

SARITOW SPINNING MILLS LIMITED

HALF YEAR REPORT

31-12-2023

(Un-Audited)

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

DIRECTORS' REPORT

The Directors of M/s. Saritow Spinning Mills Limited are please to present Financial Results for the half year ended December 31, 2023 along with Auditors Report and Director Report thereupon.

Financial Highlights	Half Year Ending Dec 31, 2023	Half Year Ending Dec 31, 2022
Net Sales	1,987.705	2,137.403
Gross (Loss)	(118.024)	(41.755)
Operating (Loss)	(161.202)	(92.539)
Loss before Tax	(227.423)	(154.605)
Loss after Tax	(353.096)	(181.322)
Earnings per share	(11.83)	(6.06)

Operating Financial Results

The period under review was very tough for your company. The company was Operating below 100% Capacity during the period under review and was able to achieve turnover of Rs. 1,987.705 Million as compared to Rs 2,137.403 Million during the same period last years. Huge increase in input cost largely contributed to gross loss of Rs. (118.024) million as compared to Rs. (41.755) last year. This resulted in loss before tax of Rs. (227.423) million and loss after tax of Rs. 353.096 million as compared to Rs (181.322) million last years. Earnings per share of the company is Rs. (11.83) as compared to Rs. (6.08) same period last year.

Textile industry is performing under immense Pressure during last year and half. For last 2 years cotton crop was gone down to its lowest level forcing spinner to go for expensive alternate of imported raw cotton and manmade fibers. Rates of imported cotton were further aggravated due to huge fluctuation in Pak Rupee against us dollars which reached Rs. 286 mark during the period.

Per unit electricity rate of LESCO during June 2023 was R 19.09 per KWH which reached almost Rs 45 per KWH after incorporating FPA and QTA Natural gas rate of imported RLNG was \$9 per MMBTU and in December 2023 it reached to \$ 14.8118 per MMBTU. Rate of system gas which was Rs. 1,100 per MMBUT reached level of Rs. 2,400 per MMBTU. Huge increase in Markup rates make it almost impossible to keep up the activity. This increase in major input costs coupled with decrease in rate/ volumes of yarn sales and below capacity production Contributed towards the losses.

In order to boost the declining financial health of the company the sponsor directors have injected Rs. 417.400 million during the period under review to make up the heavy losses. In spite of this equity injective company keep on making losses.

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

However, the interim financial statements have been prepared on going concern basis based on the following;

- a) The Company has continued financial support of its directors and sponsors in the form of interest free loans. During the reporting period, directors and sponsors have provided financial support amounting to Rs. 417.400 million in the form of interest free loans.
- b) Despite accumulated losses the Company has positive equity.
- c) The Company has curtailed its production in order to minimize fixed costs which will reduce the financial burden on the Company providing immediate relief.
- d) The Company has remained current in its debt servicing.
- e) The management expects market conditions to improve with political uncertainty subsiding post General Elections 2024.

Future Outlook

At the moment it becomes quite impossible for the company to run the mills except for the losses. After considering prevailing political and economic scenario. The management of the company has decided to close operation of the mills with immediate effect.

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

COMPOSITION OF BOARD

Composition of the Board of Directors is as under.

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

COMMITTEE'S

Detail of Committee's of Board is as under.

AUDIT COMMITTEE

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


HR & REMUNERATION COMMITTEE

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

We wish to thank to the shareholders for their support. We are pleased to record our appreciation of the services rendered by the employees of the company and hope that the same spirit of devotion will continue in future.

