
Mr. Muhammad Murad Saigol	1
Mr. Muhammad Omer Farooq	1

During the period under review no Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children sell, buy or take any position in the shares of the Company except as mentioned in Categories of Shareholding required under Code of Corporate Governance.

**Pattern of Shareholding**

A statement showing pattern of shareholding as on June 30, 2022 is annexed.

**Acknowledgment**

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



For and on behalf of the Board



Muhammad Zeid Yousuf Saigol  
CHIEF EXECUTIVE OFFICER

Lahore: October 06, 2022

**STATEMENT OF COMPLIANCE WITH LISTED COMPANIES  
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

Name of company: **SARITOW SPINNING MILLS LIMITED**  
Year ending: **JUNE 30, 2022**

The company has complied with the requirements of the Regulations in the following manner: -

1. The total number of directors are Seven as per the following, -

- a) Male: **Six**
- b) Female: **One**

2. The composition of the Board is as follows:

Names	Category
Mr. Jamal Nasim	Independent Director
Mrs. Sadaf Kashif	Female Director/ Independent Director
Mr. M. Naseem Saigol	Non-Executive Directors
Mr. Muhammad Murad Saigol	
Mr. Muhammad Omer Farooq	
Mr. Muhammad Zeid Yousuf Saigol	Executive Directors
Mr. Samir Iqbal Saigol	

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The company stands complied with the requirement of having half of the Directors on their board under Directors Training Program certified as prescribed under the Regulation. The remaining directors shall obtain certification under the DTP in due course of time;
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;



12. The Board has formed committees comprising of members given below.-

**a) Audit Committee:**

1. Mr. Jamal Nasim
2. Mr. Muhammad Murad Saigol
3. Mr. Muhammad Omer Farooq
4. Mrs. Sadaf Kashif

**b) HR and Remuneration Committee:**

1. Mr. Jamal Nasim
2. Mr. Muhammad Zeid Yousuf Saigol
3. Mr. Muhammad Murad Saigol
4. Mr. Muhammad Omer Farooq

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following,-

**a) Audit Committee:**

1. October 06, 2021
2. October 28, 2021
3. February 28, 2022
4. April 24, 2022

**b) HR and Remuneration Committee:**

1. October 06, 2021

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of the Regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with. Explanation as required under the Regulation 6(1) is mentioned below;

“The Company currently has two elected independent directors out of total seven directors on the Board. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations under which hereby fulfill the necessary requirements; therefore, not warrant the appointment of a third independent director.”



(M. Naseem Saigol)  
Chairman

# SARITOW SPINNING MILLS LIMITED

## FINANCIAL HIGHLIGHTS - Six Years at a Glance

Particulars	2,022	2,021	2,020	2,019	2,018	2,017
<b><u>Operating Performance (Rupees in Thousands)</u></b>						
Turnover- Net	4,860,004	3,653,463	2,812,843	3,494,805	2,993,265	2,934,545
Gross Profit	302,488	379,791	122,937	258,413	178,403	162,762
Profit/(Loss) before tax	147,336	231,719	(39,292)	94,771	46,760	27,560
Profit/(Loss) after tax	91,414	174,427	(58,204)	52,501	17,868	13,779
<b><u>Financial Position (Rupees in Thousands)</u></b>						
Share Capital	298,406	298,406	298,406	298,406	298,406	298,406
Shareholders,Equity	818,534	739,055	560,750	621,631	571,263	557,467
Operating Fixed Assets	1,270,574	1,281,003	1,213,820	1,256,485	1,298,134	1,315,578
Total Assets	2,535,558	2,175,934	2,424,172	2,277,369	2,175,900	2,175,202
Bank Borrowings	661,190	569,115	963,116	767,346	790,299	850,773
<b><u>Ratio Analysis</u></b>						
<b><u>Profitability</u></b>						
Gross Profit Marign-% age	6.22	10.40	4.37	7.39	5.96	5.55
Profit/(Loss)after tax-% age	1.88	4.77	(2.07)	1.50	0.60	0.47
Earning/(Loss)Per Share-Rupees	3.06	5.85	(1.95)	1.76	0.60	0.46
<b><u>Activity</u></b>						
Sales to Operating Fixed Assets-Times	3.83	2.85	2.32	2.78	2.31	2.23
<b><u>Liquidity</u></b>						
Current Ratio-Times	1.07	1.03	1.03	1.01	0.98	0.91
Break up Value Per Share-Rupees	27.43	24.77	18.79	20.83	19.14	18.68

## INDEPENDENT AUDITOR'S REPORT

### To the members of SARITOW SPINNING MILLS LIMITED Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **SARITOW SPINNING MILLS LIMITED** ['the Company'], which comprise the statement of financial position as at **30 June 2022**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ['ISAs'] as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ['the Code'] and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

##### 1. Valuation of stock in trade

Stock in trade amounts to Rs 820 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade.

The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales

#### How our audit addressed the matter

To address the valuation of stock in trade, we assessed historical costs recorded in the stock in trade valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to stock in trade.

We also assessed management's determination of the net realizable value of stock in trade by performing tests on the sales prices secured by the Company for similar or comparable items of stock in trade.

RSRIR



### Key audit matter

contract in hand and historically realized sales prices.

The significance of the balance coupled with the judgment involved has resulted in the valuation of stock in trade being identified as a key audit matter.

The disclosures in relation to stock in trade are included in note 24 to the annexed financial statements.

### How our audit addressed the matter

## 2. Revenue recognition

Refer to notes 5.13 and 29 to the financial statements.

The amount of revenue is the most significant class of transaction on the statement of profit or loss. Net revenue has increased by 33 percent in comparison with the previous year. Revenue is recognized when control of the underlying products has been transferred to the customer. We identified revenue recognition as a key audit matter since it is a key performance measure for the Company and gives rise to the risk associated with the judgement in determining the transfer of control of products as well as creates an incentive for fraudulently overstating revenue by recognizing revenue before transfer of control.

Our audit procedures in respect of recognition of revenue, amongst others, included the following:

- Assessing the appropriateness of the Company's revenue recognition accounting policies by comparing with applicable accounting standards;
- Obtaining an understanding of and testing the design and operating effectiveness of controls design to ensure that revenue is recognized in the appropriate accounting period;
- Comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period;
- Critically assessing manual journals posted to revenue to identify unusual or irregular items; and

Testing, on a sample basis, invoices and inspecting credit notes issued subsequent to year end for accuracy of revenue.

## 3. Tax contingencies

As disclosed in note 36 to the annexed financial statements, various tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. Such contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management's judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered tax contingencies as a key audit matter.

Our key audit procedures in this area included, amongst others, a review of the correspondence of the Company with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities.

We also obtained and reviewed confirmations from the Company's external tax advisor for their views on the status of each case and an overall opinion on the open tax position of the Company.

We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in the annexed financial statements.

RBR



### **Information other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

  
**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
Lahore | 06 October 2022

UDIN: AR202210185nD8agbZPI





# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	6	350,000,000	350,000,000
Issued share capital	7	298,406,070	298,406,070
Revaluation reserve	8	60,419,382	61,392,820
Retained earnings		459,708,048	379,255,709
<b>TOTAL EQUITY</b>		<b>818,533,500</b>	<b>739,054,599</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors and other shareholders	9	265,884,966	265,884,966
Long term finances	10	63,954,583	108,256,455
Long term deposits	11	6,010,000	6,010,000
Employees retirement benefits	12	106,848,193	84,946,625
Long term payables	13	-	2,154,409
Deferred taxation	14	108,773,194	119,370,700
Deferred grant	15	2,102,530	4,834,543
		<b>553,573,466</b>	<b>591,457,698</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	535,626,440	368,873,330
Unclaimed dividend		485,351	485,351
Short term borrowings	17	548,252,220	385,770,183
Accrued interest		17,029,466	11,977,202
Current taxation	18	13,074,338	3,226,568
Current portion of non-current liabilities	19	48,983,181	75,088,581
		<b>1,163,450,996</b>	<b>845,421,215</b>
<b>TOTAL LIABILITIES</b>		<b>1,717,024,462</b>	<b>1,436,878,913</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,535,557,962</b>	<b>2,175,933,512</b>

The annexed notes from 1 to 53 form an integral part of these financial statements.

