



ISO 9001:2008 Certified

# SARITOW SPINNING MILLS LIMITED

17 – Aziz Avenue, Canal Bank, Gulberg-V, Lahore (Pakistan), Phone: (042) 35715029-31, Fax: 35715105  
Email: azamsaritow@saigols.com

## DIRECTORS' REPORT

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the third quarter ended March 31, 2019 along with director report thereon.

<u>Financial High Lights</u>	<u>Period Ending March 31, 2019</u> Rupees ('000)	<u>Period Ending March 31, 2018</u> Rupees ('000)
Net Sales	2,436.46	2,182.56
Gross Profit	160.91	122.41
Profit before Tax	52.25	23.39
Profit after Tax	21.80	1.11
Gross Profit Ratio	6.61%	5.61%
Profit after Tax Ratio	0.89%	0.00%

## Operating Financial Results

During the quarter under review Alhamdulillah, your Company was able to perform well as compared to earlier two quarters of the calendar year. Total net sales of the Company during the quarter under review was Rs. 2,436.46 million as compared to Rs. 2,182.56 million during the same period last year. Consequently gross profit of the company raise to Rs. 160.91 million as compared to Rs. 122.41 million and profit after tax raised to Rs. 21.80 million from small after tax profit of Rs. 1.11 million during the same period last year.

During the quarter under review raw cotton prices remain stable but yarn prices improved quite considerably. Increased yarn prices resulted in improved profits of the Company.

## Future Outlook

During the recent visit of our Prime Minister to China FTA - II has been signed with China's Government allowing Pakistan's textile exports zero rated excess to China's market. Hopefully this will boost export of textile goods ranging from yarn to finished garments quite considerably. Increase in exports will have positive impact on local market and we hope that our Company will be able to perform much better during days to come.

## Acknowledgement

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

For and on behalf of the Board

**SAMIR IQBAL SAIGOL**  
Chief Executive

Lahore  
April 30, 2019



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## ڈائریکٹرز رپورٹ

سارٹو سپننگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کی تیسری سہ ماہی کے مالیاتی نتائج بمعہ ڈائریکٹرز کی رپورٹ پیش کرتے ہیں جو کہ 31 مارچ، 2019 کو مکمل ہو رہے ہیں

## آپریٹل نتائج

زیر نظر مدت کے دوران الحمد للہ آپ کی کمپنی نے سال کی پہلی دو سہ ماہی کی نسبت بہتر کارکردگی کا مظاہرہ کیا ہے۔ کمپنی کی کل سیل زیر نظر مدت کے دوران 2,436.46 ملین رہی جو کہ پچھلے سال اسی مدت کے دوران 2,182.56 ملین روپے تھی۔ جس کی وجہ سے کمپنی کا مجموعی منافع 160.91 ملین پر پہنچ گیا جو کہ پچھلے سال زیر نظر مدت کے دوران 122.41 ملین روپے تھا۔ کمپنی کا خالص منافع بڑھ کر 21.80 ملین ہو گیا ہے جو کہ پچھلے سال زیر نظر مدت کے دوران صرف 1.11 ملین تھا

زیر نظر سہ ماہی کے دوران خام کپاس کی قیمت متوازن رہی جبکہ دھاگے کی قیمتوں میں خاطر خواہ اضافہ دیکھنے میں آیا دھاگے کی قیمت بڑھنے کی وجہ سے کمپنی کے منافع میں خاطر خواہ اضافہ دیکھنے میں آیا۔

## مستقبل کا نقطہ نظر

ہمارے وزیر اعظم کے حالیہ دورہ چین کے دوران چین کی حکومت کے ساتھ FTA-II معاہدے پر دستخط ہوئے ہیں جس کی رو سے پاکستانی عکسٹائل کی اشیاء کو چین کی مارکیٹ میں ڈیوٹی فری رسائی حاصل ہو گئی ہے۔ ہم اُمید کرتے ہیں اس سے پاکستانی عکسٹائل مصنوعات دھاگے سے لے کر سلباس تک میں بہت اضافہ ہوگا برآمدات میں اضافے سے ہماری اندرونی صنعت پر بھی بہت مثبت اثرات مرتب ہونگے جس کی وجہ سے ہماری کمپنی بھی آنے والے وقتوں میں بہت بہتر کارکردگی کا مظاہرہ کرے گی۔

