

SARITOW SPINNING MILLS LIMITED

ANNUAL REPORT 2024

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman
Mr. M. Zeid Yousuf Saigol	Chief Executive Officer
Mr. M. 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. M. Zeid Yousuf Saigol	Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member

COMPANY SECRETARY

Mr. Shakeel Ahmed

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

10-G, Mushtaq Ahmed Gurmani Road,
Gulberg-II, Lahore
Tel: 042-35920151-59 (Pabx) & 042-35920133 (Direct)
E-mail: shares@saigols.com

MILLS

51-KM, Multan Road,
Phool Nagar, District Kasur



ISO 9001:2008 Certified

SARITOW SPINNING MILLS LIMITED

10-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore (Pakistan), Phone: 042-35920151-59 (Pabx)
042-35920133 (Direct) Email: azamsaritow@saigols.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 38th Annual General Meeting of Shareholders of Saritow Spinning Mills Limited will be held on Wednesday, November 27, 2024 at 10:30 A.M., at 06-Egerton Road, Opposite LDA Plaza, Lahore to transact the following business: -

1. To confirm the minutes of the last Extraordinary General Meeting held on March 22, 2024.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2024 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: November 06, 2024

Notes:

1. Share Transfer Books of the Company will remain closed from November 21, 2024 to November 27, 2024 (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 November 20, 2024 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 10-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, 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. **Transmission Of Annual Report**

In terms of approval of the shareholders of the Company in their Annual General Meeting held on October 27, 2023 and pursuant to SECP's Notification No. SRO 389(1)/2023 dated 21st March, 2023. The Annual Report for the financial year ended on 30th June, 2024 of the Company containing inter alia the audited financial statements, auditors' report, directors, and chairman's reports thereon may be viewed and downloaded by following QR code and weblink:

Weblink	QR Code
https://saritowspinningmillsltd.com/annualreports.aspx	

The Annual Report has been emailed to those shareholders who have provided their valid email address to the Company.

The shareholders who wish to receive a hard copy of the Annual Report may send to the Company Secretary/Share Registrar, the Standard Request Form available on the website of the Company saritowspinningmillsltd.com. The Company then will provide a free of Cost hard copy of Annual Report to the shareholders within one week of the request.

6. Replacement Of Physical Shares Into CDC Account

Members, who hold physical shares, are advised to convert their shares into electronic form in terms of section 72 of the Companies Act, 2017.

7. Participation in the AGM through Video link Facility

The SECP through its Circular No. 4 dated February 15, 2021 & Circular No. 6 dated March 03, 2021 has directed listed companies to arrange participation of shareholders in Annual General Meeting through Video Link Facility in addition to allowing physical attendance by the members. The members who are willing to attend and participate in the AGM can do so through video-link via smartphones, computers, tablets, etc. To attend the AGM through video-link, members are requested to get their following particulars registered by sending an email or WhatsApp at the number/address given below, at least 48 hours before the time of the AGM, and download video-link from <https://zoom.us/download>.

Name	Folio/CDS Account No.	CNIC No	Cell phone	Email

Signature of Member

WhatsApp	Email
0321-8561366	umer.islam@saigols.com

Upon receipt of requests, the video-link login credentials will be shared with the interested shareholders on their email addresses or WhatsApp messages. The members can send their comments/suggestions related to the agenda items of the meeting through the above-mentioned means.

اطلاع برائے سالانہ اجلاس عام

بذریعہ نوٹس پبلش کیا جاتا ہے کہ ساریٹو سپننگ ملز لمیٹڈ کے حصص داران کا اتریسواں (38th) سالانہ اجلاس عام 27 نومبر 2024 بروز بدھ 10:30 بجے صبح 06- ایجنڈا روم، بلتاقا مل LDA Plaza، لاہور میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

- 1- 22 مارچ 2024 کو منعقد ہونے والے غیر معمولی اجلاس عام کی کارروائی کی تصدیق۔
- 2- مالی سال ختم 30 جون 2024 کی بابت کمپنی کے سالانہ آڈٹ شدہ حسابات ہمراہ آن پریذیڈنٹ اور ڈائریکٹران کی رپورٹس کی وصولی اور ان کی قبولیت۔
- 3- اگلے سالانہ اجلاس عام کے اختتام تک عہدہ پر رہنے کیلئے کمپنی کے آڈیٹران کا اتر اور ان کے صلہ خدمت کا تعین۔
- 4- صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی۔

عقلم پورڈ
کمپنی سیکرٹری

لاہور، 6 نومبر 2024

نوٹس:

- 1- کمپنی کی حصص کی منتقلی کی کتابیں 21 نومبر 2024 تا 27 نومبر 2024 (بشمول دو دنوں ایام) بند رہیں گی۔ کمپنی کے شیئرز رجسٹرار انس ایس ای سی پی کے نوٹیفیکیشن نمبر SRO 3899 (1) مورخہ 2023/30 مارچ 2023 کے مطابق۔ مالی سال کی سالانہ رپورٹ 30 جون 2024 کو کمپنی کا آڈٹ شدہ مالیاتی بیانات، آڈیٹرز کی ہونے تک قابل قبول ہوں گی۔
- 2- اجلاس میں شرکت اور ووٹ دینے کا اہل ممبر پر کسی مقرر کر سکتا ہے۔ پر اکسیاں تا آنکہ موثر ہوئیں، اجلاس کے وقت سے 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس (10-جی، مشتاق احمد گرامانی روز گلبرگ-11، لاہور) میں لازماً وصول ہونی چاہئیں اور باقاعدہ مہر زدہ، دستخط شدہ اور گواہ شدہ ہونی چاہئیں۔
- 3- وہ ممبران جن کے نام حصص سنٹرل ڈیپازٹری سسٹم میں ہیں انہما سے کہہ دیا جائے کہ وہ اصل شناختی کارڈ یا سپورٹ اور سنٹرل ڈیپازٹری سسٹم میں اپنے اکاؤنٹ نمبر اجلاس میں شرکت کیلئے ہمراہ لائیں۔
- 4- ممبران سے انہما سے کہہ دیا جائے کہ اپنے پیسے میں کسی بھی تبدیلی کی صورت میں کمپنی کو مطلع فرمادیں۔

5- سالانہ رپورٹ کی ترسیل

27 اکتوبر 2023 کو منعقدہ ان کی سالانہ جنرل میٹنگ میں کمپنی کے شیئرز ہولڈرز کی منظوری کے لحاظ سے اور انس ایس ای سی پی کے نوٹیفیکیشن نمبر SRO 3899 (1) مورخہ 2023/30 مارچ 2023 کے مطابق۔ مالی سال کی سالانہ رپورٹ 30 جون 2024 کو کمپنی کا آڈٹ شدہ مالیاتی بیانات، آڈیٹرز کی رپورٹ، ڈائریکٹرز، اور چیئرمین کی رپورٹس کو درج ذیل QR کوڈ اور ویب لنک کے ذریعے دیکھا اور ڈاؤن لوڈ کیا جاسکتا ہے:

کیو آر کوڈ



ویب لنک

<https://saritowspinningmillsLtd.com/annualreports.aspx>

سالانہ رپورٹ ان شیئرز ہولڈرز کو ای میل کر دی گئی ہے جنہوں نے کمپنی کو اپنا درست ای میل ایڈریس فراہم کیا ہے۔

جو شیئرز ہولڈرز سالانہ رپورٹ کی بارڈ کا پی حاصل کرنا چاہتے ہیں وہ کمپنی سیکرٹری/شیئرز رجسٹرار کو معیاری درخواست فارم جو کمپنی کی ویب سائٹ www.saritowspinningmillsLtd.com پر دستیاب ہے، بھیج سکتے ہیں۔ اس کے بعد کمپنی درخواست کے ایک ہفتے کے اندر شیئرز ہولڈرز کو سالانہ رپورٹ کی مفت بارڈ کا پی فراہم کرے گی۔

6- فیزیکل حصص کی سی ڈی ای کاؤنٹ میں تبدیلی

فیزیکل حصص رکھنے والے حصص داران کو ہدایت کی جاتی ہے کہ گھنٹہ 2017 کے سیکشن 72 کے تحت الیکٹرونک شکل میں تبدیل کروالیں۔

7- ویڈیو لنک سہولت کے ذریعے سالانہ اجلاس عام میں شرکت

انس ای سی پی نے اپنے سرکلر نمبر 4 مورخہ 15 فروری 2021 اور سرکلر نمبر 6 مورخہ 03 مارچ 2021 کے ذریعے لسنڈ کمپنیوں کو ہدایت کی ہے کہ وہ ممبران کی جسمانی حاضری کی اجازت دینے کے علاوہ ویڈیو لنک کی سہولت کے ذریعے سالانہ جنرل میٹنگ میں شیئرز ہولڈرز کی شرکت کا اہتمام کریں۔ جو ممبران AGM میں شرکت اور حصہ لینے کے خواہشمند ہیں وہ ویڈیو لنک کے ذریعے سمارٹ فونز، کمپیوٹرز، ٹیبلیٹس وغیرہ کے ذریعے ایسا کر سکتے ہیں۔ ویڈیو لنک کے ذریعے AGM میں شرکت کے لیے ممبران سے درخواست کی جاتی ہے کہ وہ ای میل بھیج کر اپنی درج ذیل تفصیلات رجسٹر کروالیں۔ یا AGM کے وقت سے کم از کم 48 گھنٹے پہلے نیچے دیئے گئے نمبر پر پروا اس ایپ کریں اور <https://zoom.us/download> سے ویڈیو لنک ڈاؤن لوڈ کریں۔

نام فونو ای ڈی ایس اکاؤنٹ نمبر سی این آئی سی نمبر موبائل نمبر ای میل

ممبر کے دستخط

ای میل

فونو ایپ

0321-8561366 umer.islam@saigols.com

درخواستوں کی وصولی پر، ویڈیو لنک لاگ ان کی اسناد دلچسپی رکھنے والے شیئرز ہولڈرز کے ساتھ ان کے ای میل چین یا واٹس ایپ پیغامات پر شیئرز کی جانیں گی۔ ممبران میٹنگ کے ایجنڈا آئٹمز سے متعلق اپنے تھریے امشورے مذکورہ ذرائع سے بھیج سکتے ہیں۔

CHAIRMANS' REVIEW REPORT

I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2024, pertaining to the overall performance of the board and its role in achieving the company's objectives.