 Director	 Chief Financial Officer	 Chief Executive
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# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	21	1,270,574,480	1,281,002,831
Right-of-use assets	22	-	-
Long term deposits	23	21,172,886	21,027,386
		1,291,747,366	1,302,030,217
<b>CURRENT ASSETS</b>			
Stores and spares		26,723,767	22,990,126
Stock in trade	24	820,325,025	616,136,635
Trade receivables	25	241,843,909	18,912,007
Short term deposits	26	86,577,832	86,577,832
Advances and other receivables	27	21,300,033	25,769,031
Cash and bank balances	28	47,040,030	103,517,664
		1,243,810,596	873,903,295
<b>TOTAL ASSETS</b>		<b>2,535,557,962</b>	<b>2,175,933,512</b>

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
Director

  
Chief Financial Officer

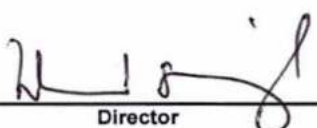
  
Chief Executive

# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
Revenue from contracts with customers - net	29	4,860,004,224	3,653,462,696
Cost of sales	30	(4,557,516,479)	(3,273,671,211)
Gross profit		302,487,745	379,791,485
Selling and distribution expenses	31	(15,337,225)	(5,943,651)
Administrative expenses	32	(68,165,316)	(59,550,251)
		(83,502,541)	(65,493,902)
Other income	33	2,712,512	3,285,907
Impairment reversals for expected credit losses	44.1.6	147,432	857,283
Operating profit		221,845,148	318,440,773
Finance cost	34	(63,600,309)	(69,361,115)
Other charges	35	(10,908,564)	(17,360,283)
		(74,508,873)	(86,721,398)
Profit before taxation		147,336,275	231,719,375
Provision for taxation	36	(55,921,984)	(57,292,569)
Profit after taxation		91,414,291	174,426,806
Earnings per share - basic and diluted	37	3.06	5.85

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
Director

  
Chief Financial Officer

  
Chief Executive

RSRIR  
for identification only




# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligation	12.4	(16,810,409)	(914,371)
Related taxation	14	4,875,019	265,168
		(11,935,390)	(649,203)
Revaluation surplus recognized during the year	8	-	5,578,551
Related taxation	8	-	(1,051,736)
		-	4,526,815
		(11,935,390)	3,877,612
<i>Items that may be reclassified subsequently to profit or loss</i>			
		-	-
Other comprehensive (loss)/income		(11,935,390)	3,877,612
Profit after taxation		91,414,291	174,426,806
Total comprehensive income		79,478,901	178,304,418

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
Director

  
Chief Financial Officer

  
Chief Executive

RSRIR  
for identification only



# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Share capital	Capital reserves		
	Issued share capital	Revaluation reserve	Retained earnings	Total equity
	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2020	298,406,070	57,755,154	204,588,957	560,750,181
Comprehensive income				
Profit after taxation	-	-	174,426,806	174,426,806
Other comprehensive income	-	4,526,815	(649,203)	3,877,612
Total comprehensive income	-	4,526,815	173,777,603	178,304,418
Incremental depreciation	-	(889,149)	889,149	-
Transaction with owners	-	-	-	-
Balance as at 30 June 2021	298,406,070	61,392,820	379,255,709	739,054,599
Balance as at 01 July 2021	298,406,070	61,392,820	379,255,709	739,054,599
Comprehensive income				
Profit after taxation	-	-	91,414,291	91,414,291
Other comprehensive loss	-	-	(11,935,390)	(11,935,390)
Total comprehensive income	-	-	79,478,901	79,478,901
Incremental depreciation	-	(973,438)	973,438	-
Transaction with owners	-	-	-	-
Balance as at 30 June 2022	298,406,070	60,419,382	459,708,048	818,533,500

The annexed notes from 1 to 53 form an integral part of these financial statements.


 Director	 Chief Financial Officer	 Chief Executive
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# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	38	17,631,240	715,370,873
Payments for:			
Employees retirement benefits		(18,506,347)	(20,992,465)
Finance cost		(58,548,045)	(76,272,988)
Income tax		(51,796,701)	(54,073,519)
<b>Net cash (used in)/generated from operating activities</b>		<b>(111,219,853)</b>	<b>564,031,901</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(58,359,035)	(119,383,363)
Proceeds from disposal of property, plant and equipment		6,574,358	1,257,866
Long term deposits		(145,500)	5,058,275
<b>Net cash used in investing activities</b>		<b>(51,930,177)</b>	<b>(113,067,222)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances		(57,135,954)	(192,668,437)
Long term finances obtained		-	85,669,000
Payment of lease liabilities		-	(13,361,551)
Net increase/(decrease) in short term borrowings		162,482,037	(289,941,269)
<b>Net cash generated from/(used in) financing activities</b>		<b>105,346,083</b>	<b>(410,302,257)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(57,803,947)</b>	<b>40,662,422</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>103,517,664</b>	<b>63,150,875</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>1,326,313</b>	<b>(295,633)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	39	<b>47,040,030</b>	<b>103,517,664</b>

The annexed notes from 1 to 53 form an integral part of these financial statements.

  
Director

  
Chief Financial Officer

  
Chief Executive

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 1 LEGAL STATUS AND OPERATIONS

Saritow Spinning Mills Limited ['the Company'] is incorporated in Pakistan as a Public Limited Company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore. The manufacturing facility is located at Bhai Pheru, District Kasur in the Province of Punjab.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis as at the reporting date.

Items	Measurement basis
Financial liabilities	Amortized cost
Financial assets	Amortized cost
Land, building and plant machinery	Revalued amounts
Employee retirement benefits	Present value

#### 2.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of 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.

##### 2.3.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

###### (a) Business model assessment (see note 43.1)

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### **(b) Significant increase in credit risk (see note 44.1.1)**

As explained in note 44.1, expected credit losses ['ECL'] are measured, based on the Company's risk grading framework, as an allowance equal to 12-month/lifetime ECL for 'performing' assets, or lifetime ECL for assets categorized as 'doubtful' or 'in default'. An asset is categorized as 'doubtful' when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

### **2.3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

#### **(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 44.1.3)**

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information. When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the ECL rates on financial assets carried at amortized cost were higher (lower) by 10%, the loss allowance on those assets would have been higher (lower) by Rs. 40.50 million (30-Jun-21: Rs. 23.87 million). Further information on the Company's credit risk management practices and credit quality and impairment of financial assets is referred to in note 44.4.3.

#### **(b) Revaluation of property, plant and equipment (see note 21)**

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values. Further information on revalued amounts of property, plant and equipment is referred to in note 21. Refer to note 46.3.1 for an analysis of sensitivity of revalued amounts of property, plant and equipment.

#### **(c) Present value of defined benefit obligation (see note 12)**

The determination of the Company's defined benefit obligation depends on certain assumptions, which include selection of the discount rate, average rate of increase in salaries and mortality rates. The discount rate is set by reference to market yields at the end of the reporting period on government bonds as there is no deep market for high quality corporate bonds in Pakistan. Average rate of increase in salary are based on market expectations, inflation and historical trends. Mortality rates are based upon SLIC(2001-05) mortality table. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year.

Present value of the Company's defined benefit obligation has been determined by an independent actuary, TRT Associates Actuaries and Management Consultants, and is stated in the statement of financial position at Rs. 106.848 million (30-June-21: Rs. 84.947 million). Further information on the carrying amounts of the Company's defined benefit obligation and the sensitivity of those amounts to changes in assumptions is referred to in note 12.

#### **(d) Taxation provisions (see note 36)**

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provisions for current tax and tax contingencies. The provision for current tax is estimated at Rs. 61.644 million (30-Jun-21: Rs. 57.340 million). The management believes that the provision for current tax made in the financial statements is sufficient to discharge related tax liability.

Provision for deferred tax of Rs. 5,722,487 (30-Jun-21: Rs. 47,813 million) has been estimated after taking into account historical and future turnover and profit trends and their taxability under the current tax law.

Further information on the taxation provisions is referred to in note 36.

### **2.4 Functional currency**

These financial statements have been prepared in Pak Rupees which is the Company's functional currency. The amounts reported in these financial statements have been rounded to the nearest Rupees unless specified otherwise.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 2.5 Date of authorization for issue

These financial statements were authorized for issue on 06 October 2022 by the Board of Directors of the Company.

### 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 financial statements of the Company other than presentation and disclosures, except as stated otherwise.

#### 3.1 Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, and IFRS 7 - Financial Instruments: Disclosures, IFRS 4 - Insurance Contracts, IFRS 16 - Leases)

The amendments in Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

#### 3.2 COVID-19 - Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 - Leases)

The amendment extends, by one year, the May 30-Jun-21 amendment that 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)
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 - Presentation of Financial Statements).	01 January 2023
Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations).	01 January 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment).	01 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets).	01 January 2022
Annual Improvements to IFRS Standards 2018-30-Jun-21.	01 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements)	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)	01 January 2023
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 17 - Insurance contracts	

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 not have a material impact on the Company's financial statements other than in presentation/disclosures.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 5.1 Property, plant and equipment

Land, buildings and plant and machinery held for use in the production or supply of goods or services or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses, except for freehold land, which is not depreciated. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land, buildings and plant and machinery is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land, buildings and plant and machinery is recognized as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

All other items of property, plant and equipment (services and other equipment, office equipment, furniture and fixtures, scooters and cycles, arms and ammunitions and vehicles) are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes the cost of material, labour and appropriate overheads directly relating to the construction, erection and installation of the asset and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other assets of the same class, commences when the assets are ready for their intended use.

Depreciation is recognized in profit or loss, using rates specified in note 21.1, so as to write off the cost or revalued amounts of assets (other than freehold land and assets under construction) over their useful lives, using the reducing balance method, with the exception of right-of-use assets, for which the lease does not transfer ownership of the underlying asset to the Company at the end of lease term, which are depreciated over the shorter of lease term and useful lives of the underlying assets, using straight line method.

Depreciation on an item of property, plant and equipment commences from the month in which the item is ready for intended use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Incremental depreciation being the difference between depreciation based on the revalued amounts recognized in profit or loss and depreciation based on the historical cost, net of tax, is reclassified from the revaluation reserve to retained earnings. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising on the disposal or retirement of such items is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 5.2 Stores and spares

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

#### 5.3 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Category	Basis of determination of cost
Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

### 5.4 Employee benefits

#### 5.4.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

#### 5.4.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in statement of comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation. The details of the scheme are referred to in note 11 to the financial statements.