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام کسٹمرز حضرات اور شیئر ہولڈرز کا شکریہ ادا کرتے ہیں اور ساتھ ہی کمپنی کے اہداف کو پورا کرنے کے لئے اپنے تمام ملازمین کی ان تھک محنت کو بھی سہراتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

سامرا قبال سہگل

چیف ایگزیکٹو

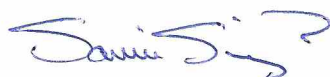
لاہور: 30 اپریل، 2019

# SARITOW SPINNING MILLS LIMITED

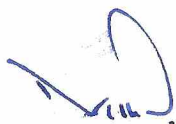
## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	Note	March 31, 2019 Rupees (Un-Audited)	June 30, 2018 Rupees (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized capital</i>			
35,000,000 (June 30, 2018: 35,000,000) ordinary shares of Rs. 10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid-up capital		298,406,070	298,406,070
Surplus on revaluation of property, plant and equipment		59,156,475	59,676,306
Accumulated profit		235,495,497	213,180,813
<b>TOTAL EQUITY</b>		<u>593,058,042</u>	<u>571,263,189</u>
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors and family members - <i>Unsecured, subordinate</i>	6	265,884,966	265,884,966
Long term finances - <i>Secured</i>	7	197,023,527	228,132,505
Liabilities against assets subject to finance lease - <i>Secured</i>		15,305,136	21,771,155
Long term deposits - <i>Unsecured</i>		8,000,000	8,000,000
Employees retirement benefits		69,321,677	69,489,015
Deferred taxation		144,239,578	144,239,578
		699,774,884	737,517,219
<b>CURRENT LIABILITIES</b>			
Trade and other payables		387,684,174	313,435,349
Unclaimed dividend		485,351	485,351
Short term borrowings		729,074,546	490,309,915
Accrued interest/markup		20,804,943	12,804,441
Current portion of non-current liabilities		50,150,649	50,084,555
		1,188,199,663	867,119,611
<b>TOTAL LIABILITIES</b>		<u>1,887,974,547</u>	<u>1,604,636,830</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	<u>2,481,032,589</u>	<u>2,175,900,019</u>

The annexed notes 1 to 16 form an integral part of these interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



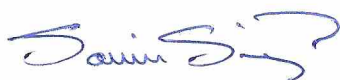
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

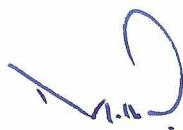
## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	Note	March 31, 2019 Rupees (Un-Audited)	June 30, 2018 Rupees (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,259,974,237	1,298,133,887
Long term deposits - <i>Unsecured, considered good</i>		27,738,781	27,924,506
		<b>1,287,713,018</b>	<b>1,326,058,393</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		21,669,199	20,955,036
Stock in trade		901,643,381	566,940,860
Trade receivables - <i>Unsecured, considered good</i>		50,864,055	56,584,024
Advances, deposits, prepayments and other receivables		72,575,935	95,432,355
Current taxation		33,010,299	56,490,452
Cash and bank balances		113,556,702	53,438,899
		<b>1,193,319,571</b>	<b>849,841,626</b>
<b>TOTAL ASSETS</b>		<b>2,481,032,589</b>	<b>2,175,900,019</b>

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CHIEF FINANCIAL OFFICER



DIRECTOR

# SARITOW SPINNING MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Note	Nine months ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	10	2,436,461,126	2,182,562,073	919,489,508	753,189,639
Cost of sales	11	(2,275,548,216)	(2,060,157,264)	(849,560,593)	(691,527,799)
Gross profit		<u>160,912,910</u>	<u>122,404,809</u>	<u>69,928,915</u>	<u>61,661,840</u>
Selling and distribution expenses		(5,747,149)	(4,867,747)	(2,311,455)	(3,181,841)
Administrative and general expenses		(36,475,522)	(32,708,909)	(12,103,282)	(10,172,950)
		<u>(42,222,671)</u>	<u>(37,576,656)</u>	<u>(14,414,737)</u>	<u>(13,354,791)</u>
Operating profit		<u>118,690,239</u>	<u>84,828,153</u>	<u>55,514,178</u>	<u>48,307,049</u>
Finance cost		(66,439,623)	(56,441,418)	(23,734,958)	(20,152,302)
Profit/(loss) before taxation		<u>52,250,616</u>	<u>28,386,735</u>	<u>31,779,220</u>	<u>28,154,747</u>
Provision for taxation	12	(30,455,763)	(27,282,025)	(11,493,618)	(9,414,870)
Profit/(loss) after taxation		<u><u>21,794,853</u></u>	<u><u>1,104,710</u></u>	<u><u>20,285,602</u></u>	<u><u>18,739,877</u></u>
Earning/(loss) per share - basic and diluted		<u>0.73</u>	<u>0.04</u>	<u>0.68</u>	<u>0.63</u>