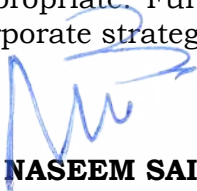
During the year the Board committees continue to work with a great measure of proficiency. The Audit Committee has focused in particular on the management and control of risks associated with the business. The Human Resource and Remuneration Committee has ensured that the HR Policies regarding performance 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, 2024, 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
November 06, 2024

چیئر مین جائزہ رپورٹ:

میں 30 جون، 2024 کو ختم ہونے والے سال کی چیئر مین جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ جس میں بورڈ کی مجموعی کارکردگی اور کمپنی مقاصد کے حصول میں اس کے کردار کی عکاسی کی گئی ہے۔

سال بھر میں بورڈ کمیٹیاں نہایت دلجمعی سے کام کرتی رہیں۔ آڈٹ کمیٹی کاروبار سے منسلک خطرات کے انتظام اور ان پر قابو پانے کے لیے بھرپور کام کرتی رہیں۔ ہیومن ریسورس اینڈ ریوٹیشن کمیٹی یقین دلاتی ہے کہ کارکردگی کے انتظام، عملہ کی بھرتی، معاوضہ اور مراعات پر اپنی پالیسیاں مارکیٹ رجحانات کے عین مطابق ہیں اور کمپنی کی کارکردگی، شیئر ہولڈرز کے مفاد اور کمپنی کی طویل مدتی کامیابی کا احاطہ کرتی ہیں۔

لینڈکنٹینز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے تحت بورڈ نے اپنی کارکردگی کے جائزہ کے لیے ایک مربوط نظام مرتب کیا ہے۔ سال بھر میں بورڈ آف ڈائریکٹرز کی کارکردگی کے جائزہ کے لیے تمام اراکین کو جامع سوالنامہ تقسیم کیا گیا۔ اس تشخیص کا مقصد یہ یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور تاثیر کو کمپنی کے لیے طے شدہ مقاصد کے تناظر میں توقعات کے خلاف پیش اور پیچ مارک کیا جائے۔

30 جون، 2024 کو ختم ہونے والے مالی سال کے لیے، بورڈ کی مجموعی کارکردگی اور تاثیر کا اندازہ اطمینان بخش رہا ہے۔ یہ لازمی اجزاء کی تشخیص پر مبنی ہے بشمول وٹن، مشن اور اقدار، اسٹریٹجک منصوبہ بندی میں مشغولیت، پالیسیوں کی تشکیل، کمپنی کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل کے انتظام کی نگرانی، منوش مالی نگرانی، تمام ملازمین کے ساتھ مساوی سلوک اور بورڈ کے امور میں مہارت سے اخذ کیا گیا ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز نے ایجنڈا اور دیگر تحریری مواد اور بارڈ اور اس کی کمیٹیوں کے اجلاس سے قبل فالو اپ میٹریل حاصل کیا ہے۔ بورڈ اپنے فرائض کی انجام دہی کے لیے مناسب وقت میں اجلاس طلب کرتی ہے۔ نان ایگزیکٹو اور خود مختار ڈائریکٹرز، ہم فیصلہ سازی میں مساوی کردار ادا کرتے ہیں۔

مجموعی طور پر، مجھے یقین ہے کہ کمپنی کی اسٹریٹجک سمت واضح اور مناسب ہے۔ مزید برآں، کمپنی کے مقاصد کے حصول اور مجموعی کاروبار کے عملیاتی تیاری اور اس پر نظر ثانی کے لیے اپنائے گئے طریقہ ہائے کارروائی قابل قدر ہے۔

ایم نسیم سہگل
چیئر مین
6 نومبر 2024

SARITOW SPINNING MILLS LIMITED

FINANCIAL HIGHLIGHTS - Six Years at a Glance

Particulars	2024	2023	2022	2021	2020	2019
Operating Performance (Rupees in Thousands)						
Turnover- Net	2,222,878	3,600,124	4,860,004	3,653,463	2,812,843	3,494,805
Gross Profit	(127,568)	(171,922)	302,488	379,791	122,937	258,413
Profit/(Loss) before tax	(280,914)	(400,369)	147,336	231,719	(39,292)	94,771
Profit/(Loss) after tax	(308,700)	(431,227)	91,414	174,427	(58,204)	52,501
Financial Position (Rupees in Thousands)						
Share Capital	298,406	298,406	298,406	298,406	298,406	298,406
Shareholders, Equity	256,690	475,093	818,534	739,055	560,750	621,631
Operating Fixed Assets	1,155,113	1,213,168	1,270,574	1,281,003	1,213,820	1,256,485
Total Assets	1,318,213	1,978,663	2,535,558	2,175,934	2,424,172	2,277,369
Bank Borrowings	60,502	587,864	661,190	569,115	963,116	767,346
Ratio Analysis						
Profitability						
Gross Profit Margin-% age	(5.73)	(4.78)	6.22	10.40	4.37	7.39
Profit/(Loss) after tax-% age	(13.88)	(11.98)	1.88	4.77	(2.07)	1.50
Earning/(Loss) Per Share-Rupees	(10.34)	(14.45)	3.06	5.85	(1.95)	1.76
Activity						
Sales to Operating Fixed Assets-Times	1.92	2.97	3.83	2.85	2.32	2.78
Liquidity						
Current Ratio-Times	0.22	0.75	1.07	1.03	1.03	1.01
Break up Value Per Share-Rupees	86.02	15.92	27.43	24.77	18.79	20.83

DIRECTORS' REPORT

The Directors of M/s. Saritow Spinning Mills Limited are please to present Financial Results for the year ended June 30, 2024 along with Auditors Report and Director Report thereupon.

Financial Highlights	Year Ending June 30, 2024	Year Ending June 30, 2023
Net Sales	2,222.878	3,600.124
Gross (loss)	(127.568)	(171.922)
Operating (loss)	(199.420)	(257.521)
Loss before tax and statutory levies	(280.914)	(400.369)
Loss after tax and statutory levies	(308.699)	(431.226)
Earnings per share	(10.34)	(14.92)

Operating Financial Results

The period under review was very tough for your company. The company was Operating below 100% Capacity and was temporarily closed from the month of February onward. During the period under review your company was able to achieve turnover of Rs. 2,222.878 million as compared to Rs 3,600.124 million during the same period last years. Huge increase in input cost largely contributed to gross loss of Rs. (127.568) million as compared to Rs. (171.922) last year. This resulted in loss before tax and statutory levies of Rs (280.914) million and loss after tax of Rs. (308.699) million as compared to Rs (431.226) million last years. Earnings per share of the company is Rs. (10.34) as compared to Rs. (14.92) same period last year.

Textile industry is performing under immense Pressure for the last two years. For last 2 years cotton crop has gone down to its lowest level forcing spinner to go for imported raw cotton and manmade fibers. Rates of imported cotton were also affected by fluctuations in Pak Rupee and US dollars parity which reached Rs. 286 mark during the period.

Per unit electricity rate of LESCO during June 2023 was R 19.09 per KWH which reached almost Rs 45 per KWH after incorporating FPA and QTA. Rates of both natural gas and imported RLNG has gone up quite considerably. During the period under review rate of natural gas has gone up to Rs. 3,000 per MMBTU and imported RLNG reached \$. 0.129393 Per MMBTU. Huge increase in Markup rates make it almost impossible to keep up the activity of the project. This increase in major input costs coupled with unstable yarn rates and decrease in volumes of yarn sales coupled with below capacity production Contributed towards the losses.

In order to boost the declining financial health of the company the sponsor directors have injected Rs. 449.100 million during the period under review to make up the heavy losses. In spite of this equity injective company keep on making losses and was temporarily closed from the month of February.

The auditors of the company have qualified the report for going concern. They have mentioned that the company is unable to run without further financial support of sponsors and financial institution.

However, the financial statements have been prepared on going concern basis based on the following assumptions:

The Company has been facing a declining trend in revenue and profitability resulting in substantial losses. During the year ended 30 June 2024, the Company has incurred gross loss of Rs. 127.57 million and loss after taxation of Rs. 308.70 million. As at 30 June 2024, the Company has accumulated losses of Rs. 226.27 million and its current liabilities exceed its current assets by Rs. 612.84 million as at that date. Depressed yarn prices, increased production cost and underutilization of production

capacity have contributed to the Company's challenging liquidity situation due to which the Company has mostly relied on the financial support of its directors and sponsors. The Board of Directors of the Company in its meeting held on 28 February 2024 resolved to close the production facility for the time being. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- a) The Company has continued financial support of its directors and sponsors in the form of interest free loans. During the reporting period, directors and sponsors have provided financial support amounting to Rs. 449.1 million in the form of interest free loans.
- b) Despite accumulated losses the Company has positive equity.
- c) The Company has curtailed its production in order to minimize fixed costs which will reduce the financial burden on the Company providing immediate relief.
- d) The Company has remained current in its debt servicing.

The management believes that in view of the afore mentioned, the Company will able to continue as a going concern.

Future Outlook

At the moment it becomes quite impossible for the company to run the mills except for the losses. Subsequent to balance sheet date State Bank of Pakistan has reduced Policy rate of markup to 15%. Further the Federal government on various forms have assured that power rates will also be reduced. Reduction in power rates will be the game changer and will help us starting the operations of the projects soon as possible.

The management of the company will keep watching the future outlook of the industry and overall scenario of the company and will decide for future after due deliberation.

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	

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



Chief Executive



Director

Lahore
November 06, 2024

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

30-06-2024

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
227	1	100	5,246
255	101	500	77,228
179	501	1,000	139,139
197	1,001	5,000	507,919
54	5,001	10,000	413,162
12	10,001	15,000	151,315
6	15,001	20,000	112,000
14	20,001	25,000	324,354
6	25,001	30,000	172,500
2	30,001	35,000	64,573
2	35,001	40,000	78,500
1	40,001	45,000	41,500
1	45,001	50,000	50,000
2	50,001	55,000	104,500
1	55,001	60,000	59,000
1	60,001	65,000	62,093
2	65,001	70,000	136,500
1	70,001	75,000	75,000
1	90,001	95,000	90,500
2	95,001	100,000	199,500
1	100,001	105,000	102,170
1	105,001	110,000	106,000
1	110,001	115,000	110,500
1	130,001	135,000	130,136
1	195,001	200,000	200,000
2	200,001	205,000	408,500
1	210,001	215,000	212,519
1	240,001	245,000	241,500
1	1,305,001	1,310,000	1,309,435
1	1,880,001	1,885,000	1,884,500
1	1,895,001	1,900,000	1,900,000
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
983			29,840,607

SARITOW SPINNING MILLS LIMITED
Categories of Shareholding required under Listed Companies (Code of Corporate Governance)
Regulations, 2019 as on June 30, 2024

Sr.No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties:		-	-
Mutual Funds:			
1	PRUDENTIAL STOCK FUND LTD (CDC)	5,000	0.0168
Directors and their Spouse and Minor Children:			
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
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:		271,503	0.9098
Shareholders holding five percent or more voting interest in the listed company			
1	MR. M. NASEEM SAIGOL. (CDC)	8,138,150	27.2721
2	MRS. AMBER HAROON SAIGOL (CDC)	5,053,206	16.9340
3	MR. MUHAMMAD ZEID YOUSAF SAIGOL (CDC)	2,503,123	8.3883
4	MR. MURAD SAIGOL (CDC)	2,497,500	8.3695
5	MRS. SEHYR SAIGOL (CDC)	2,179,462	7.3037
6	Y.H. SECURITIES (PVT) LTD. (CDC)	1,900,000	6.3672
7	MR. YAQOOB HABIB (CDC)	1,884,500	6.3152
All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:			
S. No.	NAME	SALE	PURCHASE
NIL			

Categories of Shareholders	No. of Shareholders	Share held	Percentage
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	936	10,711,191	35.8947
Others (to be specified)			
Pension Funds	1	130,136	0.4361
Other Companies	1	4,566	0.0153
Joint Stock Companies	15	2,157,310	7.2294
Foreign Companies	6	17,807	0.0597
	<u>983</u>	<u>29,840,607</u>	<u>100.0000</u>

پیٹرن آف شیئر ہولڈنگ

30 جون 2024

نمبر شمار	کیٹیگری 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 ٹیکنر 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	936	10,711,191	35.8947
8	دوسرے (مخصوص کیا جائے گا)			
	پینشن فنڈز	1	130,136	0.4361
	دوسری کمپنیز	1	4,566	0.0153
	جوائنٹ سٹاک کمپنیز	15	2,157,310	7.2294
	غیر ملکی کمپنیز	6	17,807	0.0597
	کل تعداد	983	29,840,607	100.0000

تعداد حصص

-	ایسوسی ایٹڈ کمپنیز، انڈر ٹیکنر اور متعلقہ پارٹی۔
5,000	میوچل فنڈز
15,323,239	ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی بیویاں اور چھوٹے بچے۔
-	ایگزیکٹوز
-	پبلک سیکیورٹیز اور کارپوریشنز
271,503	بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس انسٹی ٹیوشنز، انسورنس کمپنیز، مدار بہ اور پینشن فنڈز
24,155,941	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.
- Five 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	5
Mr. Muhammad Zeid Yousuf Saigol	5
Mr. Muhammad Murad Saigol	5
Mr. Samir Iqbal Saigol	5
Mr. Muhammad Omer Farooq	5
Mrs. Sadaf Kashif	5
Mr. Jamal Nasim	4

- 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. Jamal Nasim	3
Mr. Muhammad Murad Saigol	4
Mr. Muhammad Omer Farooq	4
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.

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: November 06, 2024

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

Name of company: **SARITOW SPINNING MILLS LIMITED**
Year ending: **JUNE 30, 2024**

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. In terms of the requirement of the clause 19 of the CCG Regulations, we confirm that Six directors have completed the Directors Training Program (DTP) and one director is exempt from the DTP;
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. September 30, 2023
2. October 05, 2023
3. October 30, 2023
4. February 28, 2024
5. April 30, 2024

b) HR and Remuneration Committee:

1. October 05, 2023

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, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

19. Explanation for non-compliance with requirements, other than Regulations 3, 6, 7, 8, 27, 32, 33 and 36 are appended below.



Chief Executive


Director

EXPLANATION FOR NON-COMPLIANCE OF NON-MANDATORY Requirements of the Code of Corporate Governance, 2019 (“CCG”)

Sr.#	Requirement	Explanation of Non-Compliance	Regulation Number
1	<p>Disclosure of significant policies on website The company may post key elements of its significant policies, brief synopsis of reference of the Board Committees on its website and key elements of the directors’ remuneration policy</p>	<p>The requirement to disclose significant policies on the website is non-mandatory in regulation No. 35(1), and thus the Company has uploaded limited information in this respect on its website. The Company is, however, considering placing key elements and synopsis of other policies on its website.</p>	35
2	<p>The Board constitute the anti-harassment policy to safeguard the rights and well-being of employees</p>	<p>Currently, the Board has not constituted an anti-harassment policy and the functions are being performed by the Human Resource department according to the company’s Grievance Policy.</p>	10
3	<p>As per CCG 2019 "10A.- Role of the Board and its members to address Sustainability Risks and Opportunities</p>	<p>The board will take appropriate measures to proactively understand and address the principal as well as emerging sustainability risks and opportunities relevant to the company and its business, including climate-related risks and opportunities, assess their potential financial and operational impacts and implement strategies for management and mitigation thereof</p>	10

INDEPENDENT AUDITOR'S REPORT

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

Adverse 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 2024**, 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, because of the significance of the matters discussed in the 'Basis for Adverse Opinion' section of our report, the annexed 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 do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2024 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

As reported in note 2.2, the Company has been facing a declining trend in revenue and profitability resulting in substantial losses. During the year ended 30 June 2024, the Company has incurred gross loss of Rs. 127.57 million and loss after taxation of Rs. 309.70 million. As at 30 June 2024, the Company has accumulated losses of Rs. 226.27 million and its current liabilities exceed its current assets by Rs. 612.84 million as at that date. Depressed yarn prices, increased production cost and underutilization of production capacity have contributed to the Company's challenging liquidity situation due to which the Company has mostly relied on the financial support of its directors and sponsors. The Board of Directors of the Company in its meeting held on 28 February 2024 resolved to close the production facility for the time being. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. While the Company has prepared and presented the annexed financial statements on going concern basis based on the factors explained in note 2.2, we consider that in the absence of favourable business conditions and an environment conducive to the industry in which the Company operates and revival of its operations and profitability, the Company may not be able to settle its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed financial statements is not appropriate and adjustments may be required to the amounts reported in the financial statements. The financial statements do not disclose this fact.

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 adverse opinion.

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 Director's 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 are 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 users 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.

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.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have not 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 not been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) but, however, 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 **ALI RAZA JAFFERY**.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Lahore | 06 November 2024

UDIN: AR202410704RyU9CbVtf



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SARITOW SPINNING MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 [‘the Regulations’] prepared by the Board of Directors of **SARITOW SPINNING MILLS LIMITED** [‘the Company’] for the year ended **30 June 2024** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2024**.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Lahore | 06 November 2024



UDIN: CR202410704evk5jm3iO

SARITOW SPINNING MILLS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees (restated)	30-Jun-22 Rupees (restated)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital	7	350,000,000	350,000,000	350,000,000
Issued share capital	8	298,406,070	298,406,070	298,406,070
Loan from director	9	102,000,000	102,000,000	-
Revaluation reserve	10	82,557,868	83,795,232	85,097,721
(Accumulated losses)/retained earnings		(226,273,410)	79,715,774	543,802,903
TOTAL EQUITY		256,690,528	563,917,076	927,306,694
LIABILITIES				
NON-CURRENT LIABILITIES				
Loan from directors and other shareholders	11	265,884,966	265,884,966	265,884,966
Long term finances	12	12,324,275	38,416,765	63,954,583
Long term deposits	13	6,010,000	6,010,000	6,010,000
Employees retirement benefits	14	20,529,847	109,092,189	106,848,193
Deferred taxation	15	-	-	-
Deferred grant	16	74,172	811,015	2,102,530
		304,823,260	420,214,935	444,800,272
CURRENT LIABILITIES				
Trade and other payables	17	276,393,139	448,055,408	596,376,492
Unclaimed dividend		485,351	485,351	485,351
Short term borrowings	18	469,054,112	522,617,572	548,252,220
Accrued interest		11,350,217	34,050,914	17,029,466
Current portion of non-current liabilities	19	28,182,352	26,829,332	48,983,181
		785,465,171	1,032,038,577	1,211,126,710
TOTAL LIABILITIES		1,090,288,431	1,452,253,512	1,655,926,982
CONTINGENCIES AND COMMITMENTS	20			
TOTAL EQUITY AND LIABILITIES		1,346,978,959	2,016,170,588	2,583,233,676

The annexed notes from 1 to 54 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 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees (restated)	30-Jun-22 Rupees (restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	21	1,155,113,202	1,213,167,916	1,270,574,480
Long term deposits	22	19,236,860	21,172,886	21,172,886
		1,174,350,062	1,234,340,802	1,291,747,366
CURRENT ASSETS				
Stores and spares		21,789,571	23,194,279	26,723,767
Stock in trade	23	-	427,949,592	820,325,025
Trade receivables	24	6,392,105	138,956,042	241,843,909
Short term deposits	25	86,577,832	86,577,832	86,577,832
Advances and other receivables	26	29,103,256	58,612,191	68,975,747
Cash and bank balances	27	28,766,133	46,539,850	47,040,030
		172,628,897	781,829,786	1,291,486,310
TOTAL ASSETS		1,346,978,959	2,016,170,588	2,583,233,676

The annexed notes from 1 to 54 form an integral part of these financial statements.


Director


Chief Financial Officer

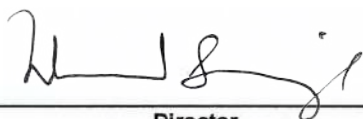

Chief Executive

SARITOW SPINNING MILLS LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees (restated)
Revenue from contracts with customers - net	28	2,222,877,783	3,600,123,856
Cost of sales	29	(2,350,445,757)	(3,772,045,877)
Gross loss		(127,567,974)	(171,922,021)
Selling and distribution expenses	30	(13,265,503)	(18,151,808)
Administrative expenses	31	(60,290,685)	(69,426,807)
		(73,556,188)	(87,578,615)
Other income	32	559,343	2,266,923
Impairment reversals/(allowance) for expected credit losses	44.1.6	1,144,450	(288,229)
Operating loss		(199,420,369)	(257,521,942)
Finance cost	33	(77,925,151)	(140,946,879)
Other charges	34	(3,568,439)	(1,000,000)
		(81,493,590)	(141,946,879)
Loss before statutory levies and taxation		(280,913,959)	(399,468,821)
Provision for statutory levies	35	(27,785,973)	(45,901,578)
Loss before taxation		(308,699,932)	(445,370,399)
Provision for taxation	36	-	-
Loss after taxation		(308,699,932)	(445,370,399)
Loss per share - basic and diluted	37	(10.34)	(14.92)

The annexed notes from 1 to 54 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 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees (restated)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligation	14.4	1,473,384	(20,019,219)
Related taxation	15	-	-
		1,473,384	(20,019,219)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income/(loss)		-	-
		1,473,384	(20,019,219)
Loss after taxation		(308,699,932)	(445,370,399)
Total comprehensive loss		(307,226,548)	(465,389,618)

The annexed notes from 1 to 54 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 2024

	Share capital		Capital reserves		Total equity
	Issued share capital	Loan from director	Revaluation reserve	Retained earnings	
	Rupees	Rupees	Rupees	Rupees	
Balance as at 01 July 2022 - as originally reported	298,406,070	-	60,419,382	459,708,048	818,533,500
Impact of change in accounting policy	-	-	24,678,339	84,094,855	108,773,194
Balance as at 01 July 2022 - as restated	298,406,070	-	85,097,721	543,802,903	927,306,694
Comprehensive loss					
Loss after taxation - restated	-	-	-	(445,370,399)	(445,370,399)
Other comprehensive loss - restated	-	-	-	(20,019,219)	(20,019,219)
Total comprehensive loss - restated	-	-	-	(465,389,618)	(465,389,618)
Incremental depreciation - restated	-	-	(1,302,489)	1,302,489	-
Transaction with owners	-	-	-	-	-
Loan from director transferred from short term borrowings	-	102,000,000	-	-	102,000,000
As at 30 June 2023 - restated	298,406,070	102,000,000	83,795,232	79,715,774	563,917,076
As at 01 July 2023 - restated	298,406,070	102,000,000	83,795,232	79,715,774	563,917,076
Comprehensive income					
Loss after taxation	-	-	-	(308,699,932)	(308,699,932)
Other comprehensive loss	-	-	-	1,473,384	1,473,384
Total comprehensive loss	-	-	-	(307,226,548)	(307,226,548)
Incremental depreciation	-	-	(1,237,364)	1,237,364	-
Transaction with owners	-	-	-	-	-
As at 30 June 2024	298,406,070	102,000,000	82,557,868	(226,273,410)	256,690,528

The annexed notes from 1 to 54 form an integral part of these financial statements.


Director


Chief Financial Officer


Chief Executive

SARITOW SPINNING MILLS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees (restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	38	285,649,025	192,028,623
Payments for:			
Employees retirement benefits		(94,854,920)	(45,630,894)
Finance cost		(100,625,848)	(123,925,431)
Levies under Income Tax Ordinance, 2001		(26,131,359)	(50,581,610)
Net cash generated from/(used in) operating activities		64,036,898	(28,109,312)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,706,868)	(4,229,707)
Proceeds from disposal of property, plant and equipment		-	35,337
Long term deposits		1,936,026	-
Net cash used in investing activities		(2,770,842)	(4,194,370)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		(25,476,313)	(46,828,773)
Net (decrease)/increase in short term borrowings		(53,563,460)	76,365,352
Net cash (used in)/generated from financing activities		(79,039,773)	29,536,579
NET DECREASE IN CASH AND CASH EQUIVALENTS		(17,773,717)	(2,767,103)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		46,539,850	47,040,030
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		-	2,266,923
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	28,766,133	46,539,850

The annexed notes from 1 to 54 form an integral part of these financial statements.

 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> Director	 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> Chief Financial Officer	 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> Chief Executive
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RSRIR
for identification only

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

1.1 Location of business units

Registered Office	17-Aziz Avenue, Canal Bank Gulberg-V, Lahore, Pakistan
Manufacturing Unit	Bhai Pheru, District Kasur, Pakistan

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 Appropriateness of the going concern assumption

The Company has been facing a declining trend in revenue and profitability resulting in substantial losses. During the year ended 30 June 2024, the Company has incurred gross loss of Rs. 127.57 million and loss after taxation of Rs. 305.70 million. As at 30 June 2024, the Company has accumulated losses of Rs. 226.27 million and its current liabilities exceed its current assets by Rs. 612.84 million as at that date. Depressed yarn prices, increased production cost and underutilization of production capacity have contributed to the Company's challenging liquidity situation due to which the Company has mostly relied on the financial support of its directors and sponsors. The Board of Directors of the Company in its meeting held on 28 February 2024 resolved to close the production facility for the time being. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- The Company has continued financial support of its directors and sponsors in the form of interest free loans. During the reporting period, directors and sponsors have provided financial support amounting to Rs. 449.1 million in the form of interest free loans.
- Despite accumulated losses the Company has positive equity.
- The Company has curtailed its production in order to minimize fixed costs which will reduce the financial burden on the Company providing immediate relief.
- The Company has remained current in its debt servicing.

The management believes that in view of the afore mentioned, the Company will able to continue as a going concern.

2.3 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

2.4 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.

2.4.1 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.

(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.

2.4.2 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. 14.716 million (30-Jun-23: Rs. 30.05 million).

(b) Present value of defined benefit obligation (see note 14)

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

Present value of the Company's defined benefit obligation has been determined by an independent actuary, Nauman Associates Consulting Actuaries, and is stated in the statement of financial position at Rs. 20.53 million (30-Jun-23: Rs. 109.092 million).

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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-24		30-Jun-23	
	Change in actuarial assumption	Defined benefit obligation <i>Rupees</i>	Change in actuarial assumption	Defined benefit obligation <i>Rupees</i>
Discount rate	+ 1%	19,791,363	+ 1%	99,748,558
	- 1%	21,339,625	- 1%	119,313,693
Expected rate of increase in salary	+ 1%	21,357,809	+ 1%	119,311,055
	- 1%	19,781,924	- 1%	99,747,333

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.

(c) Deferred tax on temporary differences in non-tax/levy regime (see note 6.17.2)

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The Company is subject to non-tax/levy regime whereby taxes under Income Tax Ordinance, 2001 are levied on turnover or other basis and are not based on taxable profits. Significant management judgement is required to determine whether the Company is expected to be assessed in non-tax/levy regime for the foreseeable future, and the amount of deferred tax that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has net deferred tax asset of Rs. 8.07 million (30-Jun-23: net deferred tax liability of Rs. 68.82 million) as at the reporting date. However, the Company has not recognised deferred tax as the Company is subject to and expects to remain in non-tax/levy regime for the foreseeable future.

(d) Provisions for levies and income taxes under Income Tax Ordinance, 2001 (see note 35 and 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 income taxes, levies and tax contingencies under the Income Tax Ordinance, 2001 [the Ordinance].

The provision for current tax and levies under the Ordinance are estimated at nil (30-Jun-23: Rs. nil) and Rs. 27.786 million (30-Jun-23: Rs. 45.902 million) respectively. The management believes that the provision for current tax and levies made in the financial statements is sufficient to discharge related liabilities under the Ordinance.

(e) 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.

2.5 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.

2.5 Date of authorization for issue

These financial statements were authorized for issue on 7 November 2024 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 period but are either not relevant to the Company or their application does not have any material impact on the interim financial statements of the Company other than presentation and disclosures, except as stated otherwise.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

3.1 Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

3.2 Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

3.3 International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12 - Income Taxes)

The amendments align the standard's requirements with similar amendments to IAS 12 Income Taxes issued in May 2023

3.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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

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

	Effective date (annual periods beginning on or after)
IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial	01 January 2024
IFRS S2 - Climate-related Disclosures	01 January 2024
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - Presentation of Financial Statements).	01 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 - Leases)	01 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1 - Presentation of Financial Statements)	01 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments : Disclosures)	01 January 2024
IFRS 17 - Insurance Contracts	01 January 2026

Other than afore mentioned standards, interpretations and amendments, IASB has also issued IFRS 1 - First Time Adoption of International Financial Reporting Standards which has not been notified by the Securities and Exchange Commission of Pakistan.

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.

5 CHANGE IN ACCOUNTING POLICY

The Institute of Chartered Accountants of Pakistan vide Circular 07 of 2024 dated 15 May 2024 has issued Application Guidance on Accounting for Minimum Taxes and Final Taxes [the Application Guidance] under IAS 12, IAS 37 and IFRIC 21. The Application Guidance provides guidance on accounting of minimum and final taxes, charged under various provision of the Income Tax Ordinance, 2001 [the Ordinance] and provides appropriate approaches to account for minimum taxes and final taxes in compliance with the requirements of under the requirements of relevant accounting and reporting standards.

The Application guidance addresses scenarios where an entity is subject to non-tax/levy regime whereby taxes under Ordinance are levied on turnover or other basis and are not based on taxable profits. The Application Guidance provides that since minimum taxes and final taxes are computed on basis other than taxable profits, these fall under the definition of levy within the scope of IFRIC 21/IAS 37 and thus shall be recognized as 'levies' against the previous practice of recognition as 'current tax' under IAS 12.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

In order to implement the Application Guidance, the Company has changed its accounting policy for 'income taxes', following the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in respect of restatements arising as a result thereof. Following the change in accounting policy:

- Any component of taxes assessed under the Ordinance which are computed on basis other than taxable profits are recognized as 'levies' while taxes based on taxable profits continue to be recognized as 'current tax'.
- Previously recognized deferred taxes have been reassessed and necessary adjustments, if required, have been made to align with the effective rate of current tax under the new accounting policy.
- Assets/liabilities related to levies and previously included in current tax assets/liabilities have been reclassified.

The amount of adjustment [increase/(decrease)] for each financial statement line item affected and on earnings per share of the Company is as follows:

	30-Jun-24	30-Jun-23	30-Jun-22
	Rupees	Rupees	Rupees
Advance income tax	(18,637,083)	(37,507,272)	(47,675,714)
Prepaid statutory levies	18,637,083	37,507,272	47,675,714
Provision for taxation	(27,785,973)	(45,001,547)	(60,750,052)
Provision for statutory levies	27,785,973	45,001,547	60,750,052
Deferred taxation	-	-	(108,773,194)
Retained earnings	-	-	108,773,194
Earnings per share	-	-	-

6 MATERIAL ACCOUNTING POLICIES

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

6.1 Financial instruments

6.1.1 Recognition

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

6.1.2 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:

- 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
- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(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.

6.1.3 Measurement

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

6.1.4 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.

6.1.5 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.

6.1.5 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.

6.2 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.

6.3 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.

6.4 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.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 occurs.

6.5 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 recognized as expense on a straight-line basis over the lease term.

6.6 Trade and other payables

6.6.1 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.

6.6.2 Non-financial liabilities

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

6.7 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.

6.8 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.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

6.9 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.

6.10 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.

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.

6.11 Trade and other receivables

6.11.1 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.

6.11.2 Non-financial assets

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

6.12 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.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

6.13 Contracts with customers

6.13.1 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.

6.13.2 Contract assets

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

6.13.3 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.

6.14 Employee benefits

6.14.1 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.

6.14.2 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 14 to the financial statements.

6.15 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.

6.16 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.

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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.

6.17 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.

6.17.1 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.

6.17.2 Deferred taxation

Deferred tax is accounted for by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. 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

6.18 Impairment

6.18.1 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.

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.

6.18.2 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

6.19 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.

6.20 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.

6.21 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'.

6.22 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.

6.23 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.

- 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).

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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.

6.24 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.

7 AUTHORIZED SHARE CAPITAL

30-Jun-24	30-Jun-23		30-Jun-24	30-Jun-23
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

8 ISSUED SHARE CAPITAL

30-Jun-24	30-Jun-23		30-Jun-24	30-Jun-23
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

9 LOAN FROM DIRECTOR

This represents loan obtained from a director and is unsecured, interest free and payable at the discretion of the Company. The loan is presented as equity as per "Technical Release 32 - Accounting for Directors' Loan" issued by The Institute of Chartered Accountants of Pakistan.

	30-Jun-24	30-Jun-23
	Rupees	Rupees (restated)
As at beginning of the year	83,795,232	85,097,721
Incremental depreciation transferred to retained earnings		
Incremental depreciation for the year	(1,237,364)	(1,302,489)
Deferred taxation	-	-
	(1,237,364)	(1,302,489)
As at end of the year	82,557,868	83,795,232

11 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 12) and short term borrowings (see note 18) of the Company. 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-23: 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. 57.75 million (30-Jun-23: Rs. 68.52 million) was waived by the lenders at their sole discretion.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
12 LONG TERM FINANCES			
These represent long term finances utilized under interest arrangements from banking companies			
Term Finances ['TF']			
TF - I	12.1	9,471,304	13,530,365
Temporary Economic Refinancing Facilities ['TERF']			
TERF - I	12.2	4,936,413	8,721,268
TERF - II	12.3	25,362,067	41,484,394
		30,298,480	50,205,662
		39,769,784	63,736,027
Current maturity presented under current liabilities	19	(27,445,509)	(25,319,262)
		12,324,275	38,416,765

12.1 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-23: 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 in January 2018. Subsequently, repayment of the finance was rescheduled, whereby the outstanding liability is repayable in eighteen equal instalments commencing from July 2021.

12.2 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 instalments with the first instalment 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 16). The details are as follows:

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
Face value of finance		5,081,875	9,147,375
Unamortized deferred grant	16	(145,462)	(426,107)
		4,936,413	8,721,268

12.3 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 instalments with the first instalment 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 16). The details are as follows:

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
Face value of finance		26,027,620	43,379,372
Unamortized deferred grant	16	(665,553)	(1,894,978)
		25,362,067	41,484,394

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

13 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.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

14 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-24	30-Jun-23
		Rupees	Rupees
14.1 Movement in present value of defined benefit obligation			
As at beginning of the year		109,092,189	106,846,193
Charged to profit or loss for the year	14.2	7,765,962	27,855,671
Benefits paid during the year		(94,854,920)	(45,830,894)
Remeasurements recognized in other comprehensive income	14.4	(1,473,384)	20,019,219
As at end of the year		20,529,847	109,092,189
14.2 Charge to profit or loss			
Current service cost		19,438,548	16,721,332
Interest cost		10,020,518	11,134,339
Actuarial gain arising on settlements		(21,893,104)	-
		7,765,962	27,855,671
14.3 The charge to profit or loss has been allocated as follows			
Cost of sales	29.2	5,532,342	19,843,916
Selling and distribution expenses	30.1	259,219	929,791
Administrative expenses	31.1	1,974,401	7,081,964
		7,765,962	27,855,671
14.4 Remeasurements recognized in other comprehensive income			
Actuarial (gain)/losses arising from changes in:			
Financial assumptions		(36,295)	
Experience adjustments		(1,437,089)	20,019,219
		(1,473,384)	20,019,219
14.5 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, Nauman Associates Consulting Actuaries. The principal assumptions used in determining present value of defined benefit obligation are:			
		30-Jun-24	30-Jun-23
Discount rate		14.75%	16.25%
Expected rates of increase in salary		13.75%	15.25%
14.6 Average duration of the defined benefit obligation			
The average duration of the defined benefit obligation is four years.			
14.7 Expected charge to profit or loss for the next financial year			
The expected charge to profit or loss for the year ending 30 June 2025 amounts to Rs. 5.05 million.			
14.8 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.			

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

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.

	30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i> <i>(Restated)</i>
15 DEFERRED TAXATION		
Deferred tax liability on taxable temporary differences	-	-
Deferred tax asset on deductible temporary differences	-	-
	-	-

16 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 movement during the year is as follows:

	<i>Note</i>	30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
As at beginning of the year		2,321,085	4,615,988
Amortized during the year		(1,610,070)	(2,294,903)
As at end of the year		811,015	2,321,085
Current maturity presented under current liabilities	19	(736,843)	(1,510,070)
		74,172	811,015

	<i>Note</i>	30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i> <i>(restated)</i>
17 TRADE AND OTHER PAYABLES			
Trade creditors	17.1	161,296,871	211,767,474
Bills payable		-	23,577,804
Accrued liabilities		42,773,492	117,018,406
Advances from customers		-	30,342,879
Deductions against vehicle scheme	17.2	4,638,225	4,200,167
Statutory levies payable	17.3	31,619,713	48,835,288
Sales tax payable		2,336,275	-
Other payables	17.4	33,728,563	12,313,390
		276,393,139	448,055,408

17.1 Trade creditors include an amount of Rs. 15,023,925 (30-Jun-23: Rs. 11,677,419) due to a related party against rent of generator.

17.2 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.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
17.3 Statutory levies payable			
Workers' Profit Participation Fund	17.3.1	-	-
Workers' Welfare Fund	17.3.2	3,833,741	3,833,741
Levies under Income Tax Ordinance, 2001	17.3.3	27,785,972	45,001,547
		31,619,713	48,835,288

17.3.1 Workers' Profit Participation Fund			
As at beginning of the year		-	7,974,854
Interest on funds utilized by the Company	17.3.1.1	-	716,138
Paid during the year		-	(8,690,992)
As at end of the year		-	-

17.3.1.1 Interest is charged at nil (30-Jun-23: 19.31%) per annum.

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
17.3.2 Workers' Welfare Fund			
As at beginning of the year		3,833,741	2,933,710
Charged to profit or loss for the year	35	-	900,031
As at end of the year		3,833,741	3,833,741

17.3.3 Levies under Income Tax Ordinance, 2001			
As at beginning of the year		45,001,547	60,750,052
Charged to profit or loss for the year	35.1	27,785,972	45,001,547
Paid/adjusted during the year		(45,001,547)	(60,750,052)
As at end of the year		27,785,972	45,001,547

17.4 These include withholding tax payable amounting to Rs. 33.728 million (30-Jun-23: Rs. 12.313 million).

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
18 SHORT TERM BORROWINGS			
Secured			
These represent short term finances utilized under interest arrangements from banking companies			
Running finances	18.1	19,954,112	262,015,572
Term loans	18.1	-	260,602,000
		19,954,112	522,617,572
Unsecured			
Loan from director	18.2	449,100,000	-
		469,054,112	522,617,572

18.1 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 three months KIBOR plus 2.50% (30-Jun-23: one to three months KIBOR plus 2.25% to 2.50%) per annum, payable quarterly.

The aggregate available short term funded facilities amounts to Rs. 73 million (30-Jun-23: Rs. 995 million) out of which Rs. 53.046 million (30-Jun-23: Rs. 472.38 million) remained unavailed as at the reporting date.

18.2 This represents temporary loan obtained from directors and shareholders of the Company. The loan is unsecured, interest free and repayable on demand.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
19	CURRENT PORTION OF NON-CURRENT LIABILITIES		
Long term finances	12	27,445,509	25,319,262
Deferred grant	16	736,843	1,510,070
		28,182,352	26,829,332
20	CONTINGENCIES AND COMMITMENTS		
20.1	Contingencies		
20.1.1	Various banking companies have issued guarantees on behalf of the Company as detailed below:		
		30-Jun-24 Rupees	30-Jun-23 Rupees
Bank guarantees		64,870,000	64,870,000
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.		
20.2	Commitments		
20.2.1	Commitments under irrevocable letters of credit for:		
		30-Jun-24 Rupees	30-Jun-23 Rupees
- purchase of raw material		-	115,680,435
- purchase of stores and spares		-	4,289,858
		-	119,970,293
20.2.2	Commitments for capital expenditure	-	-
20.2.3	Commitments under short term leases		
	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:		
		Note	30-Jun-24 Rupees
			30-Jun-23 Rupees
- payments not later than one year		-	8,000,000
- payments later than one year		-	-
		-	8,000,000
21	PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	21.1	1,155,113,202	1,213,167,916
Capital work in progress	21.2	-	-
		1,155,113,202	1,213,167,916

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

21.1 Operating fixed assets

	30-Jun-24											Net book value as at 30-Jun-24
	COST / REVALUED AMOUNTS				Rate	DEPRECIATION				As at 30-Jun-24		
	As at 01-Jul-23	Additions	Disposals	Transfers		As at 30-Jun-24	As at 01-Jul-23	Revaluation	For the year		Adjustment	
Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees		
Freehold land	101,370,000	-	-	-	101,370,000	-	-	-	-	-	-	101,370,000
Buildings	339,129,484	-	-	-	339,129,484	5	210,282,559	-	6,442,347	-	216,724,906	122,404,578
Plant and machinery	1,952,345,245	-	-	4,706,868	1,957,052,113	5	991,537,873	-	48,236,489	-	1,039,774,362	917,277,751
Services and other equipment	2,976,737	-	-	-	2,976,737	10	2,582,328	-	39,441	-	2,621,769	354,968
Office equipment	9,529,233	-	-	-	9,529,233	10	8,095,764	-	143,347	-	8,239,111	1,290,122
Furniture and fixtures	7,627,523	-	-	-	7,627,523	10	7,060,331	-	56,719	-	7,117,050	510,473
Scooters and cycles	49,355	-	-	-	49,355	20	49,209	-	29	-	49,238	117
Arms and ammunitions	122,790	-	-	-	122,790	10	90,382	-	3,241	-	93,623	29,167
Vehicles	53,809,569	-	(10,730,646)	-	43,078,923	20	34,093,574	-	3,549,318	(6,439,995)	31,202,897	11,076,026
	2,466,959,936	-	(10,730,646)	4,706,868	2,466,936,158		1,253,792,020	-	58,470,931	(6,439,995)	1,306,822,966	1,156,113,202

	30-Jun-23											Net book value as at 30-Jun-23
	COST / REVALUED AMOUNTS				Rate	DEPRECIATION				As at 30-Jun-23		
	As at 01-Jul-22	Additions	Disposals	Transfers		As at 30-Jun-23	As at 01-Jul-22	Revaluation	For the year		Adjustment	
Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees		
Freehold land	101,370,000	-	-	-	101,370,000	-	-	-	-	-	-	101,370,000
Buildings	338,664,484	-	-	2,465,000	339,129,484	5	203,555,198	-	6,727,361	-	210,282,559	128,846,925
Plant and machinery	1,927,700,518	-	-	24,644,727	1,952,345,245	5	641,663,664	-	49,674,219	-	991,537,873	960,807,372
Services and other equipment	2,976,737	-	-	-	2,976,737	10	2,538,505	-	43,823	-	2,582,328	394,409
Office equipment	9,529,233	-	-	-	9,529,233	10	7,936,490	-	159,274	-	8,095,764	1,433,469
Furniture and fixtures	7,627,523	-	-	-	7,627,523	10	6,997,310	-	63,021	-	7,060,331	567,192
Scooters and cycles	49,355	-	-	-	49,355	20	49,172	-	37	-	49,209	146
Arms and ammunitions	122,790	-	-	-	122,790	10	88,781	-	3,601	-	90,382	32,406
Vehicles	53,960,569	-	(141,000)	-	53,809,569	20	29,269,639	-	4,829,088	(105,663)	34,093,574	19,715,985
	2,439,991,209	-	(141,000)	27,109,727	2,466,959,936		1,192,296,749	-	61,600,934	(105,663)	1,253,792,020	1,213,167,616

21.1.1 Freehold land of the Company is located at District Kasur with a total area of 311 Kanal 18 Marla (30-Jun-23: 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 FOR THE YEAR ENDED 30 JUNE 2024

21.1.3 Disposal of operating fixed assets

Particulars	30-Jun-24						Particulars of buyer
	Cost/revalued amount	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Honda CD 70 Bike	68,000	55,379	12,621	14,023	1,402	Company policy	Maqsood Ahmed (employee), Lahore.
Honda CD 70 Bike	83,500	48,871	34,629	33,988	(641)	Company policy	Tauseef Ahmed (employee), Lahore.
Honda City Car	2,443,130	1,430,263	1,012,867	1,012,867	-	Company policy	Abdus Salam (employee), Lahore.
Honda City Car	2,519,130	1,166,189	1,352,941	1,352,941	-	Company policy	Saidar Inayat Ali (employee), Lahore.
Honda Civic Car	1,417,826	862,089	555,737	566,223	10,486	Company policy	Sajid Jamil (employee), Lahore.
Honda CD 70 Bike	68,405	47,430	20,975	22,501	1,526	Company policy	Amanat Ali (employee), Lahore.
Toyota Corolla Altis Car	1,979,250	1,582,907	396,343	653,065	256,722	Company policy	Saleem Rauli (employee), Lahore.
Honda Civic car	1,360,808	839,581	541,227	551,439	10,212	Company policy	Muhammad Nadeem (employee), Lahore.
Honda City Car	770,597	407,286	363,311	363,311	-	Company policy	Muhammad Ali (employee), Lahore.
	10,730,646	6,439,995	4,290,651	4,570,358	279,707		

Particulars	30-Jun-23						Particulars of buyer
	Cost/revalued amount	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Honda CD 70 Bike	70,000	48,572	21,428	21,428	-	Company policy	Ali Jibran Mazhar (employee), Lahore.
Honda CD 70 Bike	71,000	57,091	13,909	13,909	-	Company policy	Zeeshan Arshad (employee), Lahore.
	141,000	105,663	35,337	35,337	-		

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
21.1.4	The depreciation charge for the year has been allocated as follows:		
Cost of sales	29	54,718,277	56,445,403
Administrative expenses	31	3,752,654	5,155,531
		58,470,931	61,600,934

21.1.5 Most recent valuation of land, building and 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-24		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	246,828,452	147,933,773	98,894,679
Plant and machinery	2,029,717,765	1,019,297,609	1,010,420,156
	30-Jun-23		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	246,828,452	142,728,790	104,099,662
Plant and machinery	2,025,010,897	966,158,889	1,058,852,008

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	81,055,000
Building on freehold land	104,325,000
Plant and machinery	657,280,000
	842,700,000

21.2 Capital work in progress

	30-Jun-24			
	As at 01-Jul-23 Rupees	Additions Rupees	Transfers Rupees	As at 30-Jun-24 Rupees
Building	-	-	-	-
Plant and machinery	-	4,706,868	(4,706,868)	-
	-	4,706,868	(4,706,868)	-
	30-Jun-23			
	As at 01-Jul-22 Rupees	Additions Rupees	Transfers Rupees	As at 30-Jun-23 Rupees
Building	-	2,465,000	(2,465,000)	-
Plant and machinery	22,880,020	1,764,707	(24,644,727)	-
	22,880,020	4,229,707	(27,109,727)	-

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	<i>Note</i>	30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
22 LONG TERM DEPOSITS			
Financial institutions		6,425,500	8,136,476
Others	22.1	12,811,360	13,036,410
		19,236,860	21,172,886
22.1	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.		
		30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
23 STOCK IN TRADE			
Raw material		-	214,817,725
Work in process		-	41,523,790
Finished goods		-	171,608,077
		-	427,949,592
23.1	Details of stock pledged as security are referred to in note 47 to the financial statements.		
		30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
24 TRADE RECEIVABLES			
Gross amount due		8,918,840	142,627,227
Impairment allowance for expected credit losses	24.1	(2,526,735)	(3,671,185)
		6,392,105	138,956,042
24.1 Impairment allowance for expected credit losses			
As at beginning of the year		3,671,185	3,382,956
Recognized during the year	44.1.6	-	288,229
Reversed during the year	44.1.6	(1,144,450)	-
As at end of the year		2,526,735	3,671,185
25 SHORT TERM DEPOSITS			
These represent deposits with banking companies against under lien with providers of debt finances.			
		30-Jun-24 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
26 ADVANCES AND OTHER RECEIVABLES			(restated)
Advances to suppliers	26.1	34,800	1,756,491
Advances to employees	26.2	3,820,503	4,286,068
Prepaid expenses		526,021	3,632,782
Prepaid statutory levies		18,637,083	37,507,272
Sales tax refundable		6,084,849	11,429,578
		29,103,256	58,612,191
26.1 Advances to suppliers			
Gross amount due		3,603,239	1,756,491
Impairment allowance for expected credit losses	26.1.1	(3,568,439)	-
		34,800	1,756,491
26.1.1 Impairment allowance for expected credit losses			
As at beginning of the year		-	-
Recognized during the year		3,568,439	-
As at end of the year		3,568,439	-

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
27 CASH AND BANK BALANCES			
Cash in hand		159,309	699,196
Cash at banks			
Current accounts - local currency		28,606,824	37,850,929
Current accounts - foreign currency		-	7,989,725
		28,606,824	45,840,654
		28,766,133	46,539,850
28 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET			
Yarn		2,536,597,725	4,165,700,904
Waste		54,528,093	103,270,355
		2,591,125,818	4,268,971,259
Sales tax		(368,248,035)	(668,847,403)
		2,222,877,783	3,600,123,856
29 COST OF SALES			
Raw material consumed	29.1	1,395,376,545	2,412,743,476
Power and fuel		408,717,322	569,501,938
Stores and spares consumed		49,681,612	83,005,097
Salaries, wages and benefits	29.2	199,949,765	272,074,800
Entertainment		668,928	765,178
Insurance		5,078,444	6,387,416
Repair and maintenance		19,278,836	22,389,760
Traveling and conveyance		739,172	110,971
Vehicle running and maintenance		2,452,804	2,116,311
Depreciation	21.1.4	54,718,277	56,445,403
Others		652,185	1,254,851
Manufacturing cost		2,137,313,890	3,426,795,201
Work in process			
As at beginning of the year		41,523,790	72,885,323
As at end of the year		-	(41,523,790)
		41,523,790	31,361,533
Cost of goods manufactured		2,178,837,680	3,458,156,734
Finished goods			
As at beginning of the year		171,608,077	485,497,220
As at end of the year		-	(171,608,077)
		171,608,077	313,889,143
		2,350,445,757	3,772,045,877
29.1 Raw material consumed			
As at beginning of the year		214,817,725	261,942,482
Purchased during the year		1,180,558,820	2,365,618,719
As at end of the year		-	(214,817,725)
		1,395,376,545	2,412,743,476

29.2 These include charge in respect of employees retirement benefits amounting to Rs. 5,532,342 (30-Jun-23: Rs. 19,843,916).

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
30 SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	30.1	3,444,859	4,254,031
Commission		9,197,274	13,189,782
Vehicle running and maintenance		327,596	253,973
Others		295,774	454,022
		13,265,503	18,151,808

30.1 These include charge in respect of employees retirement benefits amounting to Rs. 259,219 (30-Jun-23: Rs. 929,791).

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
31 ADMINISTRATIVE EXPENSES			
Directors' meeting fee		105,000	165,000
Salaries and benefits	31.1	29,698,001	38,599,144
Rent, rates and utilities		5,437,941	6,981,722
Printing and stationery		675,097	660,484
Communication		1,466,475	1,480,516
Repair and maintenance		340,695	245,280
Vehicles running and maintenance		1,946,332	2,348,259
Fee and subscription		237,338	1,833,780
Traveling and conveyance		7,722,724	3,101,292
Legal and professional		180,000	216,750
Auditor's remuneration	31.2	975,000	975,000
Entertainment		1,247,223	1,093,163
Insurance		1,743,312	2,313,685
Depreciation on property plant and equipment	21.1.4	3,752,654	5,155,531
Others		4,762,893	4,257,201
		60,290,685	69,426,807

31.1 These include charge in respect of employees retirement benefits amounting to Rs. 1,974,401 (30-Jun-23: Rs. 7,081,964).

	30-Jun-24 Rupees	30-Jun-23 Rupees
31.2 Auditor's remuneration		
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
	975,000	975,000

32 OTHER INCOME		
Gain on financial instruments		
Exchange gain	279,636	2,266,923
Other income		
Gain on disposal of property, plant and equipment	279,707	-
	559,343	2,266,923

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees
33 FINANCE COST			
Interest on borrowings:			
loan from directors and other shareholders		57,750,215	68,518,556
long term finances		4,469,931	5,558,853
short term borrowings		71,226,527	129,178,223
Interest waived	33.1	(57,750,215)	(68,518,556)
		75,696,458	134,737,076
Interest on workers' profit participation fund	17.3.1	-	716,138
Bank charges and commission		2,228,693	5,493,665
		77,925,151	140,946,879

33.1 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-24 Rupees	30-Jun-23 Rupees (restated)
34 OTHER CHARGES			
Donations		-	1,000,000
Impairment allowance on advances to suppliers		3,568,439	-
		3,568,439	1,000,000

35 PROVISION FOR STATUTORY LEVIES			
Workers' Welfare Fund		-	900,031
Levies under Income Tax Ordinance, 2001	35.1	27,785,973	45,001,547
		27,785,973	45,901,578

35.1 Levies under Income Tax Ordinance, 2001

Current year	35.1.1	27,785,972	45,001,547
Prior years		1	-
		27,785,973	45,001,547

35.1.1 Levies under Income Tax Ordinance, 2001 ['the Ordinance'] have been recognized under section 113 of the Ordinance.

	Note	30-Jun-24 Rupees	30-Jun-23 Rupees (restated)
36 PROVISION FOR TAXATION			
Current taxation		-	-
Deferred taxation		-	-
		-	-

36.1 The income tax assessments of the Company up to and including tax year 2023 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 36.2 and 36.3.

36.2 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 Commissioner 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.

36.3 In respect of tax year 2021 the Company received notice under section 122(5A) vide order dated 24 June 2022 by Additional Commissioner Inland Revenue (Audit) ['ACIR(A)'], wherein 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 21 October 2022 remanded back the case to ACIR(A). The subject matter is still pending at Federal Board of Revenue's end.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	<i>Unit</i>	30-Jun-24	30-Jun-23	
37	LOSS PER SHARE - BASIC AND DILUTED			
Loss attributable to ordinary shareholders	<i>Rupees</i>	(308,699,932)	(445,370,399)	
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	29,840,607	29,840,607	
Loss per share - <i>Basic</i>	<i>Rupees</i>	(10.34)	(14.92)	
There is no anti-dilutive effect on the basic loss per share of the Company.				
	Note	30-Jun-24	30-Jun-23	
		<i>Rupees</i>	<i>Rupees</i>	
38	CASH GENERATED FROM OPERATIONS			
Loss before taxation		(308,699,932)	(445,370,399)	
Adjustments for non-cash and other items				
Finance cost		77,925,151	140,946,879	
Foreign exchange gain		-	(2,266,923)	
Provision for employees retirement benefits		7,765,962	27,855,671	
Impairment (reversals)/allowance for expected credit losses		(1,144,450)	288,229	
Gain on disposal of property, plant and equipment		(279,707)	-	
Depreciation on property plant and equipment		58,470,931	61,600,934	
Provision for statutory levies		27,785,973	45,001,547	
		170,523,860	273,426,337	
Operating loss before changes in working capital		(138,176,072)	(171,944,062)	
Changes in working capital				
Stores and spares		1,404,708	3,529,488	
Stock in trade		427,949,592	392,375,433	
Trade receivables		133,708,387	102,599,638	
Advances and other receivables		10,638,746	195,114	
Trade and other payables		(149,876,336)	(132,572,579)	
Long term payables		-	(2,154,409)	
		423,825,097	363,972,685	
Cash generated from operations		285,649,025	192,028,623	
	Note	30-Jun-24	30-Jun-23	
		<i>Rupees</i>	<i>Rupees</i>	
39	CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	28,766,133	46,539,850	
		28,766,133	46,539,850	
40	CHANGES FROM FINANCING CASH FLOWS			
	30-Jun-24		30-Jun-23	
	Long term finances <i>Rupees</i>	Short term borrowings <i>Rupees</i>	Long term finances <i>Rupees</i>	Short term borrowings <i>Rupees</i>
As at beginning of the year	63,736,027	522,617,572	108,269,897	548,252,220
Repayment of long term finances	(25,476,313)	-	(46,828,773)	-
Long term finances accretion	1,510,070	-	2,294,903	-
Transfer to equity	-	-	-	(102,000,000)
Net decrease in short term borrowings	-	(53,563,460)	-	76,365,352
As at end of the year	39,769,784	469,054,112	63,736,027	522,617,572

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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-24	30-Jun-23
		Rupees	Rupees
41.1	Transactions with related parties		
	Nature of relationship		
	Nature of transactions		
	Close relative of KMP		
	Interest expense	13,799,795	16,372,961
	Interest waived	13,799,795	16,372,961
	Key management personnel		
	Short-term employee benefits	8,025,000	8,085,000
	Post employment benefits	780,662	780,662
	Interest expense	43,950,420	52,145,595
	Interest waived	43,950,420	52,145,595
	Associated company		
	Generator rent	6,000,000	12,000,000
41.2	Balances with related parties		
	Nature of relationship		
	Nature of balances		
	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	449,100,000	-
	Short-term employee benefits payable	660,000	660,000
	Post employment benefits payable	15,681,035	14,900,373
	Associated company		
	Generator rent payable	15,023,925	11,677,419

42 CONTRACTS WITH CUSTOMERS

42.1 Contract balances

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

Nature of balance	Presented in financial statements as	Note	30-Jun-24	30-Jun-23
			Rupees	Rupees
Receivables	Trade receivables	24	6,392,105	138,956,042
Contract liabilities	Advances from customers	17	-	30,342,879
			6,392,105	169,298,921

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

42.2 Changes in contract liabilities

Significant changes in contract liabilities are as follows:

	30-Jun-24	30-Jun-23
	<i>Rupees</i>	<i>Rupees</i>
As at beginning of the year	30,342,879	86,518,326
Revenue recognized against contract liability as at beginning of the year	(30,342,879)	(38,212,774)
Net increase due to cash received in excess of revenue recognized	-	(17,962,673)
As at end of the year	-	30,342,879

42.3 Impairment losses

The Company during the year has recognized Rs. nil (30-Jun-23: Rs. 288,229) 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. 1,144,450 (30-Jun-23: Rs. nil) was reversed during the year on actual recovery. See note 24.1.

43 FINANCIAL INSTRUMENTS

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

	<i>Note</i>	30-Jun-24	30-Jun-23
		<i>Rupees</i>	<i>Rupees</i>
43.1 Financial assets			
<i>Cash in hand</i>	27	159,309	699,196
<i>Financial assets at amortized cost</i>			
Long term deposits	22	19,236,860	21,172,886
Trade receivables	24	6,392,105	138,956,042
Short term deposits	25	86,577,832	86,577,832
Advances to employees	26	3,820,503	4,286,068
Bank balances	27	28,606,824	45,840,654
		144,793,433	297,532,678
43.2 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Loan from directors and other shareholders	11	265,884,966	265,884,966
Long term finances	12	39,769,784	63,736,027
Long term deposits	13	6,010,000	6,010,000
Short term borrowings	18	469,054,112	522,617,572
Accrued interest		11,350,217	34,050,914
Trade creditors	17	161,296,871	211,767,474
Accrued liabilities	17	42,773,492	117,018,406
Unclaimed dividend		485,351	485,351
		996,624,793	1,221,570,710

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:

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

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-24 Rupees	30-Jun-23 Rupees
Financial assets at amortized cost			
Long term deposits	22	19,236,860	21,172,886
Trade receivables	24	8,918,840	142,627,227
Advances to employees	26	3,820,503	4,286,068
Short term deposits	25	86,577,832	86,577,832
Bank balances	27	28,606,824	45,840,654
		147,160,859	300,504,667

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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:

		External credit	Internal credit	12-month or	Gross carrying	Loss
	Note	rating	risk grading	life-time ECL	amount	allowance
					Rupees	Rupees
Long term deposits	22	N/A	Performing	12-month ECL	19,236,860	-
Trade receivables	24	N/A	Performing	Lifetime ECL	6,392,105	-
		N/A	Doubtful	Lifetime ECL	2,526,735	2,526,735
					8,918,840	2,526,735
Advances to employees	26	N/A	Performing	12-month ECL	3,820,503	-
Short term deposits	25	A1+	N/A	12-month ECL	86,577,832	-
Bank balances	27	A3 - A1+	N/A	12-month ECL	28,606,824	-
					147,160,859	2,526,735

(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. Therefore, 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-24	30-Jun-23
	Rupees	Rupees
Neither past due nor impaired	-	102,837,295
Past due by upto 30 days	-	20,056,142
Past due by 31 days to 180 days	6,218,315	16,350,834
Past due by 181 days or more	2,700,525	3,382,956
	8,918,840	142,627,227

(c) Advances to employees

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

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

44.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's two (30-Jun-23: three) significant customers account for Rs. 7.85 million (30-Jun-23: Rs. 83.077 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (30-Jun-23: 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.

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-24 Rupees	30-Jun-23 Rupees
As at beginning of the year		3,671,185	3,382,956
Impairment loss on trade receivables arising from contracts with customers recognized during the year	24.1	-	288,229
reversed during the year	24.1	(1,144,450)	-
Net change in impairment allowance		(1,144,450)	288,229
As at end of the year		2,526,735	3,671,185

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-24				
	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	400,371,766	57,750,215	342,621,551	-
Long term finances	39,769,784	43,246,288	30,485,766	12,760,522	-
Long term deposits	6,010,000	6,010,000	-	6,010,000	-
Short term borrowings	469,054,112	469,054,112	469,054,112	-	-
Accrued interest	11,350,217	11,350,217	11,350,217	-	-
Trade creditors	161,296,871	161,296,871	161,296,871	-	-
Accrued liabilities	42,773,492	42,773,492	42,773,492	-	-
Unclaimed dividend	485,351	485,351	485,351	-	-
	996,624,793	1,134,588,097	773,196,024	361,392,073	-

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

	30-Jun-23				
	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	494,155,004	68,518,556	425,636,448	-
Long term finances	63,736,027	73,986,896	32,067,883	41,919,013	-
Long term deposits	6,010,000	6,010,000	-	6,010,000	-
Short term borrowings	522,617,572	544,673,835	544,673,835	-	-
Accrued interest	34,050,914	34,050,914	34,050,914	-	-
Trade creditors	211,767,474	211,767,474	211,767,474	-	-
Accrued liabilities	117,018,406	117,018,406	117,018,406	-	-
Unclaimed dividend	485,351	485,351	485,351	-	-
	1,221,570,710	1,482,147,880	1,008,582,419	473,565,461	-

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-24 Rupees	30-Jun-23 Rupees
Financial assets		
Bank balances		
USD	-	7,989,725
	-	7,989,725
Financial liabilities	-	-
Net balance sheet exposure	-	7,989,725
Foreign currency commitments		
USD	-	(119,970,155)
EUR	-	-
	-	(119,970,155)
	-	(111,980,430)

(c) Exchange rates applied as at reporting date

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

	30-Jun-24 Rupees	30-Jun-23 Rupees
EUR	-	312.93
USD	-	285.99

SARITOW SPINNING MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

(d) *Sensitivity analysis*

A ten percent appreciation in Pak Rupee against foreign currencies would have decreased profit for the year by Rs. nil (30-Jun-23: Rs. 0.799 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-24	30-Jun-23
	Rupees	Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	30,298,480	50,205,662
Variable rate instruments		
Financial assets	-	-
Financial liabilities	29,425,416	536,147,937

(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. 0.294 million (30-Jun-23: Rs. 5.361 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 2024

	Unit	30-Jun-24	30-Jun-23
Total debt	Rupees	306,465,765	331,942,078
Total equity	Rupees	256,690,528	563,917,076
		563,156,293	895,859,154
Gearing	% age	54.42%	37.05%

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 11).

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-24 Rupees	30-Jun-23 Rupees
Freehold land	-	101,370,000	-	101,370,000	101,370,000
Buildings	-	122,404,578	-	122,404,578	128,846,925
Plant and machinery	-	917,277,751	-	917,277,751	960,807,372

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-23: Rs. 5.07 million).
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the 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. 6.12 million (30-Jun-23: Rs. 6.44 million).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

Valuation technique	Significant inputs	Sensitivity
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. 45.86 million (30-Jun-23: Rs. 48.04 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-24 Rupees	30-Jun-23 Rupees
47 RESTRICTION ON TITLE AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	1,901,666,667	1,901,666,667
Charge over operating fixed assets	1,988,333,334	1,988,333,334
Pledge		
Raw material	-	178,861,335
Finished goods	-	141,212,197

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-24		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	5,280,000	-	2,743,200
Allowances and perquisites	2,640,000	-	2,534,300
Meeting fee	-	105,000	-
Post employment benefits	780,662	-	342,900
	8,700,662	105,000	5,620,400
Number of persons	1	1	1
	30-Jun-23		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	5,280,000	-	9,829,608
Allowances and perquisites	2,640,000	-	4,914,792
Meeting fee	-	165,000	-
Post employment benefits	780,662	-	1,305,772
	8,700,662	165,000	16,050,172
Number of persons	1	1	4

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- 48.1 Meeting fee includes Rs. 105,000 (30-Jun-23: Rs. 165,000) 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-24	30-Jun-23
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	898,712	1,427,568

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-24	30-Jun-23
Total number of employees	89	545
Average number of employees	327	649

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.

	30-Jun-24	30-Jun-23
	Rupees	Rupees

53 RECLASSIFICATIONS

The following have been reclassified for better presentation.

Provision for Workers' Welfare Fund <i>Reclassified from Other charges > Workers' Welfare Fund</i> <i>Reclassified to Provision for statutory levies > Workers' Welfare Fund</i>	-	900,031
Provision for levies under Income Tax Ordinance, 2001 <i>Reclassified from Provision for taxation > Current taxation</i> <i>Reclassified to Provision for statutory levies > Levies under Income Tax Ordinance, 2001</i>	27,785,973	45,001,547
Workers' Welfare Fund payable <i>Reclassified from Trade and other payables > Workers' Welfare Fund</i> <i>Reclassified to Trade and other payables > Statutory levies payable > ..</i> <i>.. > Workers' Welfare Fund</i>	3,833,741	3,833,741
Levies under Income Tax Ordinance, 2001 payable <i>Reclassified from Current taxation > Income tax payable</i> <i>Reclassified to Trade and other payables > Statutory levies payable > ..</i> <i>.. > Levies under Income Tax Ordinance, 2001</i>	27,785,972	45,001,547
Prepaid statutory levies <i>Reclassified from Current taxation > Advance income tax</i> <i>Reclassified to Advances and other receivables > ..</i> <i>.. > Prepaid statutory levies</i>	18,637,083	37,507,272

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

54 GENERAL

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year except as referred to in note 53.



Director



Chief Financial Officer



Chief Executive

Form of Proxy

38th 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 38th Annual General Meeting of the Company to be held on November 27, 2024 at 06-Egerton Road, Opposite LDA Plaza, Lahore at 10:30 A.M. and at every adjournment thereof, if any.

A witness my / our hand (s) this _____ day of November 2024.

Signed by the said

REVENUE
STAMP

Witnesses:

1) Name _____	2) Name _____
Address _____	Address _____
_____	_____
CNIC No. _____	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 10-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, 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.