For and on behalf of the Boards


M. Zeid Yousuf Saigol
Chief Executive


M. Murad Saigol
Director

Lahore
February 28, 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SARITOW SPINNING MILLS LIMITED** [the Company] as at **31 December 2023** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the three-month period ended **31 December 2023** of the condensed interim statement of profit or loss, condensed interim statement of comprehensive income have not been reviewed as we are required to review only cumulative figures for the six-month period ended on that date.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

The Company has been facing a declining trend in profitability resulting in substantial losses. During the period ended 31 December 2023, the Company has incurred gross loss of Rs. 118.024 million and loss after taxation of Rs. 353.096 million. As at 31 December 2023, the Company has accumulated losses of Rs. 337.285 million and its current liabilities exceed its current assets by Rs. 91.207 million as at that date. The Company has mostly relied on the financial support of its directors and sponsors to deal with resulting liquidity challenges. The Board of Directors of the Company in its meeting held on 28 February 2024 has resolved to close the production facility for the time being. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, these accompanying interim financial statements have been prepared on going concern basis based on reasons explained in note 2.2. We consider that in the absence of any favourable market conditions, ability to obtain further financing and revival of profitable operations, the Company may not be able to settle its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of accompanying financial statements is not appropriate and adjustments may be required to the recorded asset amounts and classification of liabilities. The financial statements do not disclose this fact.

Adverse Conclusion

Our review indicates that, because of the matters discussed in Basis for Adverse Conclusion paragraph, the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore | 28 February 2024

UDIN: RR202310704Qbo7q94wF



SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	31-Dec-23 Rupees [Un-Audited]	30-Jun-23 Rupees [Audited]
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>		350,000,000	350,000,000
Issued share capital		298,406,070	298,406,070
Loan from directors and sponsors	6	519,400,000	102,000,000
Revaluation reserve		58,875,925	59,494,615
Retained earnings		(337,285,039)	15,192,576
TOTAL EQUITY		539,396,956	475,093,261
LIABILITIES			
NON-CURRENT LIABILITIES			
Loan from directors and other shareholders	7	265,884,966	265,884,966
Long term finances	8	25,437,276	38,416,765
Long term deposits		6,010,000	6,010,000
Employees retirement benefits		91,252,207	109,092,189
Deferred taxation		189,650,831	88,823,815
Deferred grant	9	375,838	811,015
		578,611,118	509,038,750
CURRENT LIABILITIES			
Trade and other payables		482,325,332	403,053,861
Unclaimed dividend		485,351	485,351
Short term borrowings		170,610,165	522,617,572
Accrued interest		26,650,638	34,050,914
Current taxation		20,974,613	7,494,275
Current portion of non-current liabilities	10	28,182,352	26,829,332
		729,228,451	994,531,305
TOTAL LIABILITIES		1,307,839,569	1,503,570,055
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		1,847,236,525	1,978,663,316

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



Chief Executive



Chief Financial Officer



Director

SARITOW SPINNING MILLS LIMITED

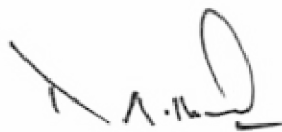
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	31-Dec-23 Rupees [Un-Audited]	30-Jun-23 Rupees [Audited]
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,188,041,943	1,213,167,916
Long term deposits		21,172,886	21,172,886
		1,209,214,829	1,234,340,802
CURRENT ASSETS			
Stores and spares		25,386,962	23,194,279
Stock in trade		259,969,946	427,949,592
Trade receivables		204,838,356	138,956,042
Short term deposits		86,577,832	86,577,832
Advances and other receivables		10,839,099	21,104,919
Cash and bank balances		50,409,501	46,539,850
		638,021,696	744,322,514
TOTAL ASSETS		1,847,236,525	1,978,663,316

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



Chief Executive



Chief Financial Officer



Director

RSRIR
for identification only

SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	Six-month period ended		Three-month period ended	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
		Rupees	Rupees	Rupees	Rupees
Revenue from contracts with customers - net	13	1,987,705,313	2,137,403,158	869,815,907	890,547,498
Cost of sales	14	(2,105,728,928)	(2,179,158,522)	(946,824,753)	(934,854,802)
Gross loss		(118,023,615)	(41,755,364)	(77,008,846)	(44,307,304)
Selling and distribution expenses		(8,843,041)	(12,813,085)	(3,429,276)	(5,313,192)
Administrative expenses		(34,615,069)	(37,970,329)	(16,849,842)	(19,893,902)
		(43,458,110)	(50,783,414)	(20,279,118)	(25,207,094)
Other income		279,636	-	-	-
Operating loss		(161,202,089)	(92,538,778)	(97,287,964)	(69,514,398)
Finance cost		(66,220,878)	(62,066,519)	(26,679,116)	(38,099,759)
Loss before taxation		(227,422,967)	(154,605,297)	(123,967,080)	(107,614,157)
Provision for taxation	15	(125,673,338)	(26,717,540)	(111,699,720)	(11,131,843)
Loss after taxation		(353,096,305)	(181,322,837)	(235,666,800)	(118,746,000)
Loss per share - basic and diluted		(11.83)	(6.08)	(7.90)	(3.98)

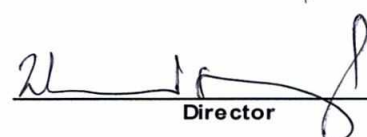
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Chief Executive



Chief Financial Officer



Director

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SARITOW SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

	Six-month period ended		Three-month period ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Loss after taxation	(353,096,305)	(181,322,837)	(235,666,800)	(118,746,000)
Total comprehensive loss	(353,096,305)	(181,322,837)	(235,666,800)	(118,746,000)

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



Chief Executive



Chief Financial Officer



Director

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SARITOW SPINNING MILLS LIMITED

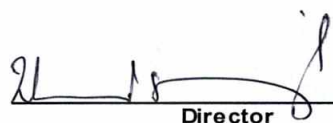
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

	Share capital		Capital reserves		Total equity
	Issued share capital	Loan from director and sponsors	Revaluation reserve	Retained earnings	
	Rupees	Rupees	Rupees	Rupees	
As at 01 July 2022 - [Audited]	298,406,070	-	60,419,382	459,708,048	818,533,500
Comprehensive income					
loss after taxation	-	-	-	(181,322,837)	(181,322,837)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(181,322,837)	(181,322,837)
Incremental depreciation	-	-	(651,244)	651,244	-
Transaction with owners	-	102,000,000	-	-	102,000,000
As at 31 December 2022 - [Un-audited]	298,406,070	102,000,000	59,768,138	279,036,455	739,210,663
As at 01 January 2023 - [Un-audited]	298,406,070	102,000,000	59,768,138	279,036,455	739,210,663
Comprehensive income					
loss after taxation	-	-	-	(249,903,757)	(249,903,757)
Other comprehensive loss	-	-	-	(14,213,645)	(14,213,645)
Total comprehensive loss	-	-	-	(264,117,402)	(264,117,402)
Incremental depreciation	-	-	(273,523)	273,523	-
Transaction with owners	-	-	-	-	-
As at 30 June 2023 - [Audited]	298,406,070	102,000,000	59,494,615	15,192,576	475,093,261
As at 01 July 2023 - [Audited]	298,406,070	102,000,000	59,494,615	15,192,576	475,093,261
Comprehensive income					
Loss after taxation	-	-	-	(353,096,305)	(353,096,305)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(353,096,305)	(353,096,305)
Incremental depreciation	-	-	(618,690)	618,690	-
Transaction with owners	-	417,400,000	-	-	417,400,000
As at 31 December 2023 - [Un-audited]	298,406,070	519,400,000	58,875,925	(337,285,039)	539,396,956

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


Chief Executive


Chief Financial Officer


Director

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SARITOW SPINNING MILLS LIMITED