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CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Nine months ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees	Rupees	Rupees	Rupees
Other comprehensive income	-	-	-	-
Profit/(loss) after taxation	21,794,853	1,104,710	20,285,602	18,739,877
Total comprehensive income/(loss)	<u>21,794,853</u>	<u>1,104,710</u>	<u>20,285,602</u>	<u>18,739,877</u>

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CHIEF FINANCIAL OFFICER

  
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	March 31, 2019	March 31, 2018
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	52,250,616	28,386,735
<b>Adjustments for non-cash items</b>		
Depreciation	46,957,876	47,760,830
Provision for employees retirement benefits	16,243,389	15,639,282
Interest/markup on borrowings	66,439,623	56,441,418
	129,640,888	119,841,530
Operating profit before changes in working capital	181,891,504	148,228,265
<b>Changes in working capital</b>		
Stores, spares and loose tools	(714,163)	(1,705,122)
Stock in trade	(334,702,521)	(179,810,776)
Trade debts	5,719,969	31,670,312
Advances, deposits, prepayments and other receivables	22,856,420	22,701,792
Trade and other payables	74,248,825	27,402,719
	(232,591,470)	(99,741,075)
Net cash generated from/(used in) from operations	(50,699,966)	48,487,190
<b>Payments for:</b>		
Interest/markup on borrowings	(58,439,121)	(56,513,466)
Income tax	(6,975,610)	(16,593,720)
Employees retirement benefits	(16,410,727)	(12,782,040)
Net cash generated from/(used in) operating activities	(132,525,424)	(37,402,036)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9,301,062)	(5,354,696)
Long term deposits refunded	185,725	-
Proceeds from disposal of property, plant and equipment	502,836	-
Net cash used in investing activities	(8,612,501)	(5,354,696)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(37,508,903)	(43,115,786)
Increase in log term deposits	-	(6,000)
Net increase in short term borrowings	238,764,631	71,166,705
Net cash (used in)/generated from financing activities	201,255,728	28,044,919
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	60,117,803	(14,711,813)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	53,438,899	23,529,694
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	113,556,702	8,817,881

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CHIEF EXECUTIVE



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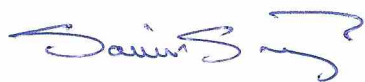
DIRECTOR

# SARITOW SPINNING MILLS LIMITED

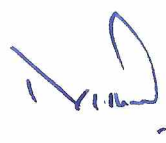
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Share capital	Capital reserves	Revenue reserves	Total
	Issued subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Accumulated profit	
	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2017	298,406,070	60,421,236	198,639,972	557,467,278
Comprehensive loss				
Profit after taxation	-	-	1,104,710	1,104,710
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	1,104,710	1,104,710
Incremental depreciation	-	427,186	(427,186)	-
Transaction with owners	-	-	-	-
Balance as at March 31, 2018	298,406,070	60,848,422	199,317,496	558,571,988
Balance as at April 01, 2018	298,406,070	60,848,422	199,317,496	558,571,988
Comprehensive income				
Profit after taxation	-	-	16,762,862	16,762,862
Other comprehensive loss	-	277,523	(4,349,184)	(4,071,661)
Total comprehensive income	-	277,523	12,413,678	12,691,201
Incremental depreciation	-	(1,449,639)	1,449,639	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2018	298,406,070	59,676,306	213,180,813	571,263,189
Balance as at July 01, 2018	298,406,070	59,676,306	213,180,813	571,263,189
Comprehensive income				
Profit after taxation	-	-	21,794,853	21,794,853
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	21,794,853	21,794,853
Incremental depreciation	-	(519,831)	519,831	-
Transaction with owners	-	-	-	-
Balance as at March 31, 2019	298,406,070	59,156,475	235,495,497	593,058,042

The annexed notes 1 to 16 form an integral part of these interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

### 1 LEGAL STATUS AND OPERATIONS

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

### 2 BASIS OF PREPARATION

The interim financial statements are un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

This interim financial information has been subjected to limited scope review by the auditors of the company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2018 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of profit or loss and other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the nine months period ended March 31, 2018 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the three months period ended March 31, 2019 and March 31, 2018 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 Basis of measurement

These interim financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis

#### 2.3 Judgments, estimates and assumptions

The preparation of interim financial statements requires management to make judgements, 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 judgements 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### 2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

#### 2.5 Date of authorisation for issue

This interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 30, 2019.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

### 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, unless specified otherwise, 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.

