

# **SARITOW SPINNING MILLS LIMITED**

**ANNUAL REPORT 2023**

**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**

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

**BANKERS**

Bank Alfalah Limited  
Faysal Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
NIB Bank Limited  
The Bank of Punjab  
Summit Bank Limited  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
Askari Bank Limited  
Habib Bank Limited  
JS Bank Limited  
Sindh Bank Limited

**SHARE REGISTRAR**

M/s Corplink (Pvt.) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore  
Tel: 042-35916714-19, 35839182 Fax: 042-35869037  
E-mail: shares@corplink.com.pk

**REGISTERED OFFICE**

17-Aziz Avenue, Canal Bank,  
Gulberg-V, Lahore.  
Tel: 042-35717364-65 & 35715029-30 Fax: 042-35715105  
E-mail: shares@saigols.com

**MILLS**

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

# **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 37<sup>th</sup> Annual General Meeting of Shareholders of **SARITOW SPINNING MILLS LIMITED** will be held on **Friday, October 27, 2023 at 10:30 A.M.**, at 06-Egerton Road, Lahore to transact the following business: -

## **Ordinary Business:**

1. To confirm the minutes of the last Annual General Meeting held on October 28, 2022.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2023 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.

## **Special Business:**

4. To consider and if deemed fit, to pass with or without modification(s), addition(s) or deletion(s), the following Special Resolution(s) by the members to circulate the annual balance sheet and profit and loss account, auditor's report and directors report, etc. ("annual audited financial statements") to its members through QR enabled code and web link, as recommended by the Board of Directors of the Company:

*“RESOLVED THAT QR enabled code and web link of the annual audited financial statements of the company be circulated to members, subject to the requirements of Notification No. S.R.O. 389(I)/2023 of Securities & Exchange Commission of Pakistan dated 21<sup>st</sup> March 2023 instead of CD/DVD/USB.*

*FURTHER RESOLVED THAT notice of general meeting be dispatched to members, as per the requirement of the Companies Act, 2017, on their registered address, containing the QR code and the web/ink address to view and download the annual audited financial statements together with the reports and documents required to be annexed thereto under the Act.*

*FURTHER RESOLVED THAT the annual audited financial statements be also circulated to members through email, in case email has been provided by the members of the company, without receiving consents from the members.*

*FURTHER RESOLVED THAT the company shall provide hard copy of all the future annual audited financial statements to those members only who request the company in writing to receive hard copies.”*

5. Any other business with the permission of the Chair.

By Order of the Board

Lahore: October 05, 2023

Company Secretary

## **Notes:**

1. Share Transfer Books of the Company will remain closed from **October 21, 2023 to October 27, 2023 (both days inclusive)**. Physical transfers/CDS transactions ID's received in order at "Company Registrar office M/s Corplink (Pvt.) Limited", Wings Arcade, 1-K, Commercial Model Town, Lahore on or before **October 20, 2023** will be treated in time.

2. A member entitled to attend and vote at this Meeting may appoint another Member as his/her proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.
4. Members are requested to notify the Company change in their addresses, if any.

**5. ELECTRONIC VOTING**

- a. In accordance with the Companies (Postal Ballot) Regulation, 2018, (the "Regulations") the right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for, inter alia, all businesses classified as special business under the Companies Act, 2017 in the manner and subject to conditions contained in the Regulations,
- b. Detail of E-Voting facility will be shared through e-mail with those members of the company who have valid cell numbers / e-mail addresses available in the Register of Members of the Company by the end of business on October 20, 2023 by Corplink (Private) Limited being the e voting service provider.
- c. Identity of the members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- d. Members shall cast vote online from October 24, 2023 9:00 A.M. till October 26, 2023 5:00 P.M. Voting shall close on October 26, 2023 at 5:00 P.M. Once the vote on the resolution has been casted by a Member, he/she shall not be allowed to change it subsequently.

**6. PROCEDURE FOR VOTING THROUGH POSTAL BALLOT**

- a. Members may alternatively opt for voting through postal ballot. For convenience of the members, Ballot Paper is annexed to this notice and the same is also available on the Company's website [www.saritowspinningmillsltd.com](http://www.saritowspinningmillsltd.com) to download.
  - b. The members must ensure that the duly filled and signed ballot paper, along with a copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post at the Company's registered address, or email one day before the AGM, i.e., on October 26, 2023 before 5:00 P.M. A postal ballot received after this time / date shall not be considered for voting. The signature on the Ballot Paper shall match with signature on the CNIC.
7. Annual Audited Financial Statements of the Company for the Financial Year ended June 30, 2023 have been placed on the Company's website i.e. [www.saritowspinningmillsltd.com](http://www.saritowspinningmillsltd.com)

**8. Replacement Of Physical Shares Into CDCAccount**

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

**9. 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
0346-4442501	Omer.farooq@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.

**STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017**

The following statement sets out the material facts pertaining to the Special Business to be transacted at the Annual General Meeting of the Company at 10:30 A.M., on Friday, October 27, 2023 at 06-Egerton Road, Opposite LDA Plaza, Lahore;

*Subject to the requirements of Notification No. S.R.O. 389(I)/2023 of Securities & Exchange Commission of Pakistan dated 21<sup>st</sup> March 2023, the company is desirous to obtain members approval in order to circulate annual audited financial statements to its members thorough QR enabled code and web/ink instead of circulating the same via CD/DVD/USB.*

None of the Directors of the Company have any personal interest in the aforesaid Special Business except in their capacity as Shareholders or Directors of the Company.

Lahore  
October 05, 2023

Company Secretary

# SARITOW SPINNING MILLS LIMITED

Registered Office: 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore  
Tel: 042-35920151-59 Website: [www.saritowspinningmillsltd.com](http://www.saritowspinningmillsltd.com)  
E-mail: [omer.farooq@saigols.com](mailto:omer.farooq@saigols.com)

## **BALLOT PAPER FOR VOTING THROUGH POST**

**For poll at the Annual General Meeting of Saritow Spinning Mills Limited to be held on Friday, October 27, 2023 at 06-Egerton Road, Lahore,**

Designated email address of the Chairman at which the duly filled in ballot paper may be sent: [omer.farooq@saigols.com](mailto:omer.farooq@saigols.com)

Name of shareholder/joint shareholders	
Registered Address	
Folio No. / CDC Participant / Investor ID with sub-account No	
Number of shares held	
CNIC, NICOP/Passport No. (in case of foreigner) (Copy to be attached)	
<u>Additional Information and enclosures</u> (In case of representative of body corporate, corporation and Federal Government.)	
Name of Authorized Signatory:	
CNIC, NICOP/Passport No. (In case of foreigner) of Authorized Signatory - (Copy to be attached)	

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by placing tick (✓) mark in the appropriate box below (delete as appropriate);

<b>Special Resolutions</b>
<p>To consider and if deemed fit, to pass with or without modification(s), addition(s) or deletion(s), the following Special Resolution(s) by the members to circulate the annual balance sheet and profit and loss account, auditor's report and directors report, etc. ("annual audited financial statements") to its members through QR enabled code and web link, as recommended by the Board of Directors of the Company: "RESOLVED THAT QR enabled code and web link of the annual audited financial statements of the company be circulated to members, subject to the requirements of Notification No. S.R.O. 389(I)/2023 of Securities &amp; Exchange Commission of Pakistan dated 21<sup>st</sup> March 2023 instead of CD/DVD/USB. FURTHER RESOLVED THAT notice of general meeting be dispatched to members, as per the requirement of the Companies Act, 2017, on their registered address, containing the QR code and the web/ink address to view and download the annual audited financial statements together with the reports and documents required to be annexed thereto under the Act. FURTHER RESOLVED THAT the annual audited financial statements be also circulated to members through email, in case email has been provided by the members of the company, without receiving consents from the members. FURTHER RESOLVED THAT the company shall provide hard copy of all the future annual audited financial statements to those members only who request the company in writing to receive hard copies."</p>

Sr. No.	Nature and Description of resolutions	No. of ordinary shares for which votes cast	I/We assent to the Resolutions (FOR)	I/We dissent to the Resolutions (AGAINST)
1	Special Resolution as per Agenda # 4 (as given above)			

Signature of shareholder(s)

Place: \_\_\_\_\_

Date: \_\_\_\_\_

### NOTES:

1. Dully filled postal ballot should be sent to Mr. M. Naseem Saigol, Chairman of the Company, at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore.
2. Copy of CNIC, NICOP/Passport No. (In case of foreigner) should be enclosed with the postal ballot form
3. Postal ballot forms should reach chairman of the meeting till 5:00 p.m. October 26, 2023. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC, NICOP/Passport (In case of foreigner).
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.