### 5.5 Financial instruments

#### 5.5.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

#### 5.5.2 Classification

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at initial recognition as follows:

##### **(a) Financial assets at amortized cost**

These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### **(b) Financial assets at fair value through other comprehensive income**

These are:

- (i) financial assets held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- (ii) investments in equity instruments, that are not held for trading nor contingent consideration recognized by the Company as acquirer in a business combination, for which the Company makes an irrevocable election at initial recognition to present changes in fair value on subsequent measurement in other comprehensive income.

##### **(c) Financial assets at fair value through profit or loss**

These are financial assets which have not been classified as 'financial assets at amortized cost' or as 'financial assets at fair value through other comprehensive income', are mandatorily measured at fair value through profit or loss or for which the Company makes an irrevocable election at initial recognition to designate as 'financial asset at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

##### **(d) Financial liabilities at amortized cost**

These are financial liabilities which are not derivatives, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

##### **(e) Financial liabilities at fair value through profit or loss**

These are financial liabilities which have not been classified as 'financial liabilities at amortized cost' or for which the Company makes an irrevocable election at initial recognition to designate as 'financial liabilities at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

eliminates or significantly reduces a measurement or recognition inconsistency.

### 5.5.3 Measurement

The particular measurement methods adopted are disclosed in individual policy statements associated with each financial instrument.

### 5.5.4 Derecognition

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or a discharged or cancelled.

### 5.5.5 Off-setting

A financial asset and financial liability is offset and the net amount reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 5.5.6 Regular way purchases or sales of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### 5.6 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

### 5.7 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

### 5.8 Leases as 'lessee'

The Company assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for the short-term leases and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent to initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized using straight-line method over the shorter of lease term and useful life of the right-of-use asset, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of operating fixed assets. In addition, the right-of-use asset is adjusted for certain remeasurements of the related lease liability.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in measurement of lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Subsequent to initial recognition, lease liability is measured at amortized cost using effective interest method whereby the carrying amount of lease liability is increased to reflect the interest thereon and decreased to reflect lease payments made. Interest is recognized in profit or loss.

Lease liability is remeasured whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the related right-of-use asset, except where the carrying amount of right-of-use asset is reduced to zero. In that case, any adjustment exceeding the carrying amount of the right-of-use asset is recognized in profit or loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments

### 5.9 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

### 5.10 Trade and other payables

#### 5.10.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

#### 5.10.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

### 5.11 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

### 5.12 Trade and other receivables

#### 5.12.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade debts that do not have a significant financing component, which are measured at undiscounted invoice price. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

#### 5.12.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 5.13 Contracts with customers

#### 5.13.1 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue from a contract with customer when the Company satisfies an obligation specified in that contract. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Yarn and Waste	Performance obligations are satisfied when goods are dispatched to the customers. Invoices are generated at that point in time and are usually payable within a period ranging from 30 days to 120 days. There are no customer loyalty programs or warranty provisions. However, some contracts allow for return of goods if those do not meet the requirements or specifications provided in the contract.	Revenue is recognised at a point in time when the goods are dispatched to customers.

#### 5.13.2 Contract assets

Contract assets represent work performed upto the reporting date which has not been invoiced to customers because the related performance obligations remain partially unsatisfied as at the reporting date.

#### 5.13.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

### 5.14 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

### 5.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

### 5.16 Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The amount of grant is recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the tenure of loan.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 5.17 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in statement of comprehensive income.

#### 5.17.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

#### 5.17.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 5.18 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

### 5.19 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. Interest income on cash and cash equivalents is recognized using effective interest method.

### 5.20 Segment reporting

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Company is a single operating segment based on internal reporting to the Chief Executive Officer of the Company.

### 5.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

### 5.22 Impairment

#### 5.22.1 Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

### 5.22.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

### 5.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

### 5.24 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### 6 AUTHORIZED SHARE CAPITAL

30-Jun-22	30-Jun-21		30-Jun-22	30-Jun-21
No. of shares	No. of shares		Rupees	Rupees
35,000,000	35,000,000	Ordinary shares of Rs. 10 each	350,000,000	350,000,000
35,000,000	35,000,000		350,000,000	350,000,000

### 7 ISSUED SHARE CAPITAL

30-Jun-22	30-Jun-21		30-Jun-22	30-Jun-21
No. of shares	No. of shares		Rupees	Rupees
		Ordinary shares of Rs. 10 each		
13,275,000	13,275,000	Issued for cash	132,750,000	132,750,000
16,565,607	16,565,607	Issued as consideration on merger	165,656,070	165,656,070
29,840,607	29,840,607		298,406,070	298,406,070
			30-Jun-22	30-Jun-21
			Rupees	Rupees

### 8 REVALUATION RESERVE

As at beginning of the year	61,392,820	57,755,154
Surplus recognized during the year		
Surplus for the year	-	5,578,551
Deferred taxation	-	(1,051,736)
	-	4,526,815
Incremental depreciation transferred to accumulated profits		
Incremental depreciation for the year	(1,371,040)	(1,252,322)
Deferred taxation	397,602	363,173
	(973,438)	(889,149)
As at end of the year	60,419,382	61,392,820

### 9 LOAN FROM DIRECTORS AND OTHER SHAREHOLDERS

This represents loan obtained from directors of the Company and other shareholders. The loan is unsecured.

The loan is subordinate to long term finances (see note 10) and short term borrowings (see note 17) of the Company. Accordingly the loan matures on 29 October 2025 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% (30-Jun-21: 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 year, interest amounting to Rs. 48.47 million (30-Jun-21: Rs. 28.13 million) was waived by the lenders at their sole discretion.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>10 LONG TERM FINANCES</b>			
These represent long term finances utilized under interest arrangements from banking companies			
Term Finances ['TF']			
TF - I	10.1	18,942,446	24,354,527
Refinance Scheme ['RS']			
RS - I	10.2	19,718,834	57,231,005
Temporary Economic Refinancing Facilities ['TERF']			
TERF - I	10.3	12,369,104	14,885,763
TERF - II	10.4	57,239,513	63,408,002
		69,608,617	78,293,765
		108,269,897	159,879,297
Current maturity presented under current liabilities	19	(44,315,314)	(51,622,842)
		63,954,583	108,256,455

10.1 TF - I 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 other shareholders and personal guarantees of the Company's Directors. The finance carries interest at three months KIBOR plus 2.5% (30-Jun-21: three months KIBOR plus 2.5%) per annum, payable quarterly. The finance was originally repayable in twenty eight unequal instalments with the first instalment due on January 2018. Subsequently, repayment of the finance was rescheduled, whereby the outstanding liability is repayable in eighteen equal instalments commencing from July 2021.

10.2 RS - I has been obtained from MCB Bank Limited for payments of wages and salaries to workers and employees under SBP's scheme and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and other shareholders and personal guarantees of the Company's Directors. The finance carries interest at a below-market rate of 3% per annum, payable quarterly. The finance is repayable in eight equal installments with the first installment due on March 2021. The amortised cost of this finance has been determined using a discount rate of 10.26% being the prevailing market rate of interest for the similar instruments at the date of disbursement. The difference between the amortised cost and face value has been recognized as deferred grant (see note 15). The details are as follow.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
Face value of finance		19,999,440	59,998,312
Unamortized deferred grant	15	(280,606)	(2,767,307)
		19,718,834	57,231,005

10.3 TERF - I has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and subordination of loan from directors and other shareholders. The finance carries interest at a below-market rate of 3.75% per annum, payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in December 2021. The amortized cost of this finance has been determined using a discount rate of 11.14% being the prevailing market rate of interest for similar instruments at the date of disbursement. The difference between the amortised cost and face value has been recognized as deferred grant (See note 15). The details are as follows:

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
Face value of finance		13,212,875	16,262,000
Unamortized deferred grant	15	(843,771)	(1,376,237)
		12,369,104	14,885,763



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- 10.4 TERF - II has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and subordination of loan from directors and other shareholders. The finance carries interest at a below-market rate of 3.75% per annum, payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in January 2022. The amortized cost of this finance has been determined using a discount rate of 11.18% being the prevailing market rate of interest for similar instruments at the date of disbursement. The difference between the amortised cost and face value has been recognized as deferred grant (See note 15). The details are as follows:

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
Face value of finance		60,731,124	69,407,000
Unamortized deferred grant	15	(3,491,611)	(5,998,998)
		57,239,513	63,408,002

- 10.5 For mortgages and charges on assets as security for liabilities, refer to note 47 to the financial statements.

### 11 LONG TERM DEPOSITS

These represent interest free security deposits from yarn dealers and are repayable on cancellation or withdrawal of dealership. These are being utilized by the Company in accordance with the terms of dealership agreements. These are classified as 'financial liabilities at amortized cost' under IFRS 9 'Financial Instruments' which are required to be carried at amortized cost. However, since the date of repayment cannot be reasonably ascertained, these deposits have been carried at cost as their amortized cost is impracticable to determine.

### 12 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on statement of financial position represents present value of defined benefit obligation.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>12.1 Movement in present value of defined benefit obligation</b>			
As at beginning of the year		84,946,625	84,313,128
Charged to profit or loss for the year	12.2	23,597,506	20,711,591
Benefits paid during the year		(18,506,347)	(20,992,465)
Remeasurements recognized in other comprehensive income	12.4	16,810,409	914,371
As at end of the year		106,848,193	84,946,625
<b>12.2 Charge to profit or loss</b>			
Current service cost		16,028,161	14,437,155
Interest cost		7,569,345	6,274,436
		23,597,506	20,711,591
<b>12.3 The charge to profit or loss has been allocated as follows</b>			
Cost of sales	30.2	17,712,984	17,948,983
Selling and distribution expenses	31.1	625,489	433,067
Administrative expenses	32.1	5,259,033	2,329,541
		23,597,506	20,711,591

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30-Jun-22	30-Jun-21
	Rupees	Rupees
<b>12.4 Remeasurements recognized in other comprehensive income</b>		
Actuarial loss arising from changes in:		
Demographic assumptions	-	-
Financial assumptions	-	-
Experience adjustments	16,810,409	914,371
	<b>16,810,409</b>	<b>914,371</b>

### 12.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries, TRT Associates Actuaries and Management Consultants. The principal assumptions used in determining present value of defined benefit obligation are:

	30-Jun-22	30-Jun-21
Discount rate	13.25%	10.00%
Expected rates of increase in salary	12.25%	9.00%

### 12.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is nine years.

### 12.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending 30 June 2023 amounts to Rs. 32.879 million.

### 12.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	30-Jun-22		30-Jun-21	
	Change in actuarial assumption	Defined benefit obligation Rupees	Change in actuarial assumption	Defined benefit obligation Rupees
Discount rate	+ 1%	97,694,358	+ 1%	77,671,036
	- 1%	116,856,860	- 1%	92,905,785
Expected rate of increase in salary	+ 1%	116,859,731	+ 1%	92,903,731
	- 1%	97,695,558	- 1%	77,670,082

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

### 12.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

**Interest risk:** The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on government bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease the defined benefit liability.

**Longevity risk:** The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**Salary risk:** The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

### 13 LONG TERM PAYABLES

This represents cess levied, through the Gas Infrastructure Development Cess [GIDC] Act, 2011 later re-imposed by the Gas Infrastructure Development Cess Act, 2015. According to the decision of the Supreme Court of Pakistan, GIDC upto July 2020 would be recovered from consumers in equal monthly instalments with the first instalment due in September 2020. The liability is classified as 'financial liabilities at amortized cost' under IFRS 9 which is measured at amortized cost determined using a discount rate of 7.00%.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
Face value		20,337,623	21,184,030
Paid during the year		(18,157,740)	-
Unamortized notional interest	13.1	(25,474)	(871,881)
		2,154,409	20,312,149
Current portion presented under current liabilities		(2,154,409)	(18,157,740)
		-	2,154,409

#### 13.1 Unamortized notional interest

As at beginning of the year	871,881	-
Recognized during the year	-	1,724,527
Amortization for the year	(846,407)	(852,646)
As at end of the year	25,474	871,881

### 14 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	14.1	243,682,919	238,293,051
Deferred tax asset on deductible temporary differences	14.1	(134,909,725)	(118,922,351)
		108,773,194	119,370,700

#### 14.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30-Jun-22			
	As at 01-Jul-21 Rupees	Recognized in profit or loss Rupees	Recognized in equity Rupees	As at 30-Jun-22 Rupees
<b>Deferred tax liabilities</b>				
Operating fixed assets	238,293,051	5,389,868	-	243,682,919
Right-of-use assets	-	-	-	-
	238,293,051	5,389,868	-	243,682,919
<b>Deferred tax assets</b>				
Employees retirement benefits	(24,634,521)	(1,476,436)	(4,875,019)	(30,985,976)
Impairment allowance for expected credit losses	(1,023,813)	42,756	-	(981,057)
Unused tax losses and credits	(93,264,017)	(9,678,675)	-	(102,942,692)
	(118,922,351)	(11,112,355)	(4,875,019)	(134,909,725)
	119,370,700	(5,722,487)	(4,875,019)	108,773,194



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30-Jun-21			
	As at 01-Jul-20 Rupees	Recognized in profit or loss Rupees	Recognized in equity Rupees	As at 30-Jun-21 Rupees
<b>Deferred tax liabilities</b>				
Operating fixed assets	220,271,899	16,969,416	1,051,736	238,293,051
Right-of-use assets	16,583,368	(16,583,368)	-	-
	236,855,267	386,048	1,051,736	238,293,051
<b>Deferred tax assets</b>				
Employees retirement benefits	(24,450,807)	81,454	(265,168)	(24,634,521)
Impairment allowance for expected credit losses	(1,272,425)	248,612	-	(1,023,813)
Unused tax losses and credits	(92,500,090)	(763,927)	-	(93,264,017)
	(118,223,322)	(433,861)	(265,168)	(118,922,351)
	118,631,945	(47,813)	786,568	119,370,700

14.2 Deferred tax has been calculated at 29% (30-Jun-21: 29%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

### 15 DEFERRED GRANT

The State Bank of Pakistan ['SBP'] through IH&SMEFD circular no. 1 of 2020 dated 17 March 2020, introduced a 'Temporary Economic Refinance Facility' ['TERF']. Further SBP through IH&SMEFD circular no. 6 of 2020 dated 10 April 2020, introduced a 'Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concern' ['the Refinance Scheme']. The purpose of these schemes was to provide relief to dampen the effects of COVID - 19 by providing loans at interest rates that are below normal lending rates.

The Company obtained financing of Rs. 79.998 million under the Refinance Scheme (see note 10.2) and of Rs. 85.669 million under TERF (see note 10.3, 10.4). The benefit of below market interest rates, measured as the difference between the fair value of loan on the date of disbursement and its face value on that date has been recognised as deferred grant.

The movement during the year is as follows:

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
As at beginning of the year		10,142,542	7,734,122
Recognized during the year	10.2	-	8,220,592
Amortized during the year		(5,526,554)	(5,812,172)
As at end of the year		4,615,988	10,142,542
Current maturity presented under current liabilities	19	(2,513,458)	(5,307,999)
		2,102,530	4,834,543

### 16 TRADE AND OTHER PAYABLES

Trade creditors	16.1	233,356,907	108,056,169
Bills payable		25,097,267	-
Accrued liabilities		153,193,400	110,924,114
Advances from customers		86,518,326	84,578,529
Workers' Profit Participation Fund	16.2	7,974,854	12,285,634
Workers' Welfare Fund	16.3	2,933,710	4,422,828
Deductions against vehicle scheme	16.4	3,415,905	2,606,607
Sales tax payable		-	26,542,632
Other payables	16.5	23,136,071	19,456,817
		535,626,440	368,873,330

16.1 Trade creditors include an amount of Rs. 9,812,270 (30-Jun-21: 7,566,750) due to a related party against rent of generator.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>16.2 Workers' Profit Participation Fund</b>			
As at beginning of the year		12,285,634	6,105,609
Interest on funds utilized by the Company	16.2.1	1,252,246	194,143
Charged to profit or loss for the year	35	7,974,854	12,285,634
Reversal of excess liability	33	-	(235,653)
Paid during the year		(13,537,880)	(6,064,099)
As at end of the year		7,974,854	12,285,634

16.2.1 Interest is charged at 14.42% (30-Jun-21: 9.85%) per annum.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>16.3 Workers' Welfare Fund</b>			
As at beginning of the year		4,422,828	-
Charged to profit or loss for the year	35	2,933,710	4,422,828
Prior year		300,016	-
Paid during the year		(4,722,844)	-
As at end of the year		2,933,710	4,422,828

16.4 These represent deductions from employees' salaries on account of vehicle scheme whereby the Company and employees share a portion of the cost of vehicle. The vehicles are registered in the name of employee or leasing company in case of leased vehicles. The cost of vehicles is borne by the Company initially and is recovered from employees on monthly basis.

16.5 These include withholding tax payable amounting to Rs. 5.81 million (30-Jun-21: Rs. 16.33 million) which have been paid in subsequent period.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
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### 17 SHORT TERM BORROWINGS

#### Secured

These represent short term finances utilized under interest arrangements from banking companies

Running finances	17.1	404,805,220	234,553,183
Term loans	17.1	41,447,000	49,217,000
		446,252,220	283,770,183

#### Unsecured

Loan from director	17.2	102,000,000	102,000,000
		548,252,220	385,770,183

17.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets and operating fixed assets of the Company, pledge of stock, subordination of loan from directors and their family members and personal guarantees of the Company's Directors.

These finances carry interest at rates ranging from one to three months KIBOR plus 2.5% (30-Jun-21: one to three months KIBOR plus 2 % to 2.5%) per annum, payable quarterly.

The aggregate available short term funded facilities amounts to Rs. 845 million (30-Jun-21: Rs. 795 million) out of which Rs. 398.78 million (30-Jun-21: Rs. 511.23 million) remained Unavailed as at the reporting date.

17.2 This represents temporary loan obtained from director of the Company. The loan is unsecured and interest free.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	<i>Note</i>	<b>30-Jun-22</b> <i>Rupees</i>	<b>30-Jun-21</b> <i>Rupees</i>
<b>18 CURRENT TAXATION</b>			
Provision for taxation	36	60,750,052	57,340,382
Advance income tax/income tax refundable		(47,675,714)	(54,113,814)
		<b>13,074,338</b>	<b>3,226,568</b>
<b>19 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term finances	10	44,315,314	51,622,842
Gas infrastructure development cess	13	2,154,409	18,157,740
Deferred grant	15	2,513,458	5,307,999
		<b>48,983,181</b>	<b>75,088,581</b>
<b>20 CONTINGENCIES AND COMMITMENTS</b>			
<b>20.1 Contingencies</b>			
20.1.1 Various banking companies have issued guarantees on behalf of the Company as detailed below:			
		<b>30-Jun-22</b> <i>Rupees</i>	<b>30-Jun-21</b> <i>Rupees</i>
Bank guarantees		77,980,000	80,980,000
20.1.2 The Company may have to indemnify its Directors for any loss that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.			
<b>20.2 Commitments</b>			
20.2.1 Commitments under irrevocable letters of credit for:			
		<b>30-Jun-22</b> <i>Rupees</i>	<b>30-Jun-21</b> <i>Rupees</i>
- purchase of raw material		324,695,705	319,234,733
- purchase of stores and spares		5,037,074	17,391,946
		<b>329,732,779</b>	<b>336,626,679</b>
20.2.2 Commitments for capital expenditure		<b>4,000,000</b>	<b>5,000,000</b>
20.2.3 Commitments under short term leases			
(a) Rented office premises			
The Company has rented office premises under short term leases 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:			
		<b>30-Jun-22</b> <i>Rupees</i>	<b>30-Jun-21</b> <i>Rupees</i>
- payments not later than one year		2,617,218	2,243,846
- payments later than one year		-	-
		<b>2,617,218</b>	<b>2,243,846</b>



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### (b) Rented generator

The Company has rented generator under short term leases 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:

	<i>Note</i>	<b>30-Jun-22</b>	<b>30-Jun-21</b>
		<i>Rupees</i>	<i>Rupees</i>
- payments not later than one year		8,000,000	8,000,000
- payments later than one year		-	-
		<b>8,000,000</b>	<b>8,000,000</b>

### 21 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	21.1	1,247,694,460	1,204,171,770
Capital work in progress	21.2	22,880,020	76,831,061
		<b>1,270,574,480</b>	<b>1,281,002,831</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2022

### 21.1 Operating fixed assets

	30-Jun-22												
	COST / REVALUED AMOUNTS						DEPRECIATION						Net book
	As at 01-Jul-21	Additions	Revaluation	Disposals	Transfers	As at 30-Jun-22	Rate	As at 01-Jul-21	Revaluation	For the year	Adjustment	As at 30-Jun-22	value as at 30-Jun-22
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Freehold land	101,370,000	-	-	-	-	101,370,000	-	-	-	-	-	-	101,370,000
Buildings	335,658,273	-	-	-	1,006,211	336,664,484	5	196,558,273	-	6,996,925	-	203,555,198	133,109,286
Plant and machinery	1,837,059,230	-	-	(11,335,422)	101,976,710	1,927,700,518	5	898,084,230	-	50,571,387	(6,791,963)	941,863,654	985,836,864
Services and other equipment	2,976,737	-	-	-	-	2,976,737	10	2,489,813	-	48,692	-	2,538,505	438,232
Office equipment	9,529,233	-	-	-	-	9,529,233	10	7,759,518	-	176,972	-	7,936,490	1,592,743
Furniture and fixtures	7,627,523	-	-	-	-	7,627,523	10	6,927,286	-	70,024	-	6,997,310	630,213
Scooters and cycles	49,355	-	-	-	-	49,355	20	49,126	-	46	-	49,172	183
Arms and ammunitions	122,790	-	-	-	-	122,790	10	82,780	-	4,001	-	86,781	36,009
Vehicles	48,498,414	9,327,155	-	(3,875,000)	-	53,950,569	20	26,768,759	-	5,731,180	(3,230,300)	29,269,639	24,680,930
	2,342,891,555	9,327,155	-	(15,210,422)	102,982,921	2,439,991,209		1,138,719,785	-	63,599,227	(10,022,263)	1,192,296,749	1,247,694,460



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2022

	30-Jun-21												
	COST / REVALUED AMOUNTS						DEPRECIATION						
	As at 01-Jul-20 Rupees	Additions Rupees	Revaluation Rupees	Disposals Rupees	Transfers Rupees	As at 01-Jul-21 Rupees	Rate %	As at 01-Jul-20 Rupees	Revaluation Rupees	For the year Rupees	Adjustment Rupees	As at 01-Jul-21 Rupees	Net book value as at 01-Jul-21 Rupees
Freehold land	99,418,125	-	1,951,875	-	-	101,370,000	-	-	-	-	-	-	101,370,000
Buildings	326,906,844	-	8,751,429	-	-	335,658,273	5	184,303,345	5,124,753	7,130,175	-	196,558,273	139,100,000
Plant and machinery	1,709,299,805	-	5,967,675	-	121,791,750	1,837,059,230	5	824,970,800	2,917,421	45,409,586	24,786,423	898,084,230	938,975,000
Services and other equipment	2,976,737	-	-	-	-	2,976,737	10	2,435,710	-	54,103	-	2,489,813	486,924
Office equipment	9,517,420	454,626	-	(442,813)	-	9,529,233	10	7,653,003	-	193,140	(86,625)	7,759,518	1,769,715
Furniture and fixtures	7,627,523	-	-	-	-	7,627,523	10	6,849,482	-	77,804	-	6,927,286	700,237
Scooters and cycles	49,355	-	-	-	-	49,355	20	49,069	-	57	-	49,126	229
Arms and ammunitions	122,790	-	-	-	-	122,790	10	78,335	-	4,445	-	82,780	40,010
Vehicles	41,764,012	12,698,530	-	(5,964,128)	-	48,498,414	20	28,068,187	-	3,406,834	(4,706,262)	26,768,759	21,729,655
	2,197,682,611	13,153,156	16,670,979	(6,406,941)	121,791,750	2,342,891,555		1,054,407,931	8,042,174	56,276,144	19,993,536	1,138,719,785	1,204,171,770

21.1.1 Freehold land of the Company is located at District Kasur with a total area of 311 Kanal 18 Marla (30-Jun-21: 311 Kanal 18 Marla).

21.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use and those from right-of-use assets on transfer of title to the Company at the end of lease term.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

### 21.1.3 Disposal of operating fixed assets

30-Jun-22						
	Cost/revalued amount	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal
	Rupees	Rupees	Rupees	Rupees	Rupees	Particulars of buyer
<b>Plant and machinery</b>						
Ring Frames	5,479,805	3,292,885	2,186,920	2,287,179	100,259	Negotiation
Ring Frames	5,855,617	3,499,078	2,356,539	2,287,179	(69,360)	Negotiation
<b>Vehicles</b>						
Toyota Hilux Vigo	3,875,000	3,230,300	644,700	2,000,000	1,355,300	Negotiation
	15,210,422	10,022,263	5,188,159	6,574,358	1,386,199	Kaleem Mehmood (employee), Lahore.

30-Jun-21						
	Cost/revalued amount	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal
	Rupees	Rupees	Rupees	Rupees	Rupees	Particulars of buyer
<b>Office equipment</b>						
Laptop R-897	442,813	86,625	356,188	-	(356,188)	Negotiation
<b>Vehicles</b>						
Honda Civic	2,387,550	1,865,982	521,568	521,568	-	Book value
Suzuki Cultus	1,102,363	915,683	186,680	186,680	-	Book value
Suzuki Cultus	1,061,475	857,418	204,057	204,057	-	Book value
Honda City	1,365,740	1,037,554	328,186	328,186	-	Book value
Honda CD - 70	47,000	29,625	17,375	17,375	-	Book value
	5,964,128	4,706,262	1,257,866	1,257,866	(356,188)	Muhammad Shamil (employee), Lahore. Javed Maan (employee), Sheikhpura. Noman Maqbool (employee), Lahore. Aslam Kamal (employee), Lahore. Muhammad Asghar (employee), Lahore.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
21.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	30	57,617,004	55,533,263
Administrative expenses	32	5,982,223	3,682,280
		63,599,227	59,215,543

21.1.5 Most recent valuation of land, building, plant and machinery was carried out by an independent valuer Messrs Star Tech Consultants as on 30 June 2021. For basis of valuation and other fair value measurement disclosures, refer to note 46.

Had there been no revaluation, the cost, accumulated depreciation and net book values of revalued items would have been as follows:

	30-Jun-22		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	243,357,241	137,303,917	106,053,324
Plant and machinery	2,000,366,170	911,324,426	1,089,041,744
	30-Jun-21		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	243,357,241	131,678,031	111,679,210
Plant and machinery	1,909,724,882	862,092,855	1,047,632,027

21.1.6 As per most recent valuation, forced sale values of freehold land, buildings on freehold land and plant and machinery are as follows:

	Rupees
Freehold land	81,095,000
Building on freehold land	104,325,000
Plant and machinery	657,280,000
	842,700,000

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 21.2 Capital work in progress

	30-Jun-22			As at 30-Jun-21 Rupees
	As at 01-Jul-20 Rupees	Additions Rupees	Transfers Rupees	
Building	1,006,211	-	(1,006,211)	-
Plant and machinery	75,824,850	49,031,880	(101,976,710)	22,880,020
	76,831,061	49,031,880	(102,982,921)	22,880,020

	30-Jun-21			As at 30-Jun-20 Rupees
	As at 01-Jul-19 Rupees	Additions Rupees	Transfers Rupees	
Building	-	1,006,211	-	1,006,211
Plant and machinery	-	105,223,996	(29,399,146)	75,824,850
	-	106,230,207	(29,399,146)	76,831,061

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2022

### 22 RIGHT-OF-USE ASSETS

30-Jun-22										
	COST				Rate	DEPRECIATION				Net book value as at 30-Jun-22
	As at 01-Jul-21	Additions	Disposals	Transfers		As at 01-Jul-21	For the year	Adjustment	As at 30-Jun-22	
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Plant and machinery	-	-	-	-	5	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

30-Jun-21										
	COST				Rate	DEPRECIATION				Net book value as at 01-Jul-21
	As at 01-Jul-20	Additions	Disposals	Transfers		As at 01-Jul-20	For the year	Adjustment	As at 01-Jul-21	
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Plant and machinery	92,392,604	-	-	(92,392,604)	5	21,847,024	2,939,399	(24,786,423)	-	-
	92,392,604	-	-	(92,392,604)	-	21,847,024	2,939,399	(24,786,423)	-	-

22.1 Depreciation for the year is charged to cost of sales



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>23 LONG TERM DEPOSITS</b>			
Financial institutions		8,136,476	7,690,976
Others	23.1	13,036,410	13,336,410
		<b>21,172,886</b>	<b>21,027,386</b>
23.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.			
	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>24 STOCK IN TRADE</b>			
Raw material	24.1	261,942,482	313,131,219
Work in process		72,885,323	41,226,160
Finished goods	24.2	485,497,220	261,779,256
		<b>820,325,025</b>	<b>616,136,635</b>
24.1 These include stock in transit valued at Rs. 67,776,932 (30-Jun-21: Rs. 28,698,875).			
24.2 Stock of finished goods include stock of waste valued at net realizable value of Rs. 28,568,074 (30-Jun-21: Rs. 14,671,834).			
24.3 Finished goods as at 30 June 2022 include yarn valued at net realizable value of Rs. 8,837,102 (30-Jun-21: 3,243,075) resulting in a write down of Rs. 8,478,666 (30-Jun-21: 39,505) recognized in cost of sales.			
24.4 Details of stock pledged as security are referred to in note 47 to the financial statements.			
	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>25 TRADE RECEIVABLES</b>			
Trade receivables		245,226,865	22,442,395
Impairment allowance for expected credit losses	25.1	(3,382,956)	(3,530,388)
		<b>241,843,909</b>	<b>18,912,007</b>
25.1 Impairment allowance for expected credit losses			
As at beginning of the year		3,530,388	4,387,671
Recognized during the year	44.1.6	-	376,599
Reversal during the year	44.1.6	(147,432)	(1,233,882)
As at end of the year		<b>3,382,956</b>	<b>3,530,388</b>
<b>26 SHORT TERM DEPOSITS</b>			
These represent deposits with banking companies against under lien with providers of debt finances.			
	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>27 ADVANCES AND OTHER RECEIVABLES</b>			
Advances to suppliers		8,097,557	4,504,696
Advances to employees	27.1	5,593,863	5,542,583
Prepayments		4,197,876	3,138,580
Letters of credit		-	12,583,172
Sales tax refundable		3,410,737	-
		<b>21,300,033</b>	<b>25,769,031</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

27.1 These represent advances to employees against future salaries and post employment benefits in accordance with the Company policy.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>28 CASH AND BANK BALANCES</b>			
Cash in hand		615,817	413,122
Cash at banks			
Current accounts - local currency		40,701,411	98,671,517
Current accounts - foreign currency		5,722,802	4,433,025
		46,424,213	103,104,542
		47,040,030	103,517,664
<b>29 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b>			
Yarn		5,667,721,754	4,307,123,836
Waste		104,607,459	53,631,475
		5,772,329,213	4,360,755,311
Sales tax		(912,324,989)	(707,292,615)
		4,860,004,224	3,653,462,696
<b>30 COST OF SALES</b>			
Raw material consumed	30.1	3,568,956,179	2,277,079,565
Power and fuel		624,468,705	472,881,221
Stores and spares consumed		127,062,051	109,438,029
Salaries, wages and benefits	30.2	391,511,565	346,168,377
Entertainment		1,157,651	1,049,650
Insurance		4,814,395	3,850,500
Repair and maintenance		33,481,707	46,007,443
Traveling and conveyance		128,194	135,584
Vehicle running and maintenance		2,157,859	1,810,601
Depreciation	21.1.4 & 22.1	57,617,004	55,533,263
Others		1,538,296	2,114,244
Manufacturing cost		4,812,893,606	3,316,068,477
Work in process			
As at beginning of the year		41,226,160	52,754,805
As at end of the year		(72,885,323)	(41,226,160)
		(31,659,163)	11,528,645
Cost of goods manufactured		4,781,234,443	3,327,597,122
Finished goods			
As at beginning of the year		261,779,256	207,853,345
As at end of the year		(485,497,220)	(261,779,256)
		(223,717,964)	(53,925,911)
		4,557,516,479	3,273,671,211
<b>30.1 Raw material consumed</b>			
As at beginning of the year		313,131,219	595,101,680
Purchased during the year		3,517,767,442	1,995,109,104
As at end of the year		(261,942,482)	(313,131,219)
		3,568,956,179	2,277,079,565

30.2 These include charge in respect of employees retirement benefits amounting to Rs. 17,712,984 (30-Jun-21: Rs. 17,948,983).

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>31 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits	31.1	3,712,129	3,320,707
Commission		11,065,224	2,308,858
Vehicle running and maintenance		167,600	155,606
Others		392,272	158,480
		<b>15,337,225</b>	<b>5,943,651</b>

31.1 These include charge in respect of employees retirement benefits amounting to Rs. 625,489 (30-Jun-21: Rs. 433,067).

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>32 ADMINISTRATIVE EXPENSES</b>			
Directors' meeting fee		90,000	60,000
Salaries and benefits	32.1	38,677,233	32,518,398
Rent, rates and utilities		5,921,028	5,490,220
Printing and stationery		683,832	758,078
Communication		1,286,214	2,961,682
Repair and maintenance		772,770	934,633
Vehicles running and maintenance		2,292,793	1,414,023
Fee and subscription		1,778,202	1,534,003
Traveling and conveyance		2,740,124	1,571,652
Legal and professional		315,000	2,432,000
Auditor's remuneration	32.2	975,000	975,000
Entertainment		773,161	582,837
Insurance		1,786,881	1,628,000
Depreciation	21.1.4	5,982,223	3,682,280
Others		4,090,855	3,007,445
		<b>68,165,316</b>	<b>59,550,251</b>

32.1 These include charge in respect of employees retirement benefits amounting to Rs. 5,259,033 (30-Jun-21: Rs. 2,329,541).

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>32.2 Auditor's remuneration</b>			
Annual statutory audit		750,000	750,000
Limited scope review		125,000	125,000
Review report on corporate governance		75,000	75,000
Out of pocket expenses		25,000	25,000
		<b>975,000</b>	<b>975,000</b>

### 33 OTHER INCOME

#### Gain on financial instruments

Exchange gain

1,326,313

-

#### Other income

Gain on disposal of property, plant and equipment

1,386,199

-

Reversal of impairment allowance on plant and machinery

21.1

-

3,050,254

Reversal of excess liability

16

-

235,653

**1,386,199**

**3,285,907**

**2,712,512**

**3,285,907**



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>34 FINANCE COST</b>			
Interest on borrowings:			
loan from directors and other shareholders		48,470,829	28,130,629
long term finances		6,671,483	13,032,037
short term borrowings		52,625,086	52,868,158
Interest waived	34.1	(48,470,829)	(28,130,629)
		59,296,569	65,900,195
Interest on lease liabilities		-	483,950
Interest on workers' profit participation fund	16.2	1,252,246	194,143
Bank charges and commission		3,051,494	2,782,827
		63,600,309	69,361,115

34.1 This represents interest on loan obtained from directors and their family members which has been waived off by the lenders at their sole discretion.

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>35 OTHER CHARGES</b>			
Loss on financial instruments			
Exchange loss		-	295,633
Other expenses			
Workers' Profit Participation Fund	16.2	7,974,854	12,285,634
Workers' Welfare Fund	16.3	2,933,710	4,422,828
Loss on disposal of property, plant and equipment		-	356,188
		10,908,564	17,064,650
		10,908,564	17,360,283

<b>36 PROVISION FOR TAXATION</b>			
Current taxation			
for current year	36.1	60,750,052	57,340,382
for prior year		894,419	-
		61,644,471	57,340,382
Deferred taxation	14.1		
for current year		(5,722,487)	(47,813)
adjustment attributable to changes in tax rates		-	-
		(5,722,487)	(47,813)
		55,921,984	57,292,569

36.1 Provision for taxation has been made under section 113 (30-Jun-21: section 18) of the Income Tax Ordinance, 2001 [the Ordinance]. There is no relationship between aggregate tax expense and accounting profit for year ended 30 June 2022. Accordingly no numerical reconciliation has been presented for year ended 30 June 2022. Reconciliation between average effective tax rate and applicable tax rate for the year ended 30 June 2021 is as follows:

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Unit	30-Jun-21
Profit before taxation	Rupees	231,719,375
Provision for taxation	Rupees	57,292,569
Average effective tax rate	%	24.72
Tax effects of:		
Adjustments for prior years	%	-
Admissible deductions, losses and tax credits	%	4.25
Deferred taxation	%	0.02
Applicable tax rate	%	29.00

- 36.2 The income tax assessments of the Company up to and including tax year 2021 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance except as referred to in note 36.3 and 36.4.
- 36.3 In respect of tax year 2015, the Company received a notice under section 124, 129 and 122(1) vide order dated 20 June 2022 by Deputy Commission Inland Revenue (Audit) ['DCIR(A)'], to finalize the set aside proceedings, by Commissioner Inland Revenue (Appeals) ['CIR (A)'], judicially on 24 June 2022. In compliance to notice, the proceedings were joined and request was filed to fully set aside the matter. The subject matter is still pending at Federal Board of Revenue's end.
- 36.4 In respect of tax year 2021 the Company received notice under section 122(5A) vide order dated 24 June 2022 by Additional Commission Inland Revenue (Audit) ['ACIR(A)'], where a tax demand of Rs. 11,485,533 was raised. The Company filed an appeal for stay before Commissioner Inland Revenue (Appeals) ['CIR (A)'] against this order in July 2022 and the CIR (A), through order dated 26 August 2022 granted the stay till 25 September 2022.

	Unit	30-Jun-22	30-Jun-21
Profit/(loss) attributable to ordinary shareholders	Rupees	91,414,291	174,426,806
Weighted average number of ordinary shares outstanding during the year	No. of shares	29,840,607	29,840,607
Earnings/(loss) per share - Basic	Rupees	3.06	5.85

### 37 EARNINGS PER SHARE - BASIC AND DILUTED

There is no anti-dilutive/dilutive effect on the basic (loss)/earning per share of the Company.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>38 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		147,336,275	231,719,375
Adjustments for non-cash and other items			
Finance cost		63,600,309	69,361,115
Foreign exchange (gain)/loss		(1,326,313)	295,633
Provision for employees retirement benefits		23,597,506	20,711,591
Impairment reversals for expected credit losses		(147,432)	(857,283)
Reversal of impairment allowance on plant and machinery		-	(3,050,254)
Gain on disposal of property, plant and equipment		(1,386,199)	356,188
Excess liability written back		-	(235,653)
Depreciation		63,599,227	59,215,543
		147,937,098	145,796,880
Operating profit before changes in working capital		295,273,373	377,516,255
Changes in working capital			
Stores and spares		(3,733,641)	(1,161,577)
Stock in trade		(204,188,390)	239,573,195
Trade receivables		(222,784,470)	17,351,117
Short term deposits		-	76,547,269
Advances and other receivables		4,468,998	19,237,026
Trade and other payables		166,753,110	(34,004,561)
Long term payables		(18,157,740)	20,312,149
		(277,642,133)	337,854,618
Cash generated from operations		17,631,240	715,370,873
<b>39 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	28	47,040,030	103,517,664
		47,040,030	103,517,664
<b>40 CHANGES FROM FINANCING CASH FLOWS</b>			
		30-Jun-22	
	Long term finances Rupees	Lease Liabilities Rupees	Short term borrowings Rupees
As at beginning of the year	159,879,297	-	385,770,183
Long term finances obtained	-	-	-
Repayment of long term finances	(57,135,954)	-	-
Loan accretion	5,526,554	-	-
Interest on lease liabilities	-	-	-
Payment of lease liabilities	-	-	-
Net increase in short term borrowings	-	-	162,482,037
As at end of the year	108,269,897	-	548,252,220



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30-Jun-21		
	Long term finances Rupees	Lease Liabilities Rupees	Short term borrowings Rupees
As at beginning of the year	269,287,154	13,361,551	675,711,452
Long term finances obtained	85,669,000	-	-
Repayment of long term finances	(192,668,437)	-	-
Deferred grant recognized	(8,220,592)	-	-
Loan accretion	5,812,172	-	-
Interest on lease liabilities	-	483,950	-
Payment of lease liabilities	-	(13,845,501)	-
Net decrease in short term borrowings	-	-	(289,941,269)
As at end of the year	159,879,297	-	385,770,183

### 41 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies, key management personnel ['KMP'] and their close relatives. 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 year 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	0.00%
M. Zeid Yousuf Saigol	Key management personnel	Chief Executive Officer	8.39%
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%
Samir Iqbal Saigol	Key management personnel	Director	0.004%
Arshad Ismail Khan	Key management personnel	Director	0.00%
Amber Haroon Saigol	Close relative of KMP	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 is as follows:

		30-Jun-22 Rupees	30-Jun-21 Rupees
<b>41.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transactions</b>		
Close relative of KMP	Interest expense	11,582,424	6,721,999
	Interest waived	11,582,424	6,721,999
Key management personnel	Short-term employee benefits	8,010,000	6,660,000
	Post employment benefits	3,099,191	2,097,796
	Interest expense	36,888,405	21,408,630
	Interest waived	36,888,405	21,408,630
Associated company	Generator rent	12,000,000	12,000,000

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

		30-Jun-22	30-Jun-21
		<i>Rupees</i>	<i>Rupees</i>
<b>41.2 Balances with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of balance</b>		
Close relative of KMP	Long term loans	63,534,966	63,534,966
Key management personnel	Long term loans	202,350,000	202,350,000
	Short term borrowings	102,000,000	102,000,000
	Short-term employee benefits payable	660,000	550,000
	Post employment benefits payable	14,119,711	11,020,520
Associated company	Generator rent payable	9,812,270	7,566,750

## 42 CONTRACTS WITH CUSTOMERS

### 42.1 Contract balances

The information about receivables and contract liabilities from contracts with customers is as follows:

<b>Nature of balance</b>	<b>Presented in financial statements as</b>	<b>Note</b>	30-Jun-22	30-Jun-21
			<i>Rupees</i>	<i>Rupees</i>
Receivables	Trade receivables	25	241,843,909	18,912,007
Contract liabilities	Advances from customers	16	86,518,326	84,578,529
			<b>328,362,235</b>	<b>103,490,536</b>

### 42.2 Changes in contract liabilities

Significant changes in contract liabilities are as follows:

	30-Jun-22	30-Jun-21
	<i>Rupees</i>	<i>Rupees</i>
As at beginning of the year	84,578,529	90,263,388
Revenue recognized against contract liability as at beginning of the year	(84,578,529)	(90,263,388)
Net increase due to cash received in excess of revenue recognized	86,518,326	84,578,529
As at end of the year	<b>86,518,326</b>	<b>84,578,529</b>

### 42.3 Impairment losses

The Company during the year has recognized Rs. nil (30-Jun-21: Rs. 376,599) as impairment allowance for expected credit losses on receivables (trade receivables) arising from the Company's contracts with customers. Further, impairment allowance amounting to Rs. 147,432 (30-Jun-21: Rs. 1,233,882) was reversed during the year on actual recovery. See note 25.1.

## 43 FINANCIAL INSTRUMENTS

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



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>43.1 Financial assets</b>			
<i>Cash in hand</i>	28	615,817	413,122
<i>Financial assets at amortized cost</i>			
Long term deposits	23	21,172,886	21,027,386
Trade receivables	25	241,843,909	22,442,395
Short term deposits	26	86,577,832	86,577,832
Advances to employees	27	5,593,863	5,542,583
Bank balances	28	46,424,213	103,104,542
		<b>402,228,520</b>	<b>239,107,860</b>
<b>43.2 Financial liabilities</b>			
<i>Financial liabilities at amortized cost</i>			
Loan from directors and other shareholders	9	265,884,966	265,884,966
Long term finances	10	108,269,897	159,879,297
Long term deposits	11	6,010,000	6,010,000
Short term borrowings	17	548,252,220	385,770,183
Accrued interest		17,029,466	11,977,202
Trade creditors	16	233,356,907	108,056,169
Accrued liabilities	16	153,193,400	110,924,114
Unclaimed dividend		485,351	485,351
		<b>1,332,482,207</b>	<b>1,048,987,282</b>

### 44 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

#### 44.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

##### 44.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade receivables to have low credit risk where the debtor has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade receivables: Lifetime ECL Other assets: 12-month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

### 44.1.2 Exposure to credit risk

Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>Financial assets at amortized cost</b>			
Long term deposits	23	21,172,886	21,027,386
Trade receivables	25	245,226,865	22,442,395
Advances to employees	27	5,593,863	5,542,583
Short term deposits	26	86,577,832	86,577,832
Bank balances	28	46,424,213	103,104,542
		<b>404,995,659</b>	<b>238,694,738</b>

### 44.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount Rupees	Loss allowance Rupees
Long term deposits	23	N/A	Performing	12-month ECL	21,172,886	-
Trade receivables	25	N/A	Performing	Lifetime ECL	241,843,909	-
		N/A	Doubtful	Lifetime ECL	3,382,956	3,382,956
					245,226,865	3,382,956
Advances to employees	27	N/A	Performing	12-month ECL	5,593,863	-
Short term deposits	26	A1+	N/A	12-month ECL	86,577,832	-
Bank balances	28	A3 - A1+	N/A	12-month ECL	46,424,213	-
					404,995,659	3,382,956

### (a) Long term deposits

Long term deposits comprise security deposits placed with various utility companies and regulatory authorities. These deposits are substantially perpetual with no determinable maturity date and will be due for refund only if the Company is wound up. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

### (b) Trade receivables

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade receivables by using internal credit risk gradings. As at the reporting date, all trade receivables are considered 'performing' as there is no significant increase in credit risk in respect of these receivables since initial recognition except for trade receivables amounting to Rs. 3,382,956 which are considered doubtful. The ageing analysis of trade receivables as at the reporting date is as follows:

	30-Jun-22 Rupees	30-Jun-21 Rupees
Neither past due nor impaired	124,985,034	8,863,714
Past due by upto 30 days	116,858,875	2,724,077
Past due by 31 days to 180 days	-	7,325,097
Past due by 181 days or more	3,382,956	3,529,507
	245,226,865	22,442,395

### (c) Advances to employees

Advances to employees have been given against future salaries and post-employment benefits. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

### (d) Short term deposits

These are deposited with banking companies against under lien with providers of debt finances. The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

### (e) Bank balances

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss. No credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

#### 44.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's one (30-Jun-21: four) significant customers account for Rs. 30.705 million (30-Jun-21: Rs. 16.373 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (30-Jun-21: 10%) of trade receivables as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 44.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets.

### 44.1.6 Changes in impairment allowance for expected credit losses

The changes in impairment allowance for expected credit losses are as follows:

	Note	30-Jun-22 Rupees	30-Jun-21 Rupees
As at beginning of the year		3,530,388	4,387,671
Impairment loss on trade receivables arising from contracts with customers recognized during the year	25.1	-	376,599
reversed during the year	25.1	(147,432)	(1,233,882)
Net change in impairment allowance		(147,432)	(857,283)
As at end of the year		3,382,956	3,530,388

### 44.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

#### 44.2.1 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

#### 44.2.2 Exposure to liquidity risk

The following presents the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The analysis have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest/profit rate curves at the reporting date.

	30-Jun-22				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from directors and other shareholders	265,884,966	475,836,695	48,470,829	427,365,866	-
Long term finances	108,269,897	122,835,126	51,907,234	70,927,892	-
Long term deposits	6,010,000	6,010,000	-	6,010,000	-
Short term borrowings	548,252,220	548,252,220	548,252,220	-	-
Accrued interest	17,029,466	17,029,466	17,029,466	-	-
Trade creditors	233,356,907	233,356,907	233,356,907	-	-
Accrued liabilities	153,193,400	153,193,400	153,193,400	-	-
Unclaimed dividend	485,351	485,351	485,351	-	-
	1,332,482,207	1,556,999,165	1,052,695,407	504,303,758	-



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30-Jun-21				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from directors and other shareholders	265,884,966	387,732,980	28,130,629	359,602,351	-
Long term finances	159,879,297	184,639,184	63,330,328	121,308,856	-
Long term deposits	6,010,000	6,010,000	-	6,010,000	-
Short term borrowings	385,770,183	385,770,183	385,770,183	-	-
Accrued interest	11,977,202	11,977,202	11,977,202	-	-
Trade creditors	108,056,169	108,056,169	108,056,169	-	-
Accrued liabilities	110,924,114	110,924,114	110,924,114	-	-
Unclaimed dividend	485,351	485,351	485,351	-	-
	1,048,987,282	1,195,595,183	708,673,976	486,921,207	-

### 44.3 Market risk

#### 44.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

##### (a) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

##### (b) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>Financial assets</b>		
Bank balances		
USD	5,722,802	4,433,025
	5,722,802	4,433,025
<b>Financial liabilities</b>	-	-
<b>Net balance sheet exposure</b>	5,722,802	4,433,025
Foreign currency commitments		
USD	(434,934,604)	(334,499,930)
EUR	(2,428,110)	(2,126,749)
	(437,362,714)	(336,626,679)
	(431,639,912)	(332,193,654)

##### (c) Exchange rates applied as at reporting date

The following spot exchange rates were applied as at reporting date.

	30-Jun-22 Rupees	30-Jun-21 Rupees
EUR	213.81	187.27
USD	204.85	157.54

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### (d) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US \$ would have decreased profit for the year by Rs. 0.572 million (30-Jun-21: Rs. 0.443 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

### 44.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rate

#### (a) Interest rate risk management

The Company manages interest rate risk by analysing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

#### (b) Interest bearing financial instruments

The effective interest rates for interest bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest bearing financial instruments as at the reporting date are as follows:

	30-Jun-22	30-Jun-21
	Rupees	Rupees
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	89,608,057	138,292,077
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	465,194,666	308,124,710

#### (c) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate instruments at fair value

#### (d) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year and retained earnings by Rs. 4.652 million (30-Jun-21: Rs. 3.081 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year and retained earnings. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

### 44.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

## 45 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances, loan from directors and family members and liabilities against assets subject to finance lease including current maturities. Total capital employed includes total equity, as shown in the statement of financial position, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Unit	30-Jun-22	30-Jun-21
Total debt	Rupees	304,826,852	350,237,805
Total equity	Rupees	818,533,500	739,054,599
		<b>1,123,360,352</b>	<b>1,089,292,404</b>
Gearing	% age	27.14%	32.15%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance and subordination of long term loan from directors and their family members (see note 9).

### 46 FAIR VALUE MEASUREMENTS

#### 46.1 Financial Instruments

##### 46.1.1 Financial instruments measured at fair value

The Company measures some of its 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. 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:

##### a) Recurring fair value measurements

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

##### b) Non-recurring fair value measurements

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

#### 46.2 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.

#### 46.3 Assets and liabilities other than financial instruments.

##### 46.3.1 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	30-Jun-22 Rupees	30-Jun-21 Rupees
Freehold land	-	101,370,000	-	101,370,000	101,370,000
Buildings	-	133,109,286	-	133,109,286	133,109,286
Plant and machinery	-	985,836,864	-	985,836,864	985,836,864

For fair value measurements categorised into Level 2 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. 5.07 million (30-Jun-21: Rs. 5.07 million).



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Valuation technique	Significant inputs	Sensitivity
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 year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in an increase in fair value of buildings by Rs. 6.66 million (30-Jun-21: Rs. 6.96 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 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. 49.29 million (30-Jun-21: Rs. 46.95 million).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 21.1.

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

### 46.3.2 Non-recurring fair value measurements

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

	30-Jun-22 Rupees	30-Jun-21 Rupees
<b>47 RESTRICTION ON TITLE AND ASSETS PLEDGED AS SECURITY</b>		
<b>Mortgages and charges</b>		
Charge over current assets	1,635,000,000	1,568,000,000
Charge over operating fixed assets	1,138,000,000	1,138,000,000
<b>Pledge</b>		
Raw material	214,801,919	518,147,963
Finished goods	154,379,556	98,264,278

In addition to the above, the Company has given undertaking to various banking companies to effect that the Company, pursuant to the merger of Azam Textile Mills Limited ['ATML'] into the Company will be liable in respect of all finance facilities availed by ATML in the same manner as ATML was originally liable to the extent of Rs. 720 million.

### 48 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives of the Company on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	30-Jun-22		
	Directors Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	5,280,000	-	9,562,824
Allowances and perquisites	2,640,000	-	4,781,376
Meeting fee	-	90,000	-
Post employment benefits	3,099,191	-	1,228,700
	11,019,191	90,000	15,572,900
Number of persons	1	1	5

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	30-Jun-21		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	4,400,004	-	10,434,363
Allowances and perquisites	2,199,996	-	5,217,139
Meeting fee	-	60,000	-
Post employment benefits	2,097,796	-	1,162,002
	<b>8,697,796</b>	<b>60,000</b>	<b>16,813,504</b>
Number of persons	1	1	5

48.1 Meeting fee includes Rs. 90,000 (30-Jun-21: Rs. 60,000) paid to non-executive directors of the Company.

48.2 Executive directors and executives are provided with free use of Company maintained vehicles.

### 49 SEGMENT INFORMATION

49.1 The Company is a single reportable segment.

49.2 All non-current assets of the Company are situated in Pakistan.

49.3 All sales of the Company have originated from Pakistan.

### 50 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	30-Jun-22	30-Jun-21
Number of spindles installed	No.	51,840	51,840
Plant capacity on the basis of utilization converted into 80s count	Kgs	3,054,796	3,054,796
Actual production converted into 80s count	Kgs	2,665,774	2,697,234

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. Further, power shortage in the country has also resulted in lower capacity utilization.

### 51 NUMBER OF EMPLOYEES

	30-Jun-22	30-Jun-21
Total number of employees	830	826
Average number of employees	815	834

### 52 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 financial statements.

### 53 GENERAL

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.





Director
 Chief Financial Officer
 Chief Executive

# Form of Proxy

## 36<sup>th</sup> Annual General Meeting

**LEDGER FOLIO**

**SHARES HELD**

I / We \_\_\_\_\_

of \_\_\_\_\_

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

(or failing him) \_\_\_\_\_ of \_\_\_\_\_

(being a member of the Company) as my / or proxy to attend and vote for me / us and on my / our behalf at the 36<sup>th</sup> Annual General Meeting of the Company to be held on October 28, 2022 at 06-Egerton Road, Lahore at 10:30 A.M. and at every adjournment thereof, if any.

A witness my / our hand (s) this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

Signed by the said

\_\_\_\_\_

REVENUE  
STAMP

Witnesses:

1) Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_

2) Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_

### Notes:

1. A member entitled to attend and vote at this Meeting may appoint proxy in accordance with the provisions of Article 52 of the Articles of Association of the Company. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore, the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
2. For CDC Account Holders/ Corporate Entities in addition to the above the following requirements have to be met.
  - (i) Attested copies of CNIC or the passport of the Beneficial Owners and the Proxy shall be provided with the proxy form.
  - (ii) In case of a Corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures shall be submitted (unless it has been provided earlier along with proxy form to the Company).
  - (ii) The Proxy shall produce his original CNIC or original passport at the time of the meeting.



(iii) **ایکسی کو میٹنگ کے وقت اپنا اصل شناختی کارڈ یا سپورٹ دکھانا ہوگا۔**