#### **IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when (or as) the entity satisfies a performance obligation.

#### **Clarifications to IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

#### **IFRIC 22 - Foreign Currency Transactions and Advances Consideration**

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

#### **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)**

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

#### **Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)**

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

#### **Transfers of Investment Property (Amendments to IAS 40 - Investment Property)**

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

### Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

	Effective date (reporting period / year ended on or after)
IFRS 9 - Financial Instruments (2014)	June 30, 2019
	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
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
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan [‘SECP’]:	
IFRS 1 - First Time Adoption of International Financial Reporting Standards	
IFRS 14 - Regulatory Defferal Accounts	
IFRS 17 – Insurance contracts (2017)	

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

#### IFRS 9 - Financial Instruments

Finalised version of IFRS 9 - Financial Instruments: *Recognition and Measurement* which contains accounting requirement for financial instruments, replacing IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

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- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

### 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 financial statements of the Company for the year ended June 30, 2018.

### 6 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE

This represents loan obtained from directors of the Company and their family members. The loan is unsecured.

The loan is subordinate to long term finances of the Company. Accordingly the loan matures on March 31, 2021 being the date before which the lenders cannot demand repayment of this loan under the subordination agreement.

The loan carries interest at one year KIBOR plus 2.5% per annum payable on maturity. The lender may at their sole discretion waived the payment of interest. During the period, interest amounting to 26.023 million was waived by the lender at their sole discretion

### 7 LONG TERM FINANCES - SECURED

	<i>Note</i>	March 31, 2019 <i>Rupees</i> <i>(Un-Audited)</i>	June 30, 2018 <i>Rupees</i> <i>(Audited)</i>
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	7.1	238,502,164	269,611,142
Current maturity presented under current liabilities		(41,478,637)	(41,478,637)
		<u>197,023,527</u>	<u>228,132,505</u>

- 7.1 The finance 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 their family members and personal guarantees of the Company's Directors. The finance carries markup at three months KIBOR plus 2.5% per annum (June 30, 2018: three months KIBOR plus 2.5% per annum), payable quarterly. The finance is repayable in twenty eight unequal installments with the first installment was due on January 2018

### 8 CONTINGENCIES AND COMMITMENTS

#### 8.1 Contingencies

There is no change in status and amount of contingencies since June 30, 2018.

#### 8.2 Commitments

	<i>Note</i>	March 31, 2019 <i>Rupees</i> <i>(Un-Audited)</i>	June 30, 2018 <i>Rupees</i> <i>(Audited)</i>
<b>8.2.1 Commitments under irrevocable letters of credit for import of:</b>			
Purchase of raw material		128,680,861	100,154,387
Purchase of stores, spare and loose tools		5,806,546	4,395,781
		<u>134,487,407</u>	<u>104,550,168</u>
<b>8.2.2 Commitments under operating leases:</b>			

The Company has rented office premises under operating lease arrangements. Lease agreement covers a period of three years and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Note	March 31, 2019	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
- payments not later than one year		4,295,618	1,807,920
- payments later than one year		-	-
		<b>4,295,618</b>	<b>1,807,920</b>
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>			
Assets owned by the Company	9.1	1,184,738,645	1,219,967,038
Assets subject to finance lease	9.2	75,235,592	52,875,474
		<b>1,259,974,237</b>	<b>1,272,842,512</b>
<b>9.1 Assets owned by the Company</b>			
Net book value at the beginning of the period/year		1,219,967,038	1,259,919,776
Additions during the period/year			
Office equipment		442,813	-
Plant and machinery		8,715,144	18,675,699
Vehicles		143,105	2,827,300
		9,301,062	21,502,999
Net book value of assets disposed during the period/year		(502,836)	(333,052)
Depreciation for the period/year		(44,026,619)	(61,122,685)
Net book value at the end of the period/year		<b>1,184,738,645</b>	<b>1,219,967,038</b>
<b>9.2 Assets subject to finance lease</b>			
Net book value at the beginning of the period/year		52,875,474	55,658,393
Additions during the period/year		25,291,375	-
Depreciation for the period/year		(2,931,257)	(2,782,919)
Net book value at the end of the period/year		<b>75,235,592</b>	<b>52,875,474</b>
		Nine months ended	Quarter ended
	Note	March 31, 2019	March 31, 2019
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
<b>10 SALES - NET</b>			
Yarn		2,398,017,697	2,144,472,949
Waste		38,443,429	38,089,124
		<b>2,436,461,126</b>	<b>2,182,562,073</b>
			<b>907,448,325</b>
			<b>12,041,183</b>
			<b>743,363,854</b>
			<b>9,825,785</b>
			<b>753,189,639</b>