## سالانہ اجلاس عام کی اطلاع

بذریعہ نوٹس بذمہ مطلع کیا جاتا ہے کہ ساریٹو سپننگ ملز لینڈ کے حصص داران کا سٹیٹو اس (37th) سالانہ اجلاس عام 27 اکتوبر 2023 بروز جمعہ 10:30 بجے صبح 06- ایجنڈا روڈ، بلتاقا بلڈا، LDA Plaza، لاہور میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔  
عام امور:

1- 28 اکتوبر 2022 کو منعقد ہونے والے سالانہ اجلاس عام کی کارروائی کی تصدیق۔

2- مالی سال ختم 30 جون 2023 کی بابت کمپنی کے سالانہ آڈٹ شدہ حسابات بھرہاں پریذائریٹ کی رپورٹس کی وصولی اور ان کی قبولیت۔

3- اگلے سالانہ اجلاس کے اختتام تک بھرہ پر رہنے کیلئے کمپنی کے آڈٹ اور ان کا تفریاد اور ان کے صلہ خدمت کا تعین۔

خصوصی امور:

4- اراکین کی جانب سے سالانہ سٹیٹس شیٹ، پرافٹ اینڈ لاس اکاؤنٹ، آڈٹ اور ڈائریکٹرز کی رپورٹس وغیرہ (سالانہ مالیاتی آڈٹ شدہ حسابات) اپنے اراکین کو QR کوڈ اور ویب لنک کے ذریعے تریٹل کی مندرجہ ذیل قراردادوں پر غور و خوض کرنا اور اگر مناسب سمجھا جائے تو ان میں ترامیم، اضافہ یا حذف کے ساتھ یا اس کے بغیر پورڈ آف ڈائریکٹرز کی مجوزہ قراردادوں پر غور و خوض اور اسکی منظوری:

"RESOLVED THAT QR enabled code and web link of the annual audited financial statements of the company be circulated to members, subject to the requirements of Notification No. S.R.O. 389(I)/2023 of Securities & Exchange Commission of Pakistan dated 21st March 2023 instead of CD/DVD/USB.

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5- صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی۔

لاہور: 05 اکتوبر 2023

محکم پورڈ  
کمپنی سیکریٹری

نوٹس:

1- کمپنی کی حصص کی منتقلی کی کتابی 21 اکتوبر 2023 تا 27 اکتوبر 2023 (پیشول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار آفس ایم ایس کارپ لنک (پرائیویٹ) لمیٹڈ، وکٹر آرکیڈ، K-1، کمرشل، ماڈل ٹاؤن، لاہور میں وصول ہونے والی منتقلیاں (پیشول/Physical) (CDS) 20 اکتوبر 2023 کو کاروبار بند ہونے تک قابل قبول ہوں گی۔

2- اجلاس میں شرکت اور ووٹ دینے کا اہل ممبر پر کسی مقررہ کر سکتا ہے۔ پراکیاں تا آئندہ موثر ہوئیں، اجلاس کے وقت سے 48 گھنٹے قبل کمپنی کے صدر دفتر (17- عزیز ایویو، کینال بینک گلبرگ-7، لاہور) میں لازماً وصول ہونی چاہئیں اور باقاعدہ مہر زدہ، دستخط شدہ اور گواہ شدہ ہونی چاہئیں۔

3- دو ممبران جن کے نام حصص مندرجہ ذیل پانڈری سٹیم میں ہیں اتھاس ہے کہ وہ اپنے اصلی شناختی کارڈ یا پاپا سپورٹ اور سنٹرل ڈیپازٹری سٹیم میں اپنے اکاؤنٹ نمبر اجلاس میں شرکت کیلئے ہمراہ لائیں۔

4- ممبران سے اتھاس ہے کہ اپنے پتہ میں کسی بھی تبدیلی کی صورت میں کمپنی کو مطلع فرمادیں۔

5- الیکٹرونک ووٹنگ اینڈ پوسٹل بیلٹ

کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے مطابق کسی بھی خصوصی ایجنڈا آئٹم کے لیے کمپنیز ایکٹ 2017 کے سیکشن 143 اور 144 سے مشروط ممبر کو اپنا ووٹ بذریعہ بیلٹ یعنی بذریعہ ڈاک یا ای ووٹنگ کے ذریعے اپنا ووٹ استعمال کرنے کی اجازت ہے جو مذکورہ ریگولیشنز میں دی گئی شرائط سے مشروط ہے۔

7- 30 جون 2023 کو ختم ہونے والے مالی سال کے کمپنی کے سالانہ آڈٹڈ اکاؤنٹس کمپنی کی ویب سائٹ [www.saritowspinningmills.com](http://www.saritowspinningmills.com) پر جاری کر دیئے گئے ہیں۔

8- فیر ٹریڈنگ کی سی ڈی سی اکاؤنٹ میں تبدیلی

فیر ٹریڈنگ حصص رکھنے والے حصص داران کو ہدایت کی جاتی ہے کہ کمپنیز ایکٹ 2017 کے سیکشن 72 کے تحت الیکٹرونک شکل میں تبدیل کرالیں۔

### کمپنیز ایکٹ 2017 کے سیکشن (3) 134 کے تحت اسٹیٹمنٹ

مندرجہ ذیل اسٹیٹمنٹ کمپنی کے سالانہ عمومی اجلاس عام ہفتام 06- ایجنڈا روڈ، بلتاقا بلڈا، LDA Plaza، لاہور میں مورخہ 27 اکتوبر 2023 بروز جمعہ 10:30 بجے صبح منظوری کے لیے پیش کیے جانے والے خصوصی امور سے متعلق اہم حقائق کا اعاط کرنا ہے۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکٹ نمبر S.R.O.389(I)/2023 مورخہ 21 مارچ 2023 کی ہدایات کے پیش نظر کمپنی اپنے اراکین کو سالانہ آڈٹ شدہ مالیاتی گوشواروں کی تریٹل کو CD/DVD/USB میں کرنے کی بجائے فعال QR کوڈ اور ویب لنک کے ذریعے بھیجے گئے اراکین کی منظوری حاصل کرنا چاہتی ہے۔

خصوصی قراردادوں میں ڈائریکٹران کی ماسوا بحیثیت حصص داران یا کمپنی ڈائریکٹران کی کوئی دلچسپی نہیں چکا اٹھنا مقصود ہو۔

لاہور: 05 اکتوبر 2023

کمپنی سیکریٹری،

## **CHAIRMANS' REVIEW REPORT**

**I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2023, 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, 2023, 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 dear 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



## **DIRECTORS' REPORT**

The Directors of M/s. Saritow Spinning Mills Limited are please to present Financial Results for the year ended June 30, 2023 along with Auditors Report and Director Report thereupon.

<b>Financial Highlights</b>	<b><u>Year Ending June 30, 2023</u></b>	<b><u>Year Ending June 30, 2022</u></b>
Net Sales	3,600.124	4,860.004
Gross Profit / (loss)	(171.922)	305.974
Operating Profit / (loss)	(257.521)	225.332
Profit before Tax / (loss)	(400.369)	150.649
Profit / (loss) after Tax	(431.226)	94.727

### **Operating Financial Results**

During the year under review your company, due to adverse prevailing economic conditions was able to achieve turnover of Rs. 3,600.124 million as compared to Rs. 4,860.004 million last year. Due to adverse economic conditions the company earned net loss of Rs. (431.266) million as compared to net profit of Rs. 94,727 million.

The year under review was very tough for overall business in the country due to prevailing political and economic scenario. Cotton crop which was 8.5 million bales last year was reduced to 4.9 million bales, due to heavy flood all across the Country. Destruction of local crop forced industry either to shut down or rely on import substitute. Prices of imported cotton reached highest level during the year under review. This was further aggravated by Persistent Pak Rupee devaluation against US \$ which reached Rs. 286 against 1 Dollar. It started from 199 to 1 dollar at the start of the financial year. For import of raw materials letter of credits were opened and by the time material reached Pakistan Prices were increased due to devaluation of Pak Rupees. Causing higher prices of raw material compared to ever decreasing price of the yarn. Another factor was increased rate of markup which shows 8.5% increase during the year.

All these factors contributed to the losses incurred by the company during period under review.

### **Future Outlook**

The positive factor is bumper cotton crop which is expected to fetch 10.000 million bales as compared to 4.9 million bales last year. But unprecedented increase in power rates and markup rates will always be challenging for the industry. At the moment power tariff is highest in the region making local industry uncompetitive in the region and international market.

### **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.

<b>Names</b>	<b>Category</b>
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**

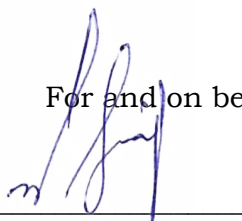
Mr. Jamal Nasim	Chairman/Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mrs. Sadaf Kashif	Member

#### **HR & REMUNERATION COMMITTEE**

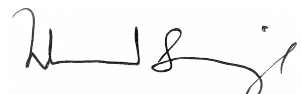
Mr. Jamal Nasim	Chairman/Member
Mr. Muhammad Zeid Yousuf Saigol	Member
Mr. Muhammad Murad Saigol	Member
Mr. Muhammad Omer Farooq	Member

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  
October 05, 2023

**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

30-06-2023

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
212	1	100	5,040
273	101	500	85,532
178	501	1,000	139,547
221	1,001	5,000	586,660
52	5,001	10,000	409,782
18	10,001	15,000	225,867
9	15,001	20,000	167,700
19	20,001	25,000	435,954
12	25,001	30,000	343,500
5	30,001	35,000	165,073
2	35,001	40,000	78,500
4	40,001	45,000	170,000
1	45,001	50,000	50,000
2	50,001	55,000	103,000
2	55,001	60,000	116,000
2	60,001	65,000	127,093
2	65,001	70,000	140,000
1	75,001	80,000	77,000
1	80,001	85,000	84,800
1	90,001	95,000	91,000
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	140,001	145,000	142,000
1	160,001	165,000	164,500
2	195,001	200,000	396,000
2	200,001	205,000	408,500
1	225,001	230,000	227,000
1	240,001	245,000	241,500
1	430,001	435,000	430,500
1	1,305,001	1,310,000	1,309,435
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
<b>1,039</b>			<b>29,840,607</b>

**SARITOW SPINNING MILLS LIMITED**  
**Categories of Shareholding required under Listed Companies (Code of Corporate Governance)**  
**Regulations, 2019 as on June 30, 2023**

Sr.No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties:</b>		-	-
<b>Mutual Funds:</b>			
1	PRUDENTIAL STOCK FUND LTD (CDC)	5,000	0.0168
<b>Directors and their Spouse and Minor Children:</b>			
1	MR. M. NASEEM SAIGOL (CDC)	8,138,150	27.2721
2	MR. MUHAMMAD ZEID YOUSUF SAIGOL	2,503,123	8.3883
3	MR. MUHAMMAD MURAD SAIGOL (CDC)	2,497,500	8.3695
4	MR. MUHAMMAD OMER FAROOQ	2,881	0.0097
5	MR. SAMIR IQBAL SAIGOL	1,123	0.0038
6	MRS. SADAF KASHIF	500	0.0017
7	MR. JAMAL NASIM (CDC)	500	0.0017
8	MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL (CDC)	2,179,462	7.3037
<b>Executives:</b>		-	-
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:</b>		271,503	0.9098
<b>Shareholders holding five percent or more voting interest in the listed company</b>			
1	MR. M. NASEEM SAIGOL. (CDC)	8,138,150	27.2721
3	MRS. AMBER HAROON SAIGOL (CDC)	5,053,206	16.9340
4	MR. MUHAMMAD ZEID YOUSUF SAIGOL (CDC)	2,503,123	8.3883
5	MR. MUHAMMAD MURAD SAIGOL (CDC)	2,497,500	8.3695
2	MRS. SEHYR SAIGOL (CDC)	2,179,462	7.3037
6	Y.H. SECURITIES (PVT) LTD. (CDC)	1,900,000	6.3672
<b>All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:</b>			
S. No.	NAME	SALE	PURCHASE
NIL			

<b>Categories of Shareholders</b>	<b>No. of Shareholders</b>	<b>Share held</b>	<b>Percentage</b>
Directors, Chief Executive Officer, and their spouse and minor children	8	15,323,239	51.3503
Associated Companies, undertakings and related party	-	-	-
NIT and ICP	3	1,349,991	4.5240
Banks Development Financial Institutions Non Banking Financial Institution	8	30,337	0.1017
Insurance Companies	2	108,784	0.3646
Modarabas and Mutual Funds	3	7,246	0.0243
General Public	993	10,810,420	36.2272
Others (to be specified)			
Pension Funds	1	130,136	0.4361
Other Companies	1	4,566	0.0153
Joint Stock Companies	14	2,058,081	6.8969
Foreign Companies	6	17,807	0.0597
	<u>1,039</u>	<u>29,840,607</u>	<u>100.0000</u>

## چیرمین جائزہ رپورٹ:

میں 30 جون، 2023 کو ختم ہونے والے سال کی چیرمین 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 دلچسپی سے کام کرتی رہیں۔ آڈٹ کمیٹی کا روبرو سے منسلک خطرات کے انتظام اور ان پر قابو پانے کے لیے بھرپور کام کرتی رہیں۔ ہیومن ریسورس اینڈ ریہوزیشن کمیٹی یقین دلاتی ہے کہ کارکردگی کے انتظام، عملہ کی بھرتی، معاوضہ اور مراعات پر ایچ آر پالیسیاں مارکیٹ رجحانات کے عین مطابق ہیں اور کمپنی کی کارکردگی، جنیئر ہولڈرز کے مفاد اور کمپنی کی طویل مدتی کامیابی کا احاطہ کرتی ہیں۔

لنڈن کمیٹی (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 تائید کو کمپنی کے لیے طے شدہ مقاصد کے تناظر میں توقعات کے خلاف پیمائش اور بیچ مارک کیا جائے۔

30 جون، 2023 کو ختم ہونے والے مالی سال کے لیے، بورڈ کی مجموعی کارکردگی اور تائید کا اندازہ اطمینان بخش رہا ہے۔ یہ لازمی اجزاء کی تشخیص پر مبنی ہے بشمول وژن، مشن اور اقدار، اسٹریٹجک منصوبہ بندی میں مشغولیت، پالیسیوں کی تشکیل، کمپنی کی کاروباری سرگرمیوں کی نگرانی، مالی وسائل کے انتظام کی نگرانی، منوٹر 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، اہم 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 حکمت عملی کی تیاری اور اس پر نظر ثانی کے لیے اپنائے گئے طریقہ ہائے کارائنتہائی قابل قدر ہے۔

ایم ایم سہگل  
چیرمین

# پیٹرن آف شیئر ہولڈنگ

30 جون 2023

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 ٹیکرز 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	993	10,810,420	36.2272
8	دوسرے (مخصوص کیا جائے گا)			
	میشن فنڈز	1	130,136	0.4361
	دوسری کمپنیز	1	4,566	0.0153
	جوائنٹ سٹاک کمپنیز	14	2,058,081	6.8969
	غیر ملکی کمپنیز	6	17,807	0.0597
	<b>کل تعداد</b>	<b>1,039</b>	<b>29,840,607</b>	<b>100.0000</b>

## تعداد حصص

-	ایسوسی ایٹڈ کمپنیز، انڈر ٹیکرز اور متعلقہ پارٹی۔
5,000	میوچل فنڈز
15,323,239	ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی بیویاں اور چھوٹے بچے۔
-	ایگزیکٹوز
-	پبلک سیکورٹیز اور کارپوریشنز
271,503	بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس انسٹی ٹیوشنز، انسورنس کمپنیز، مدار بہ اور میشن فنڈز
22,271,441	پانچ فیصد یا اس سے زیادہ کے حصص داران
	لسٹڈ کمپنیز میں ڈائریکٹرز، سی ای او، ایف او، کمپنی سیکرٹری، ان کی بیویاں اور چھوٹے بچوں کے حصص کی خرید و فروخت

نمبر شمار	نام	فروخت	خرید
			کوئی نہیں

## Statement in Compliance of the Code of Corporate Governance

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

<b><u>Name of Directors</u></b>	<b><u>No. of Meetings Attended</u></b>
Mr. M. Naseem Saigol	3
Mr. Muhammad Zeid Yousuf Saigol	4
Mr. Muhammad Murad Saigol	3
Mr. Samir Iqbal Saigol	4
Mr. Muhammad Omer Farooq	4
Mrs. Sadaf Kashif	3
Mr. Jamal Nasim	3

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

<b><u>Name of Members</u></b>	<b><u>No. of Meetings Attended</u></b>
Mr. Jamal Nasim	3
Mr. Muhammad Murad Saigol	3
Mr. Muhammad Omer Farooq	4
Mrs. Sadaf Kashif	3

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

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



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

**Pattern of Shareholding**

A statement showing pattern of shareholding as on June 30, 2023 is annexed.

**Acknowledgment**

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

For and on behalf of the Board

  
Muhammad Zeid Yousuf Saigol  
CHIEF EXECUTIVE OFFICER

Lahore: October 05, 2023

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

Name of company: **SARITOW SPINNING MILLS LIMITED**  
Year ending: **JUNE 30, 2023**

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. October 06, 2022
2. October 28, 2022
3. February 28, 2023
4. April 28, 2023

**b) HR and Remuneration Committee:**

1. October 06, 2022

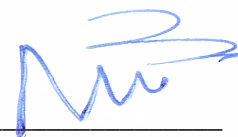
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

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

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

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

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



(M. Naseem Saigol)  
Chairman

# SARITOW SPINNING MILLS LIMITED

## FINANCIAL HIGHLIGHTS - Six Years at a Glance

Particulars	2,023	2,022	2,021	2,020	2,019	2,018
<b>Operating Performance (Rupees in Thousands)</b>						
Turnover- Net	3,600,124	4,860,004	3,653,463	2,812,843	3,494,805	2,993,265
Gross Profit	(171,922)	302,488	379,791	122,937	258,413	178,403
Profit/(Loss) before tax	(400,369)	147,336	231,719	(39,292)	94,771	46,760
Profit/(Loss) after tax	(431,227)	91,414	174,427	(58,204)	52,501	17,868
<b>Financial Position (Rupees in Thousands)</b>						
Share Capital	298,406	298,406	298,406	298,406	298,406	298,406
Shareholders,Equity	475,093	818,534	739,055	560,750	621,631	571,263
Operating Fixed Assets	1,213,168	1,270,574	1,281,003	1,213,820	1,256,485	1,298,134
Total Assets	1,978,663	2,535,558	2,175,934	2,424,172	2,277,369	2,175,900
Bank Borrowings	587,864	661,190	569,115	963,116	767,346	790,299
<b>Ratio Analysis</b>						
<b>Profitability</b>						
Gross Profit Margin-% age	(4.78)	6.22	10.40	4.37	7.39	5.96
Profit/(Loss)after tax-% age	(11.98)	1.88	4.77	(2.07)	1.50	0.60
Earning/(Loss)Per Share-Rupees	(14.45)	3.06	5.85	(1.95)	1.76	0.60
<b>Activity</b>						
Sales to Operating Fixed Assets-Times	2.97	3.83	2.85	2.32	2.78	2.31
<b>Liquidity</b>						
Current Ratio-Times	0.75	1.07	1.03	1.03	1.01	0.98
Break up Value Per Share-Rupees	15.92	27.43	24.77	18.79	20.83	19.14

## 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 2023** 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 2023**.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Reference	Description
Paragraph 27(2)(i)	The audit committee is required to meet at least once every quarter of the financial year. No meeting of the audit committee was held during the quarter ended 30 September 2022.

  
**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
Lahore | 05 October 2023



UDIN: CR202310704kVoWAsz5

## INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

We have audited the annexed financial statements of **SARITOW SPINNING MILLS LIMITED** ['the Company'], which comprise the statement of financial position as at **30 June 2023**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

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

#### Key audit matter

#### How our audit addressed the matter

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

Stock in trade amounts to Rs 428 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade.

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

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

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

### Key audit matter

contract in hand and historically realized sales prices.

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

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

### How our audit addressed the matter

## 2. Revenue recognition

Refer to notes 5.13 and 29 to the financial statements.

The amount of revenue is the most significant class of transaction on the statement of profit or loss. Net revenue has decreased by 26 percent in comparison with the previous year. Revenue is recognized when control of the underlying products has been transferred to the customer. We identified revenue recognition as a key audit matter since it is a key performance measure for the Company and gives rise to the risk associated with the judgement in determining the transfer of control of products as well as creates an incentive for fraudulently overstating revenue by recognizing revenue before transfer of control.

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

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

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

## 3. Valuation of deferred tax assets

The Company has recognised significant deferred tax assets in respect of tax losses. The recovery of deferred tax assets depends on achieving sufficient taxable profits in the future.

When considering the availability of future taxable profits, judgement is required when assessing projections of future taxable income which are based on approved business plans/forecasts.

There is inherent uncertainty involved in forecasting timing and quantum of future taxable profits, which support the extent to which tax assets are recognised. Therefore, this is the key judgmental area our audit is concentrated on.

The disclosures related to deferred taxation are

We understood and tested key controls over the production and approval of the forecast taxable profits used to support the recognition of various deferred tax assets. We found the key controls were designed, implemented and operated effectively, and therefore we were able to place reliance on these controls for the purposes of our audit.

We assessed whether the forecast profits were appropriate by challenging both the underlying and economic assumptions, focusing on those directly impacting the adjusted profit figures.

Using internal tax specialist, we considered the appropriateness of the application of relevant tax legislation by the Company, in relation to

**Key audit matter**

included in note 2.3.2(e) and note 15 to the annexed financial statements.

**How our audit addressed the matter**

the utilisation of tax losses

**4. Tax contingencies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

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

The engagement partner on the audit resulting in this independent auditor's report is **ALI RAZA JAFFERY**.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

*Chartered Accountants*

Lahore | 05 October 2023

UDIN: AR202310704g3RWf0Hhx

# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized share capital</i>	6	350,000,000	350,000,000
Issued share capital	7	298,406,070	298,406,070
Loan from director	8	102,000,000	-
Revaluation reserve	9	59,494,615	60,419,382
Retained earnings		15,192,576	459,708,048
<b>TOTAL EQUITY</b>		<b>475,093,261</b>	<b>818,533,500</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors and other shareholders	10	265,884,966	265,884,966
Long term finances	11	38,416,765	63,954,583
Long term deposits	12	6,010,000	6,010,000
Employees retirement benefits	13	109,092,189	106,848,193
Long term payables	14	-	-
Deferred taxation	15	88,823,815	108,773,194
Deferred grant	16	811,015	2,102,530
		<b>509,038,750</b>	<b>553,573,466</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	403,053,861	535,626,440
Unclaimed dividend		485,351	485,351
Short term borrowings	18	522,617,572	548,252,220
Accrued interest		34,050,914	17,029,466
Current taxation	19	7,494,275	13,074,338
Current portion of non-current liabilities	20	26,829,332	48,983,181
		<b>994,531,305</b>	<b>1,163,450,996</b>
<b>TOTAL LIABILITIES</b>		<b>1,503,570,055</b>	<b>1,717,024,462</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,978,663,316</b>	<b>2,535,557,962</b>

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

 Director	 Chief Financial Officer	 Chief Executive
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**RSRIR**  
for identification only

# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	22	1,213,167,916	1,270,574,480
Long term deposits	23	21,172,886	21,172,886
		<b>1,234,340,802</b>	<b>1,291,747,366</b>
<b>CURRENT ASSETS</b>			
Stores and spares		23,194,279	26,723,767
Stock in trade	24	427,949,592	820,325,025
Trade receivables	25	138,956,042	241,843,909
Short term deposits	26	86,577,832	86,577,832
Advances and other receivables	27	21,104,919	21,300,033
Cash and bank balances	28	46,539,850	47,040,030
		<b>744,322,514</b>	<b>1,243,810,596</b>
<b>TOTAL ASSETS</b>		<b>1,978,663,316</b>	<b>2,535,557,962</b>

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

  
Director

  
Chief Financial Officer

  
Chief Executive

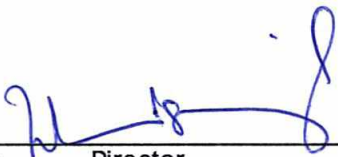
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# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Revenue from contracts with customers - net	29	3,600,123,856	4,860,004,224
Cost of sales	30	(3,772,045,877)	(4,557,516,479)
<b>Gross (loss)/profit</b>		<b>(171,922,021)</b>	<b>302,487,745</b>
Selling and distribution expenses	31	(18,151,808)	(15,337,225)
Administrative expenses	32	(69,426,807)	(68,165,316)
		(87,578,615)	(83,502,541)
Other income	33	2,266,923	2,712,512
Impairment (allowance)/reversals for expected credit losses	44.1.6	(288,229)	147,432
<b>Operating (loss)/profit</b>		<b>(257,521,942)</b>	<b>221,845,148</b>
Finance cost	34	(140,946,879)	(63,600,309)
Other charges	35	(1,900,031)	(10,908,564)
		(142,846,910)	(74,508,873)
<b>(Loss)/profit before taxation</b>		<b>(400,368,852)</b>	<b>147,336,275</b>
Provision for taxation	36	(30,857,742)	(55,921,984)
<b>(Loss)/profit after taxation</b>		<b>(431,226,594)</b>	<b>91,414,291</b>
<b>(Loss)/earnings per share - basic and diluted</b>	37	<b>(14.45)</b>	<b>3.06</b>

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

  
Director

  
Chief Financial Officer

  
Chief Executive


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# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligation	13.4	(20,019,219)	(16,810,409)
Related taxation	15	5,805,574	4,875,019
		(14,213,645)	(11,935,390)
		(14,213,645)	(11,935,390)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other comprehensive loss		(14,213,645)	(11,935,390)
(Loss)/profit after taxation		(431,226,594)	91,414,291
<b>Total comprehensive (loss)/income</b>		<b>(445,440,239)</b>	<b>79,478,901</b>

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



Director



Chief Financial Officer



Chief Executive

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# SARITOW SPINNING MILLS LIMITED

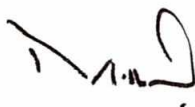
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share capital		Capital reserves		
	Issued share capital	Loan from director	Revaluation reserve	Retained earnings	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
As at 01 July 2021	298,406,070	-	61,392,820	379,255,709	739,054,599
<b>Comprehensive income</b>					
Profit after taxation	-	-	-	91,414,291	91,414,291
Other comprehensive loss	-	-	-	(11,935,390)	(11,935,390)
<b>Total comprehensive income</b>	-	-	-	79,478,901	79,478,901
Incremental depreciation	-	-	(973,438)	973,438	-
Transaction with owners	-	-	-	-	-
<b>As at 30 June 2022</b>	<b>298,406,070</b>	<b>-</b>	<b>60,419,382</b>	<b>459,708,048</b>	<b>818,533,500</b>
As at 01 July 2022	298,406,070	-	60,419,382	459,708,048	818,533,500
<b>Comprehensive income</b>					
Loss after taxation	-	-	-	(431,226,594)	(431,226,594)
Other comprehensive loss	-	-	-	(14,213,645)	(14,213,645)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(445,440,239)</b>	<b>(445,440,239)</b>
Incremental depreciation	-	-	(924,767)	924,767	-
Transaction with owners	-	-	-	-	-
<b>Other transactions</b>					
Loan from director transferred from short term borrowings	-	102,000,000	-	-	102,000,000
<b>As at 30 June 2023</b>	<b>298,406,070</b>	<b>102,000,000</b>	<b>59,494,615</b>	<b>15,192,576</b>	<b>475,093,261</b>

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



Director



Chief Financial Officer



Chief Executive

# SARITOW SPINNING MILLS LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	38	192,028,623	17,631,240
Payments for:			
Employees retirement benefits		(45,630,894)	(18,506,347)
Finance cost		(123,925,431)	(58,548,045)
Income tax		(50,581,610)	(51,796,701)
<b>Net cash used in operating activities</b>		<b>(28,109,312)</b>	<b>(111,219,853)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(4,229,707)	(58,359,035)
Proceeds from disposal of property, plant and equipment		35,337	6,574,358
Long term deposits		-	(145,500)
<b>Net cash used in investing activities</b>		<b>(4,194,370)</b>	<b>(51,930,177)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances		(46,828,773)	(57,135,954)
Net increase in short term borrowings		76,365,352	162,482,037
<b>Net cash generated from financing activities</b>		<b>29,536,579</b>	<b>105,346,083</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,767,103)</b>	<b>(57,803,947)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>47,040,030</b>	<b>103,517,664</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>2,266,923</b>	<b>1,326,313</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	39	<b>46,539,850</b>	<b>47,040,030</b>

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



Director



Chief Financial Officer



Chief Executive

RSRIR  
for identification only



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 1 LEGAL STATUS AND OPERATIONS

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

#### 2.2 Basis of measurement

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

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

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

##### 2.3.1 Critical accounting judgements

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

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

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

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

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

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information. When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the ECL rates on financial assets carried at amortized cost were higher (lower) by 10%, the loss allowance on those assets would have been higher (lower) by Rs. 30.05 million (30-Jun-22: Rs. 40.5 million). Further information on the Company's credit risk management practices and credit quality and impairment of financial assets is referred to in note 44.1.3.

#### **(b) Revaluation of property, plant and equipment (see note 22)**

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 22. Refer to note 46.3.1 for an analysis of sensitivity of revalued amounts of property, plant and equipment.

#### **(c) Present value of defined benefit obligation (see note 13)**

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

Present value of the Company's defined benefit obligation has been determined by an independent actuary, TRT Associates Actuaries and Management Consultants, and is stated in the statement of financial position at Rs. 109.092 million (30-Jun-22: Rs. 106.848 million). Further information on the carrying amounts of the Company's defined benefit obligation and the sensitivity of those amounts to changes in assumptions is referred to in note 13.

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

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provisions for current tax and tax contingencies. The provision for current tax is estimated at Rs. 45.002 million (30-Jun-22: Rs. 61.644 million). The management believes that the provision for current tax made in the financial statements is sufficient to discharge related tax liability.

Credit for deferred tax of Rs. 14.144 million (30-Jun-22: Rs. 5.722 million) has been estimated after taking into account historical and future turnover and profit trends and their taxability under the current tax law.

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

#### **(e) Deferred tax assets on unused tax losses and credits (see note 15.3)**

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The Company has Rs. 64.764 million (30-Jun-22: Rs. nil) of tax credits carried forward as at the reporting date and available to the Company for utilization against future taxable profits. However, the Company has not recognised deferred tax assets amounting to Rs. 64.764 million (30-Jun-22: Rs. nil) as the temporary differences are not expected to reverse in foreseeable future due to expected non-availability of taxable profits against which temporary differences may be utilized.

If the Company was able to recognize all unrecognized deferred tax assets, deferred tax assets and equity as at the reporting date would have increased by Rs. 64.764 million (30-Jun-22: Rs. nil).

### 2.4 Functional currency

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

### 2.5 Date of authorization for issue

These financial statements were authorized for issue on 05 October 2023 by the Board of Directors of the Company.

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

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

### 3.1 Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

### 3.2 Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

### 3.3 Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

### 3.4 Annual Improvements to IFRS Standards 2018–2020

The annual improvements have made amendments to the following standards:

- **IFRS 1 - First Time Adoption of International Financial Reporting Standards** - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9 - Financial Instruments** - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16 - Leases** - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41 - Agriculture** - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

## 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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Effective date (annual periods beginning on or after)
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements)	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)	01 January 2023
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12 - Income Taxes)	01 January 2023
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
Other than afore mentioned standards, interpretations and amendments, IASB has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ["SECP"]:	
IFRS 1 - First Time Adoption of International Financial Reporting Standards	
IFRS 17 - Insurance contracts	

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will not have a material impact on the Company's financial statements other than in presentation/disclosures.

### 5 SIGNIFICANT ACCOUNTING POLICIES

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

#### 5.1 Property, plant and equipment

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

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

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

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

Depreciation is recognized in profit or loss, using rates specified in note 22.1, 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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

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

### 5.2 Stores and spares

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

### 5.3 Stock in trade

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

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

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

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

### 5.4 Employee benefits

#### 5.4.1 Short-term employee benefits

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

#### 5.4.2 Post-employment benefits

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

### 5.5 Financial instruments

#### 5.5.1 Recognition

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

#### 5.5.2 Classification

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

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

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

These are:

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

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

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

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

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

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

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

### 5.5.3 Measurement

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

### 5.5.4 Derecognition

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

### 5.5.5 Off-setting

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

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

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

### 5.6 Ordinary share capital

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

### 5.7 Loans and borrowings

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 5.8 Leases as 'lessee'

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

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

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

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

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

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

Lease liability is remeasured whenever:

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

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

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

### 5.9 Short-term leases

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

### 5.10 Trade and other payables

#### 5.10.1 Financial liabilities

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 5.10.2 Non-financial liabilities

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

### 5.11 Provisions and contingencies

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

### 5.12 Trade and other receivables

#### 5.12.1 Financial assets

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

#### 5.12.2 Non-financial assets

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

### 5.13 Contracts with customers

#### 5.13.1 Revenue

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

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

#### 5.13.2 Contract assets

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

#### 5.13.3 Contract liabilities

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

### 5.14 Comprehensive income

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



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 5.15 Borrowing costs

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

### 5.16 Government grants

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

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

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

### 5.17 Income tax

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

#### 5.17.1 Current taxation

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

#### 5.17.2 Deferred taxation

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

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

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

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

### 5.19 Cash and cash equivalents

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 5.20 Segment reporting

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

### 5.21 Foreign currency transactions and balances

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

### 5.22 Impairment

#### 5.22.1 Financial assets

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

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

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

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

#### 5.22.2 Non-financial assets

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

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

### 5.23 Dividend distribution to ordinary shareholders

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 5.24 Fair value measurements

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

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

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

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

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

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

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

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

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

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

### 6 AUTHORIZED SHARE CAPITAL

30-Jun-23	30-Jun-22		30-Jun-23	30-Jun-22
No. of shares	No. of shares		Rupees	Rupees
35,000,000	35,000,000	Ordinary shares of Rs. 10 each	350,000,000	350,000,000
35,000,000	35,000,000		350,000,000	350,000,000

### 7 ISSUED SHARE CAPITAL

30-Jun-23	30-Jun-22		30-Jun-23	30-Jun-22
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

### 8 LOAN FROM DIRECTOR

This represent loan from director transferred from short term borrowings (see note 18.2). The loan 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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	30-Jun-23	30-Jun-22
	<i>Rupees</i>	<i>Rupees</i>
<b>9 REVALUATION RESERVE</b>		
As at beginning of the year	60,419,382	61,392,820
Incremental depreciation transferred to accumulated profits		
Incremental depreciation for the year	(1,302,489)	(1,371,040)
Deferred taxation	377,722	397,602
	<b>(924,767)</b>	<b>(973,438)</b>
As at end of the year	<b>59,494,615</b>	<b>60,419,382</b>

### 10 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 11) and short term borrowings (see note 18) of the Company. Accordingly the loan matures on 29 October 2025 being the date before which the lenders cannot demand repayment of this loan under the subordination agreement.

The loan carries interest at one year KIBOR plus 2.5% (30-Jun-22: 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. 68.52 million (30-Jun-22: Rs. 48.47 million) was waived by the lenders at their sole discretion.

	<i>Note</i>	30-Jun-23	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
<b>11 LONG TERM FINANCES</b>			
These represent long term finances utilized under interest arrangements from banking companies			
Term Finances ['TF']			
TF - I	11.1	13,530,365	18,942,446
Refinance Scheme ['RS']			
RS - I	11.2	-	19,718,834
Temporary Economic Refinancing Facilities ['TERF']			
TERF - I	11.3	8,721,268	12,369,104
TERF - II	11.4	41,484,394	57,239,513
		<b>50,205,662</b>	<b>69,608,617</b>
		<b>63,736,027</b>	<b>108,269,897</b>
Current maturity presented under current liabilities	20	<b>(25,319,262)</b>	<b>(44,315,314)</b>
		<b>38,416,765</b>	<b>63,954,583</b>

11.1 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-22: 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.

11.2 RS - I was obtained from MCB Bank Limited for payments of wages and salaries to workers and employees under SBP's scheme and was 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 carried interest at a below-market rate of 3% per annum, payable quarterly. The finance was repayable in eight equal installments with the first installment due in March 2021. The amortised cost of this finance was determined using a discount rate of 10.26% being the prevailing market rate of interest for the similar instruments at the date of disbursement. The difference between the amortised cost and face value was recognized as deferred grant (see note 16). The finance has been fully repaid during the year. The details are as follows:

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Face value of finance		-	19,999,440
Unamortized deferred grant	16	-	(280,606)
		-	19,718,834

- 11.3 TERF - I has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and subordination of loan from directors and other shareholders. The finance carries interest at a below-market rate of 3.75% per annum, payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in December 2021. The amortized cost of this finance has been determined using a discount rate of 11.14% being the prevailing market rate of interest for similar instruments at the date of disbursement. The difference between the amortised cost and face value has been recognized as deferred grant (See note 16). The details are as follows:

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Face value of finance		9,147,375	13,212,875
Unamortized deferred grant	16	(426,107)	(843,771)
		8,721,268	12,369,104

- 11.4 TERF - II has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and subordination of loan from directors and other shareholders. The finance carries interest at a below-market rate of 3.75% per annum, payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in January 2022. The amortized cost of this finance has been determined using a discount rate of 11.18% being the prevailing market rate of interest for similar instruments at the date of disbursement. The difference between the amortised cost and face value has been recognized as deferred grant (See note 16). The details are as follows:

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Face value of finance		43,379,372	60,731,124
Unamortized deferred grant	16	(1,894,978)	(3,491,611)
		41,484,394	57,239,513

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

## 12 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.

## 13 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-23 Rupees	30-Jun-22 Rupees
<b>13.1 Movement in present value of defined benefit obligation</b>			
As at beginning of the year		106,848,193	84,946,625
Charged to profit or loss for the year	13.2	27,855,671	23,597,506
Benefits paid during the year		(45,630,894)	(18,506,347)
Remeasurements recognized in other comprehensive income	13.4	20,019,219	16,810,409
As at end of the year		109,092,189	106,848,193

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>13.2 Charge to profit or loss</b>			
Current service cost		16,721,332	16,028,161
Interest cost		11,134,339	7,569,345
		<b>27,855,671</b>	<b>23,597,506</b>
<b>13.3 The charge to profit or loss has been allocated as follows</b>			
Cost of sales	30.2	19,843,916	17,712,984
Selling and distribution expenses	31.1	929,791	625,489
Administrative expenses	32.1	7,081,964	5,259,033
		<b>27,855,671</b>	<b>23,597,506</b>
<b>13.4 Remeasurements recognized in other comprehensive income</b>			
Actuarial loss arising from changes in:			
Experience adjustments		20,019,219	16,810,409
		<b>20,019,219</b>	<b>16,810,409</b>
<b>13.5 Principal actuarial assumptions</b>			
Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries, TRT Associates Actuaries and Management Consultants. The principal assumptions used in determining present value of defined benefit obligation are:			
		30-Jun-23	30-Jun-22
Discount rate		16.25%	13.25%
Expected rates of increase in salary		15.25%	12.25%
<b>13.6 Average duration of the defined benefit obligation</b>			
The average duration of the defined benefit obligation is nine years.			
<b>13.7 Expected charge to profit or loss for the next financial year</b>			
The expected charge to profit or loss for the year ending 30 June 2024 amounts to Rs. 37.166 million.			
<b>13.8 Sensitivity analysis</b>			
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-23	30-Jun-22
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption
		Rupees	Rupees
Discount rate	+ 1%	99,748,558	+ 1%
	- 1%	119,313,693	- 1%
Expected rate of increase in salary	+ 1%	119,311,055	+ 1%
	- 1%	99,747,333	- 1%
		97,694,358	116,856,860
		116,859,731	97,695,558

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.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 13.9 Risk factors

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

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

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

**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.

### 14 LONG TERM PAYABLES

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

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
Face value		-	20,337,623
Paid during the year		-	(18,157,740)
Unamortized notional interest	14.1	-	(25,474)
		-	2,154,409
Current portion presented under current liabilities		-	(2,154,409)
		-	-

### 14.1 Unamortized notional interest

As at beginning of the year	25,474	871,881
Amortization for the year	(25,474)	(846,407)
As at end of the year	-	25,474

### 15 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	15.1	240,813,602	243,682,919
Deferred tax asset on deductible temporary differences	15.1	(151,989,787)	(134,909,725)
		88,823,815	108,773,194

### 15.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30-Jun-23			
	As at 01-Jul-22 Rupees	Recognized in profit or loss Rupees	Recognized in equity Rupees	As at 30-Jun-23 Rupees
<b>Deferred tax liabilities</b>				
Operating fixed assets	243,682,919	(2,869,317)	-	240,813,602
	243,682,919	(2,869,317)	-	240,813,602
<b>Deferred tax assets</b>				
Employees retirement benefits	(30,985,976)	5,154,815	(5,805,574)	(31,636,735)
Impairment allowance for expected credit losses	(981,057)	(83,587)	-	(1,064,644)
Unused tax losses and credits	(102,942,692)	(16,345,716)	-	(119,288,408)
	(134,909,725)	(11,274,488)	(5,805,574)	(151,989,787)
	108,773,194	(14,143,805)	(5,805,574)	88,823,815

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

15.2 Deferred tax has been calculated at 29% (30-Jun-22: 29%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

### 15.3 Unrecognized deferred tax assets

The Company has Rs. 64.764 million (30-Jun-22: Rs. nil) of tax credits carried forward as at the reporting date and available to the Company for utilization against future taxable profits. However, the Company has not recognised deferred tax assets amounting to Rs. 64.764 million (30-Jun-22: Rs. nil) as the temporary differences are not expected to reverse in foreseeable future due to expected non-availability of taxable profits against which temporary differences may be utilized.

Unused tax credits for which no deferred tax asset has been recognized expire as follows:

Tax year	Nature	30-Jun-23 Rupees	30-Jun-22 Rupees
2025	Tax credits	19,761,980	-
2026	Tax credits	45,001,548	-
		64,763,528	-

### 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 Company obtained financing of Rs. 79.998 million under the Refinance Scheme (see note 11.2) and of Rs. 85.669 million under TERF (see note 11.3, 11.4). The benefit of below market interest rates, measured as the difference between the fair value of loan on the date of disbursement and its face value on that date has been recognised as deferred grant.

The movement during the year is as follows:

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
As at beginning of the year		4,615,988	10,142,542
Amortized during the year		(2,294,903)	(5,526,554)
As at end of the year		2,321,085	4,615,988
Current maturity presented under current liabilities	20	(1,510,070)	(2,513,458)
		811,015	2,102,530



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>17 TRADE AND OTHER PAYABLES</b>			
Trade creditors	17.1	211,767,474	233,356,907
Bills payable		23,577,804	25,097,267
Accrued liabilities		117,018,406	153,193,400
Advances from customers		30,342,879	86,518,326
Workers' Profit Participation Fund	17.2	-	7,974,854
Workers' Welfare Fund	17.3	3,833,741	2,933,710
Deductions against vehicle scheme	17.4	4,200,167	3,415,905
Other payables	17.5	12,313,390	23,136,071
		<b>403,053,861</b>	<b>535,626,440</b>

17.1 Trade creditors include an amount of Rs. 11,677,419 (30-Jun-22: 9,812,270) due to a related party against rent of generator.

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>17.2 Workers' Profit Participation Fund</b>			
As at beginning of the year		7,974,854	12,285,634
Interest on funds utilized by the Company	17.2.1	716,138	1,252,246
Charged to profit or loss for the year	35	-	7,974,854
Paid during the year		(8,690,992)	(13,537,880)
As at end of the year		-	7,974,854

17.2.1 Interest is charged at 19.31% (30-Jun-22: 14.42%) per annum.

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>17.3 Workers' Welfare Fund</b>			
As at beginning of the year		2,933,710	4,422,828
Charged to profit or loss for the year	35	900,031	2,933,710
Prior year		-	300,016
Paid during the year		-	(4,722,844)
As at end of the year		<b>3,833,741</b>	<b>2,933,710</b>

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

17.5 These include withholding tax payable amounting to Rs. 12.313 million (30-Jun-22: Rs. 5.81 million).

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>18 SHORT TERM BORROWINGS</b>			
<i>Secured</i>			
These represent short term finances utilized under interest arrangements from banking companies			
Running finances	18.1	262,015,572	404,805,220
Term loans	18.1	260,602,000	41,447,000
		<b>522,617,572</b>	<b>446,252,220</b>
<i>Unsecured</i>			
Loan from director	18.2	-	102,000,000
		<b>522,617,572</b>	<b>548,252,220</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 one to three months KIBOR plus 2.25% to 2.50% (30-Jun-22: one to three months KIBOR plus 2.50%) per annum, payable quarterly.

The aggregate available short term funded facilities amounts to Rs. 995 million (30-Jun-22: Rs. 845 million) out of which Rs. 472.38 million (30-Jun-22: Rs. 398.78 million) remained Unavailed as at the reporting date.

18.2 This represents temporary loan obtained from director of the Company. The loan is unsecured and interest free. During the year, this loan has been classified as equity (see note 8).

	<i>Note</i>	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
<b>19 CURRENT TAXATION</b>			
Provision for taxation	36	45,001,547	60,750,052
Advance income tax/income tax refundable		(37,507,272)	(47,675,714)
		<b>7,494,275</b>	<b>13,074,338</b>
<b>20 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Long term finances	11	25,319,262	44,315,314
Gas infrastructure development cess	14	-	2,154,409
Deferred grant	16	1,510,070	2,513,458
		<b>26,829,332</b>	<b>48,983,181</b>

### 21 CONTINGENCIES AND COMMITMENTS

#### 21.1 Contingencies

21.1.1 Various banking companies have issued guarantees on behalf of the Company as detailed below:

	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
Bank guarantees	64,870,000	77,980,000

21.1.2 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.

#### 21.2 Commitments

21.2.1 Commitments under irrevocable letters of credit for:

	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
- purchase of raw material	115,680,435	324,695,705
- purchase of stores and spares	4,289,858	5,037,074
	<b>119,970,293</b>	<b>329,732,779</b>

21.2.2 Commitments for capital expenditure

- 4,000,000

21.2.3 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:

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
- payments not later than one year		8,000,000	8,000,000
- payments later than one year		-	-
		<b>8,000,000</b>	<b>8,000,000</b>
<b>22</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	22.1	1,213,167,916	1,247,694,460
Capital work in progress	22.2	-	22,880,020
		<b>1,213,167,916</b>	<b>1,270,574,480</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 22.1 Operating fixed assets

	30-Jun-23													Net book value as at 30-Jun-23
	COST / REVALUED AMOUNTS						DEPRECIATION						As at 30-Jun-23	
	As at 01-Jul-22	Additions	Revaluation	Disposals	Transfers	As at 30-Jun-23	Rate	As at 01-Jul-22	Revaluation	For the year	Adjustment	As at 30-Jun-23		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees			
Freehold land	101,370,000	-	-	-	-	101,370,000	-	-	-	-	-	-	101,370,000	
Buildings	336,664,484	-	-	-	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	941,863,654	-	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	86,781	-	3,601	-	90,382	32,408	
Vehicles	53,950,569	-	-	(141,000)	-	53,809,569	20	29,269,639	-	4,929,598	(105,663)	34,093,574	19,715,995	
	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	1,213,167,916	

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

22.1.1 Freehold land of the Company is located at District Kasur with a total area of 311 Kanal 18 Marla (30-Jun-22: 311 Kanal 18 Marla).

22.1.2 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.

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# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 22.1.3 Disposal of operating fixed assets

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

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
22.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	30	56,445,403	57,617,004
Administrative expenses	32	5,155,531	5,982,223
		<b>61,600,934</b>	<b>63,599,227</b>

22.1.5 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-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
	30-Jun-22		
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	244,363,452	137,303,917	107,059,535
Plant and machinery	2,000,366,170	911,324,426	1,089,041,744

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

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

22.2 Capital work in progress

	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)	-
	<b>22,880,020</b>	<b>4,229,707</b>	<b>(27,109,727)</b>	<b>-</b>
	30-Jun-22			
	As at 01-Jul-21 Rupees	Additions Rupees	Transfers Rupees	As at 30-Jun-22 Rupees
Building	1,006,211	-	(1,006,211)	-
Plant and machinery	75,824,850	49,031,880	(101,976,710)	22,880,020
	<b>76,831,061</b>	<b>49,031,880</b>	<b>(102,982,921)</b>	<b>22,880,020</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	<i>Note</i>	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
<b>23 LONG TERM DEPOSITS</b>			
Financial institutions		8,136,476	8,136,476
Others	23.1	13,036,410	13,036,410
		<b>21,172,886</b>	<b>21,172,886</b>

23.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	<i>Note</i>	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
<b>24 STOCK IN TRADE</b>			
Raw material	24.1	214,817,725	261,942,482
Work in process		41,523,790	72,885,323
Finished goods	24.2	171,608,077	485,497,220
		<b>427,949,592</b>	<b>820,325,025</b>

24.1 These include stock in transit valued at Rs. nil (30-Jun-22: Rs. 67,776,932).

24.2 Stock of finished goods include stock of waste valued at net realizable value of Rs. 19,851,705 (30-Jun-22: Rs. 28,568,074).

24.3 Finished goods as at 30 June 2023 include yarn valued at net realizable value of Rs. 28,026,769 (30-Jun-22: 8,837,102) resulting in a write down of Rs. 1,142,868 (30-Jun-22: 8,478,666) recognized in cost of sales.

24.4 Details of stock pledged as security are referred to in note 47 to the financial statements.

	<i>Note</i>	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
<b>25 TRADE RECEIVABLES</b>			
Gross amount due		142,627,227	245,226,865
Impairment allowance for expected credit losses	25.1	(3,671,185)	(3,382,956)
		<b>138,956,042</b>	<b>241,843,909</b>

### 25.1 Impairment allowance for expected credit losses

As at beginning of the year		3,382,956	3,530,388
Recognized during the year	44.1.6	288,229	-
Reversal during the year	44.1.6	-	(147,432)
As at end of the year		<b>3,671,185</b>	<b>3,382,956</b>

### 26 SHORT TERM DEPOSITS

These represent deposits with banking companies against under lien with providers of debt finances.

	<i>Note</i>	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
<b>27 ADVANCES AND OTHER RECEIVABLES</b>			
Advances to suppliers		1,756,491	8,097,557
Advances to employees	27.1	4,286,068	5,593,863
Prepayments		3,632,782	4,197,876
Sales tax refundable		11,429,578	3,410,737
		<b>21,104,919</b>	<b>21,300,033</b>

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>28 CASH AND BANK BALANCES</b>			
Cash in hand		699,196	615,817
Cash at banks			
Current accounts - local currency		37,850,929	40,701,411
Current accounts - foreign currency		7,989,725	5,722,802
		45,840,654	46,424,213
		46,539,850	47,040,030
<b>29 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b>			
Yarn		4,165,700,904	5,667,721,754
Waste		103,270,355	104,607,459
		4,268,971,259	5,772,329,213
Sales tax		(668,847,403)	(912,324,989)
		3,600,123,856	4,860,004,224
<b>30 COST OF SALES</b>			
Raw material consumed	30.1	2,412,743,476	3,568,956,179
Power and fuel		569,501,938	624,468,705
Stores and spares consumed		83,005,097	127,062,051
Salaries, wages and benefits	30.2	272,074,800	391,511,565
Entertainment		765,178	1,157,651
Insurance		6,387,416	4,814,395
Repair and maintenance		22,389,760	33,481,707
Traveling and conveyance		110,971	128,194
Vehicle running and maintenance		2,116,311	2,157,859
Depreciation	22.1.4 & 23.1	56,445,403	57,617,004
Others		1,254,851	1,538,296
Manufacturing cost		3,426,795,201	4,812,893,606
Work in process			
As at beginning of the year		72,885,323	41,226,160
As at end of the year		(41,523,790)	(72,885,323)
		31,361,533	(31,659,163)
Cost of goods manufactured		3,458,156,734	4,781,234,443
Finished goods			
As at beginning of the year		485,497,220	261,779,256
As at end of the year		(171,608,077)	(485,497,220)
		313,889,143	(223,717,964)
		3,772,045,877	4,557,516,479
<b>30.1 Raw material consumed</b>			
As at beginning of the year		261,942,482	313,131,219
Purchased during the year		2,365,618,719	3,517,767,442
As at end of the year		(214,817,725)	(261,942,482)
		2,412,743,476	3,568,956,179
<b>30.2</b>	These include charge in respect of employees retirement benefits amounting to Rs. 19,843,916 (30-Jun-22: Rs. 17,712,984).		



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>31 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries and benefits	31.1	4,254,031	3,712,129
Commission		13,189,782	11,065,224
Vehicle running and maintenance		253,973	167,600
Others		454,022	392,272
		<b>18,151,808</b>	<b>15,337,225</b>
31.1	These include charge in respect of employees retirement benefits amounting to Rs. 929,791 (30-Jun-22: Rs. 625,489).		
	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>32 ADMINISTRATIVE EXPENSES</b>			
Directors' meeting fee		165,000	90,000
Salaries and benefits	32.1	38,599,144	38,677,233
Rent, rates and utilities		6,981,722	5,921,028
Printing and stationery		660,484	683,832
Communication		1,480,516	1,286,214
Repair and maintenance		245,280	772,770
Vehicles running and maintenance		2,348,259	2,292,793
Fee and subscription		1,833,780	1,778,202
Traveling and conveyance		3,101,292	2,740,124
Legal and professional		216,750	315,000
Auditor's remuneration	32.2	975,000	975,000
Entertainment		1,093,163	773,161
Insurance		2,313,685	1,786,881
Depreciation on property plant and equipment	22.1.4	5,155,531	5,982,223
Others		4,257,201	4,090,855
		<b>69,426,807</b>	<b>68,165,316</b>
32.1	These include charge in respect of employees retirement benefits amounting to Rs. 7,081,964 (30-Jun-22: Rs. 5,259,033).		
		30-Jun-23 Rupees	30-Jun-22 Rupees
<b>32.2 Auditor's remuneration</b>			
Annual statutory audit		750,000	750,000
Limited scope review		125,000	125,000
Review report on corporate governance		75,000	75,000
Out of pocket expenses		25,000	25,000
		<b>975,000</b>	<b>975,000</b>
<b>33 OTHER INCOME</b>			
<b>Gain on financial instruments</b>			
Exchange gain		2,266,923	1,326,313
<b>Other income</b>			
Gain on disposal of property, plant and equipment		-	1,386,199
		<b>2,266,923</b>	<b>2,712,512</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>34 FINANCE COST</b>			
Interest on borrowings:			
loan from directors and other shareholders		68,518,556	48,470,829
long term finances		5,558,853	6,671,483
short term borrowings		129,178,223	52,625,086
Interest waived	34.1	(68,518,556)	(48,470,829)
		134,737,076	59,296,569
Interest on workers' profit participation fund	17.2	716,138	1,252,246
Bank charges and commission		5,493,665	3,051,494
		140,946,879	63,600,309

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

	Note	30-Jun-23 Rupees	30-Jun-22 Rupees
<b>35 OTHER CHARGES</b>			
Workers' Profit Participation Fund	17.2	-	7,974,854
Workers' Welfare Fund	17.3	900,031	2,933,710
Donations		1,000,000	-
		1,900,031	10,908,564

<b>36 PROVISION FOR TAXATION</b>			
Current taxation			
for current year	36.1	45,001,547	60,750,052
for prior year		-	894,419
		45,001,547	61,644,471
Deferred taxation	15.1		
for current year		(14,143,805)	(5,722,487)
adjustment attributable to changes in tax rates		-	-
		(14,143,805)	(5,722,487)
		30,857,742	55,921,984

36.1 Provision for taxation has been made under section 113 (30-Jun-22: section 113) of the Income Tax Ordinance, 2001 ['the Ordinance']. There is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

36.2 The income tax assessments of the Company up to and including tax year 2022 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance except as referred to in note 36.3 and 36.4.

36.3 In respect of tax year 2015, the Company received a notice under section 124, 129 and 122(1) vide order dated 20 June 2022 by Deputy 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.

36.4 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 2023

	<i>Unit</i>	30-Jun-23	30-Jun-22
37	<b>(LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	<i>Rupees</i>	<b>(431,226,594)</b>	91,414,291
	<i>No. of shares</i>	<b>29,840,607</b>	29,840,607
	<i>Rupees</i>	<b>(14.45)</b>	3.06

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

	<i>Note</i>	30-Jun-23	30-Jun-22
		<i>Rupees</i>	<i>Rupees</i>
38	<b>CASH GENERATED FROM OPERATIONS</b>		
		<b>(400,368,852)</b>	147,336,275
	<b>(Loss)/profit before taxation</b>		
	<b>Adjustments for non-cash and other items</b>		
		<b>140,946,879</b>	63,600,309
		<b>(2,266,923)</b>	(1,326,313)
		<b>27,855,671</b>	23,597,506
		<b>288,229</b>	(147,432)
		<b>-</b>	(1,386,199)
		<b>61,600,934</b>	63,599,227
		<b>228,424,790</b>	147,937,098
		<b>(171,944,062)</b>	295,273,373
	<b>Operating loss before changes in working capital</b>		
	<b>Changes in working capital</b>		
		<b>3,529,488</b>	(3,733,641)
		<b>392,375,433</b>	(204,188,390)
		<b>102,599,638</b>	(222,784,470)
		<b>195,114</b>	4,468,998
		<b>(132,572,579)</b>	166,753,110
		<b>(2,154,409)</b>	(18,157,740)
		<b>363,972,685</b>	(277,642,133)
		<b>192,028,623</b>	17,631,240
	<b>Cash generated from operations</b>		

39	<b>CASH AND CASH EQUIVALENTS</b>		
	28	<b>46,539,850</b>	47,040,030
		<b>46,539,850</b>	47,040,030

	30-Jun-23		30-Jun-22	
	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	<b>108,269,897</b>	<b>548,252,220</b>	159,879,297	385,770,183
Repayment of long term finances	<b>(46,828,773)</b>	-	(57,135,954)	-
Long term finances accretion	<b>2,294,903</b>	-	5,526,554	-
Net increase in short term borrowings	-	<b>76,365,352</b>	-	162,482,037
As at end of the year	<b>63,736,027</b>	<b>624,617,572</b>	108,269,897	548,252,220

### 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:

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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-23	30-Jun-22
		Rupees	Rupees
<b>41.1</b>	<b>Transactions with related parties</b>		
	<b>Nature of relationship</b>	<b>Nature of transactions</b>	
	Close relative of KMP	Interest expense	16,372,961
		Interest waived	11,582,424
			16,372,961
	Key management personnel	Short-term employee benefits	8,085,000
		Post employment benefits	8,010,000
		Interest expense	780,662
		Interest waived	3,099,191
			52,145,595
			36,888,405
			52,145,595
			36,888,405
	Associated company	Generator rent	12,000,000
			12,000,000
<b>41.2</b>	<b>Balances with related parties</b>		
	<b>Nature of relationship</b>	<b>Nature of balances</b>	
	Close relative of KMP	Long term loans	63,534,966
			63,534,966
	Key management personnel	Long term loans	202,350,000
		Short term borrowings	202,350,000
		Short-term employee benefits payable	-
		Post employment benefits payable	102,000,000
			660,000
			660,000
			14,900,373
			14,119,711
	Associated company	Generator rent payable	11,677,419
			9,812,270

## 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-23	30-Jun-22
			Rupees	Rupees
Receivables	Trade receivables	25	138,956,042	241,843,909
Contract liabilities	Advances from customers	17	30,342,879	86,518,326
			<b>169,298,921</b>	<b>328,362,235</b>

### 42.2 Changes in contract liabilities

Significant changes in contract liabilities are as follows:

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
As at beginning of the year	86,518,326	84,578,529
Revenue recognized against contract liability as at beginning of the year	(38,212,774)	(84,578,529)
Net increase due to cash received in excess of revenue recognized	(17,962,673)	86,518,326
<b>As at end of the year</b>	<b>30,342,879</b>	<b>86,518,326</b>

### 42.3 Impairment losses

The Company during the year has recognized Rs. 288,229 (30-Jun-22: Rs. nil) 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. nil (30-Jun-22: Rs. 147,432) was reversed during the year on actual recovery. See note 25.1.

### 43 FINANCIAL INSTRUMENTS

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

	<i>Note</i>	30-Jun-23 <i>Rupees</i>	30-Jun-22 <i>Rupees</i>
<b>43.1 Financial assets</b>			
<i>Cash in hand</i>	28	699,196	615,817
<i>Financial assets at amortized cost</i>			
Long term deposits	23	21,172,886	21,172,886
Trade receivables	25	138,956,042	241,843,909
Short term deposits	26	86,577,832	86,577,832
Advances to employees	27	4,286,068	5,593,863
Bank balances	28	45,840,654	46,424,213
		<b>297,532,678</b>	<b>402,228,520</b>

### 43.2 Financial liabilities

#### *Financial liabilities at amortized cost*

Loan from directors and other shareholders	10	265,884,966	265,884,966
Long term finances	11	63,736,027	108,269,897
Long term deposits	12	6,010,000	6,010,000
Short term borrowings	18	522,617,572	548,252,220
Accrued interest		34,050,914	17,029,466
Trade creditors	17	211,767,474	233,356,907
Accrued liabilities	17	117,018,406	153,193,400
Unclaimed dividend		485,351	485,351
		<b>1,221,570,710</b>	<b>1,332,482,207</b>

### 44 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

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

#### 44.1 Credit risk

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

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 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-23 Rupees	30-Jun-22 Rupees
<b>Financial assets at amortized cost</b>			
Long term deposits	23	21,172,886	21,172,886
Trade receivables	25	142,627,227	245,226,865
Advances to employees	27	4,286,068	5,593,863
Short term deposits	26	86,577,832	86,577,832
Bank balances	28	45,840,654	46,424,213
		<b>300,504,667</b>	<b>404,995,659</b>

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### 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:

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount Rupees	Loss allowance Rupees
Long term deposits	23	N/A	Performing	12-month ECL	21,172,886	-
Trade receivables	25	N/A	Performing	Lifetime ECL	139,244,271	288,229
		N/A	Doubtful	Lifetime ECL	3,382,956	3,382,956
					142,627,227	3,671,185
Advances to employees	27	N/A	Performing	12-month ECL	4,286,068	-
Short term deposits	26	A1+	N/A	12-month ECL	86,577,832	-
Bank balances	28	A3 - A1+	N/A	12-month ECL	45,840,654	-
					300,504,667	3,671,185

#### (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-23 Rupees	30-Jun-22 Rupees
Neither past due nor impaired	102,837,295	124,985,034
Past due by upto 30 days	20,056,142	116,858,875
Past due by 31 days to 180 days	16,350,834	-
Past due by 181 days or more	3,382,956	3,382,956
	142,627,227	245,226,865

#### (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 2023

### 44.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's three (30-Jun-22: one) significant customers account for Rs. 83.077 million (30-Jun-22: Rs. 30.705 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (30-Jun-22: 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-23 Rupees	30-Jun-22 Rupees
As at beginning of the year		3,382,956	3,530,388
Impairment loss on trade receivables arising from contracts with customers recognized during the year	25.1	288,229	-
reversed during the year	25.1	-	(147,432)
Net change in impairment allowance		288,229	(147,432)
As at end of the year		3,671,185	3,382,956

### 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-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	-



# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

### 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-23 Rupees	30-Jun-22 Rupees
<b>Financial assets</b>		
Bank balances		
USD	7,989,725	5,722,802
	7,989,725	5,722,802
<b>Financial liabilities</b>		
	-	-
<b>Net balance sheet exposure</b>	<b>7,989,725</b>	<b>5,722,802</b>
Foreign currency commitments		
USD	(119,970,155)	(434,934,604)
EUR	-	(2,428,110)
	(119,970,155)	(437,362,714)
	(111,980,430)	(431,639,912)

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

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

	30-Jun-23 Rupees	30-Jun-22 Rupees
EUR	312.93	213.81
USD	285.99	204.85

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

### (d) Sensitivity analysis

A ten percent appreciation in Pak Rupee against foreign currencies would have decreased profit for the year by Rs. 0.799 million (30-Jun-22: Rs. 0.572 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-23	30-Jun-22
	Rupees	Rupees
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	50,205,662	89,608,057
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	536,147,937	465,194,666

#### (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. 5.361 million (30-Jun-22: Rs. 4.652 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 2023

	Unit	30-Jun-23	30-Jun-22
Total debt	Rupees	331,942,078	378,770,851
Total equity	Rupees	475,093,261	818,533,500
		<b>807,035,339</b>	<b>1,197,304,351</b>
Gearing	% age	41.13%	31.64%

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 10).

### 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-23	30-Jun-22
				Rupees	Rupees
Freehold land	-	101,370,000	-	101,370,000	101,370,000
Buildings	-	128,846,925	-	128,846,925	133,109,286
Plant and machinery	-	960,807,372	-	960,807,372	985,836,864

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

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 5.07 million (30-Jun-22: Rs. 5.07 million).

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Valuation technique	Significant inputs	Sensitivity
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in an increase in fair value of buildings by Rs. 6.44 million (30-Jun-22: Rs. 6.66 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in an increase in fair value of plant and machinery by Rs. 48.04 million (30-Jun-22: Rs. 49.29 million).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 22.1.

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-23	30-Jun-22
	<i>Rupees</i>	<i>Rupees</i>
<b>47 RESTRICTION ON TITLE AND ASSETS PLEDGED AS SECURITY</b>		
<b>Mortgages and charges</b>		
Charge over current assets	1,901,666,667	1,635,000,000
Charge over operating fixed assets	1,988,333,334	1,138,000,000
<b>Pledge</b>		
Raw material	178,861,335	214,801,919
Finished goods	141,212,197	154,379,556

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-23		
	Chief Executive	Directors	Executives
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
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
	<b>8,700,662</b>	<b>165,000</b>	<b>16,050,172</b>
Number of persons	1	1	4

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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

48.1 Meeting fee includes Rs. 165,000 (30-Jun-22: Rs. 90,000) 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-23	30-Jun-22
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	1,427,568	2,665,774

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-23	30-Jun-22
Total number of employees	545	830
Average number of employees	649	815

### 52 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

### 53 GENERAL

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



Director



Chief Financial Officer



Chief Executive

# Form of Proxy

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

**LEDGER FOLIO**

**SHARES HELD**

I/ We \_\_\_\_\_  
of \_\_\_\_\_  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
(or failing him) \_\_\_\_\_ of \_\_\_\_\_  
(being a member of the Company) as my / or proxy to attend and vote for me / us and on my / our behalf at the 37<sup>th</sup> Annual General Meeting of the Company to be held on October 27, 2023 at 06-Egerton Road, Lahore at 10:30 A.M. and at every adjournment thereof, if any.

A witness my / our hand (s) this \_\_\_\_\_ day of October 2023.

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