CONDENSED INTERIM STATEMENT OF CASH FLOWS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

	Six-month period ended	
	31-Dec-23	31-Dec-22
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(227,422,967)	(154,605,297)
Adjustments for non-cash items		
Depreciation	29,157,275	30,619,302
Provision for employees retirement benefits	18,583,008	16,439,364
Interest on borrowings	87,438,277	55,547,110
	135,178,560	102,605,776
Operating loss before changes in working capital	(92,244,407)	(51,999,521)
Changes in working capital		
Long term deposits	-	-
Stores and spares	(2,192,683)	(496,447)
Stock in trade	167,979,646	(51,632,038)
Trade receivables	(65,882,314)	95,369,600
Advances and other receivables	10,265,820	(59,913,386)
Trade and other payables	79,271,471	4,133,358
Long term payables	-	(2,154,409)
	189,441,940	(14,693,322)
Net cash generated from/(used in) operations	97,197,533	(66,692,843)
Payments for:		
Interest on borrowings	(94,838,553)	(40,630,355)
Income tax	(11,365,984)	(36,837,037)
Employees retirement benefits	(36,422,990)	(27,206,957)
Net cash used in operating activities	(45,429,994)	(171,367,192)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,706,868)	(2,604,707)
Proceeds from disposal of property, plant and equipment	675,566	35,338
Net cash used in investing activities	(4,031,302)	(2,569,369)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(12,061,646)	(33,414,106)
Net (decrease)/increase in short term borrowings	(352,007,407)	266,392,005
Net increase in loan from directors and sponsors	417,400,000	-
Net cash generated from financing activities	53,330,947	232,977,899
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,869,651	59,041,338
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	46,539,850	47,040,030
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	50,409,501	106,081,368

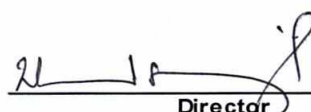
The annexed notes from 1 to 21 form an integral part of these interim financial statements.



Chief Executive



Chief Financial Officer



Director

RSRIR
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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

1 LEGAL STATUS AND OPERATIONS

Saritow Spinning Mills Limited [‘the Company’] was incorporated in Pakistan on 10 March 1987 as Public Limited Company under the repealed Companies Ordinance, 1984. The registered office of the Company is situated at 17- Aziz Avenue, Canal Bank Gulberg - V, Lahore. The Company is listed on Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn. The Mill is located at Bhai Pheru, District Kasur in the province of Punjab.

2 BASIS OF PREPARATION

These interim financial statements are un-audited and have been presented in condensed form and do not include all the information as is required to be provided in a full set of annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 30 June 2023.

These interim financial statements have been subjected to limited scope review by the auditors of the company, as required under section 237 of the Companies Act, 2017. The comparative condensed interim statement of financial position as at 31 December 2022 and the related notes to the interim financial statements are based on audited financial statements. The comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and related notes to the condensed interim financial statements for the six month period ended 31 December 2022 are based on unaudited, reviewed interim financial statements. The condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended 31 December 2023 and 31 December 2022 are neither audited nor reviewed.

2.1 Statement of compliance

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

- International Accounting Standard 34 - Interim Financial Reporting, issued by International Accounting Standards Board [IASB] as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Appropriateness of the going concern assumption

The Company has been facing a declining trend in profitability resulting in substantial losses. During the period ended 31 December 2023, the Company has incurred gross loss of Rs. 118.024 million and loss after taxation of Rs. 353.096 million. As at 31 December 2023, the Company has accumulated losses of Rs. 337.285 million and its current liabilities exceed its current assets by Rs. 91.207 million as at that date. Depressed yarn prices, increased production cost and underutilization of production capacity have contributed to the Company's challenging liquidity situation due to which the Company has mostly relied on the financial support of its directors and sponsors. The Board of Directors of the Company in its meeting held on 28 February 2024 has resolved to close the production facility for the time being. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- (a) The Company has continued financial support of its directors and sponsors in the form of interest free loans. During the reporting period, directors and sponsors have provided financial support amounting to Rs. 417.400 million in the form of interest free loans.
- (b) Despite accumulated losses the Company has positive equity.
- (c) The Company has curtailed its production in order to minimize fixed costs which will reduce the financial burden on the Company providing immediate relief.
- (d) The Company has remained current in its debt servicing.
- (e) The management expects market conditions to improve with political uncertainty subsiding post General Elections 2024.

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

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

2.3 Basis of measurement

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

Items	Measurement basis
Financial liabilities	Amortized cost
Financial assets	Fair value/amortized cost
Employee retirement benefits	Present value

2.4 Judgments, estimates and assumptions

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

2.5 Functional currency

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

2.6 Date of authorization for issue

This interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on 28 February 2024.

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

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

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

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

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

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

3.3 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)

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

3.4 International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)

The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

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

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

	Effective date (annual periods beginning on or after)
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	01 January 2024
IFRS S2 Climate-related Disclosures	01 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	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
Lack of Exchangeability (Amendments to IAS 21)	01 January 2024
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - Presentation of Financial Statements).	01 January 2025

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 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual audited financial statements of the Company for the year ended 30 June 2023.

6 LOAN FROM DIRECTORS AND SPONSORS

This represent loan from director transferred from short term borrowings. 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.

7 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 and short term borrowings 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-23: one year KIBOR plus 2.5%) per annum, payable on maturity. The lenders may at their sole discretion waive the payment of interest. During the period, interest amounting to Rs. 32.19 million (30-Jun-23: Rs. 68.52 million) was waived by the lenders at their sole discretion.

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	31-Dec-23 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
		[Un-Audited]	[Audited]
8 LONG TERM FINANCES			
From banking companies			
As at beginning of the period/year		63,736,027	108,269,897
Accretion during the period/year		767,998	2,294,903
Repayments made during the period/year		(12,061,646)	(46,828,773)
As at end of the period/year		52,442,379	63,736,027
Current maturity presented under current liabilities		(27,005,103)	(25,319,262)
		25,437,276	38,416,765
9 DEFERRED GRANT			
As at beginning of the period/year		2,321,085	4,615,988
Amortized during the period/year		(767,998)	(2,294,903)
As at end of the period/year		1,553,087	2,321,085
Current maturity presented under current liabilities		(1,177,249)	(1,510,070)
		375,838	811,015
10 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	8	27,005,103	25,319,262
Deferred grant	9	1,177,249	1,510,070
		28,182,352	26,829,332
11 CONTINGENCIES AND COMMITMENTS			
11.1 Contingencies			
There is no significant change in status and amount of contingencies since 30 June 2023.			
11.2 Commitments			
		31-Dec-23 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
		[Un-Audited]	[Audited]
11.2.1 Commitments under irrevocable letters of credit for :			
- purchase of raw material		-	115,680,435
- purchase of stores and spares		4,227,911	4,289,858
		4,227,911	119,970,293
11.2.2 Commitments under short term leases:			
(a) Rented office premises			
The Company has rented office premises under short term leases arrangements. Lease agreement covers a period of one year and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:			
		31-Dec-23 <i>Rupees</i>	30-Jun-23 <i>Rupees</i>
		[Un-Audited]	[Audited]
- payments not later than one year		1,166,644	2,700,565
- payments later than one year		-	-
		1,166,644	2,700,565

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

(b) Rented generator

The Company has rented generator under short term leases arrangements. Lease agreement covers a period of one year and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

	Note	31-Dec-23	30-Jun-23
		Rupees	Rupees
		[Un-Audited]	[Audited]
- payments not later than one year		2,000,000	8,000,000
- payments later than one year		-	-
		2,000,000	8,000,000

12 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	12.1	1,188,041,943	1,213,167,916
Capital work in progress	12.2	-	-
		1,188,041,943	1,213,167,916

		31-Dec-23	30-Jun-23
		Rupees	Rupees
		[Un-Audited]	[Audited]
12.1 Operating fixed assets			
Net book value at the beginning of the period/year		1,213,167,916	1,247,694,460
Additions during the period/year			
Plant and machinery		4,706,868	-
Net book value of assets disposed during the period/year		(675,566)	(35,337)
Depreciation for the period/year		(29,157,275)	(61,600,934)
Transfer from capital work in progress		-	27,109,727
Net book value at the end of the period/year		1,188,041,943	1,213,167,916

		31-Dec-23	30-Jun-23
		Rupees	Rupees
		[Un-Audited]	[Audited]
12.2 Capital work in progress			
As at beginning of the period/year		-	22,880,020
Additions during the period/year		-	4,229,707
Transfers to operating fixed assets		-	(27,109,727)
As at end of the period/year		-	-

	Six-month period ended		Three-month period ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Rupees	Rupees	Rupees	Rupees
	[Un-Audited]	[Un-Audited]	[Un-Audited]	[Un-Audited]
13 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET				
Yarn	1,946,848,721	2,072,806,334	855,643,035	879,734,777
Waste	40,856,592	64,596,824	14,172,872	10,812,721
	1,987,705,313	2,137,403,158	869,815,907	890,547,498

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

Note	Six-month period ended		Three-month period ended	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	Rupees	Rupees	Rupees	Rupees
	[Un-Audited]	[Un-Audited]	[Un-Audited]	[Un-Audited]
14 COST OF SALES				
Raw material consumed	1,395,523,454	1,557,236,893	455,654,595	650,598,976
Stores and spares consumed	51,079,130	49,834,602	15,224,453	18,639,147
Salaries, wages and benefits	185,904,299	175,013,783	85,128,562	82,760,704
Insurance	3,234,100	3,411,355	1,705,954	2,039,761
Repair and maintenance	17,963,540	11,422,345	9,657,843	4,673,647
Depreciation	27,594,978	28,041,233	13,944,834	14,043,452
Other manufacturing overheads	439,853,188	314,510,222	183,211,063	134,824,028
Manufacturing cost	2,121,152,689	2,139,470,433	764,527,304	907,579,715
Work in process				
as at beginning of the period	41,523,790	72,885,323	106,287,775	72,097,486
as at end of the period	-	(45,189,573)	-	(45,189,573)
	41,523,790	27,695,750	106,287,775	26,907,913
Cost of goods manufactured	2,162,676,479	2,167,166,183	870,815,079	934,487,628
Finished goods				
as at beginning of the period	171,608,077	485,497,220	304,565,302	473,872,055
as at end of the period	(228,555,628)	(473,504,881)	(228,555,628)	(473,504,881)
	(56,947,551)	11,992,339	76,009,674	367,174
	2,105,728,928	2,179,158,522	946,824,753	934,854,802
15 PROVISION FOR TAXATION				
Current taxation	15.1	24,846,322	26,717,540	10,872,704
Deferred taxation		100,827,016	-	100,827,016
		125,673,338	26,717,540	111,699,720
				11,131,843

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

16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated company, 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 period or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Kohinoor Power Company Limited	Associated company	Common directorship	0.00%
M. Zeid Yousuf Saigol	Key management personnel	Chief Executive Officer	8.39%
Naseem Saigol	Key management personnel	Director	27.27%
M. Azam Saigol	Key management personnel	Director(late)	0.00%
M. Murad Saigol	Key management personnel	Director	8.37%
Samir Iqbal Saigol	Key management personnel	Director	0.004%
Arshad Ismail Khan	Key management personnel	Director	0.00%
Amber Haroon Saigol	Close relative of KMP	Spouse of director	16.93%

Transactions with directors and their family members are limited to provision of long term and temporary short term loans to the Company. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction. Details of transactions and balances with related parties is as follows:

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

		Six-month period ended	
		31-Dec-23	31-Dec-22
		<i>Rupees</i>	<i>Rupees</i>
		[Un-Audited]	[Un-Audited]
16.1	Transactions with related parties		
	Nature of relationship		
	Nature of transaction		
	Key management personnel	4,005,000	4,065,000
		660,000	660,000
	Associated company	6,000,000	6,000,000
		31-Dec-23	30-Jun-23
		<i>Rupees</i>	<i>Rupees</i>
		[Un-Audited]	[Audited]
16.2	Balances with related parties		
	Nature of relationship		
	Nature of balance		
	Close relative of KMP	63,534,966	63,534,966
	Key management personnel	721,750,000	202,350,000
		1,320,000	660,000
		15,560,373	14,900,373
	Associated company	15,023,925	11,677,419
17	FINANCIAL INSTRUMENTS		
	The carrying amounts of the Company's financial instruments by class and category are as follows:		
		31-Dec-23	30-Jun-23
		<i>Rupees</i>	<i>Rupees</i>
		[Un-Audited]	[Audited]
17.1	Financial assets		
	Cash in hand	1,452,827	699,196
		31-Dec-23	30-Jun-23
		<i>Rupees</i>	<i>Rupees</i>
		[Un-Audited]	[Audited]
	Financial assets at amortized cost		
	Long term deposits	21,172,886	21,172,886
	Trade receivables	204,838,356	138,956,042
	Short term deposits	86,577,832	86,577,832
	Advances to employees	4,128,382	4,286,068
	Bank balances	48,956,674	45,840,654
		367,126,957	297,532,678

SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2023

	31-Dec-23	30-Jun-23
	<i>Rupees</i>	<i>Rupees</i>
	[Un-Audited]	[Audited]
17.2 Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Loan from directors and other shareholders	265,884,966	265,884,966
Long term finances	52,442,379	63,736,027
Long term deposits	6,010,000	6,010,000
Short term borrowings	170,610,165	522,617,572
Accrued interest	26,650,638	34,050,914
Trade creditors	199,144,008	211,767,474
Accrued liabilities	133,584,680	117,018,406
Unclaimed dividend	485,351	485,351
	854,812,187	1,221,570,710

18 FAIR VALUE MEASUREMENTS

18.1 Financial Instruments

18.1.1 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 value of these financial instrument are determined 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.

18.2 Financial instrument not measured at fair value

The management considers the carrying amount of all financial instrument not measured at fair value to approximate their carrying values.

18.3 Assets and liabilities other than financial instruments.

18.3.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	31-Dec-23	30-Jun-23
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
				[Un-Audited]	[Audited]
Freehold land	-	101,370,000	-	101,370,000	101,370,000
Buildings	-	125,625,756	-	125,625,756	128,846,925
Plant and machinery	-	941,415,618	-	941,415,618	960,807,372

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

	Valuation technique	Significant inputs	Sensitivity
Freehold Land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other & costs directly attributable to the acquisition would result in a significant increase in & fair value of buildings by Rs. 5.07 million (30-Jun-23: Rs. 5.07 million).

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SARITOW SPINNING MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS [UN-AUDITED] FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 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 period/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. 6.28 million (30-Jun-23: Rs. 6.44 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in an increase in fair value of plant and machinery by Rs. 47.07 million (30-Jun-23: Rs. 48.04 million).

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

18.3.2 Non-recurring fair value measurements

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

19 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company in its meeting held on 28 February 2024 has resolved to close the production facility for the time being.

20 RECOVERABLE AMOUNTS AND IMPAIRMENT

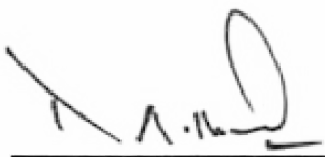
As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these interim financial statements.

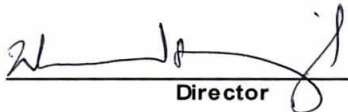
21 GENERAL

21.1 There are no other significant activities since 30 June 2023 affecting the interim financial statements.

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


Chief Executive


Chief Financial Officer


Director

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