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Note	Nine months ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
<b>11 COST OF GOODS SOLD</b>					
Raw material consumed		1,602,125,606	1,509,308,452	501,352,973	508,321,914
Stores, spares and loose tools consumed		71,254,337	75,483,397	26,749,870	27,471,368
Salaries, wages and benefits		232,067,000	218,425,806	78,085,175	71,654,092
Insurance		2,760,232	2,664,428	943,568	1,153,270
Repair and maintenance		17,490,649	11,436,709	5,997,264	3,690,959
Depreciation		44,429,665	47,760,830	14,835,243	15,962,040
Other manufacturing overheads		303,673,359	295,118,598	102,702,450	114,832,304
		<u>2,273,800,848</u>	<u>2,160,198,220</u>	<u>730,666,543</u>	<u>743,085,947</u>
Work in process					
as at beginning of the period		37,522,780	38,534,085	43,095,988	33,782,031
as at end of the period		(45,562,962)	(37,326,059)	(45,562,962)	(37,326,059)
		<u>(8,040,182)</u>	<u>1,208,026</u>	<u>(2,466,974)</u>	<u>(3,544,028)</u>
Cost of goods manufactured		<u>2,265,760,666</u>	<u>2,161,406,246</u>	<u>728,199,569</u>	<u>739,541,919</u>
Finished goods					
as at beginning of the period		150,869,988	63,355,593	262,443,462	116,590,455
as at end of the period		(141,082,438)	(164,604,575)	(141,082,438)	(164,604,575)
		<u>9,787,550</u>	<u>(101,248,982)</u>	<u>121,361,024</u>	<u>(48,014,120)</u>
		<u><u>2,275,548,216</u></u>	<u><u>2,060,157,264</u></u>	<u><u>849,560,593</u></u>	<u><u>691,527,799</u></u>
<b>12 TAXATION</b>					
Provision for taxation					
Current taxation	12.1	(30,455,763)	(27,282,025)	(11,493,618)	(9,414,870)
Deferred taxation	12.2	-	-	-	-
		<u>(30,455,763)</u>	<u>(27,282,025)</u>	<u>(11,493,618)</u>	<u>(9,414,870)</u>

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

12.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

### 13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated company, key management personnel and sponsors, directors and their family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related

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	N/A
Samir Iqbal Saigol	Key management personnel	Chief Executive Officer	0.004%
Naseem Saigol	Key management personnel	Director	27.27%
M. Azam Saigol	Key management personnel	Director(late)	3.12%
M. Murad Saigol	Key management personnel	Director	8.37%
M. Zeid Yousuf Saigol	Key management personnel	Director	8.39%
Syed Haroon Rashid	Key management personnel	Director	N/A

# SARITOW SPINNING MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

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

Details of transactions and balances with related parties are as follows:

		Nine months ended	
		March 31, 2019	March 31, 2018
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
<b>13.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Key management personnel	Short term employee benefits	3,465,000	3,400,000
	Post employment benefits	358,050	328,667
Associated company	Generator rent	9,000,000	9,000,000
		March 31, 2019	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)

### 13.2 Balances with related parties

<b>Nature of relationship</b>	<b>Nature of balance</b>		
Directors and their family members	Long term loan from director and family members	265,884,966	265,884,966
Associated company	Generator rent payable	3,741,973	1,256,857

### 14 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these interim financial statements.

### 15 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.

### 16 GENERAL

16.1 There are no other significant activities since June 30, 2018 affecting the interim financial statements.

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

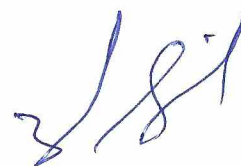
16.3 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR