



Saritow Spinning Mills Limited



Interim Financial Report
nine months ended
March 31, 2015
(Un-audited)

CONTENTS

Company Information	2
Directors' Report	3
Condensed Interim Balance Sheet	4
Condensed Interim Profit and Loss Account	5
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income.....	6
Condensed Interim Cash Flow Statement	7
Condensed Interim Statement of Changes in Equity	8
Notes to and forming part of Condensed Interim Financial Information	9

Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chief Executive
Mr. M. Azam Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Athar Rafiq	
Mr. Muhammad Omer Farooq	
Mr. Samir Iqbal Saigol	
Mr. Syed Haroon Rashid	NIT Nominee

AUDIT COMMITTEE

Mr. M. Naseem Saigol	Chairman/Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Mr. M. Zeid Yousuf Saigol	Chairman/Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Omer Farooq	Member

COMPANY SECRETARY

Mr. Anees-ur-Rehman

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shamil, FCA

AUDITORS

Rahman Sarfraz 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

SHARES REGISTRAR

M/s. CORPLINK (PVT) LTD.
Wings Arcade, 1-K Commercial, Model Town, Lahore.
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037

REGISTERED OFFICE

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35717364-65, 35718274-75
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 pleased to present Financial Results for the Third Quarter ending March 31, 2015 along with director report thereon.

Financial High Lights	Nine months ended March 31, 2015 <i>Rupees in Million</i>	Nine months ended March 31, 2014 <i>Rupees in Million</i>
Net Sales	1,841.179	1,897.613
Gross Profit	127.572	216.070
Pre Tax Profit / (Loss) without Notional Interest	2.126	109.669
Pre Tax Profit / (Loss) with Notional Interest	(20.143)	90.291
After Tax Profit (Loss) without Notional Interest	(16.286)	87.900
After Tax Profit /(Loss) with Notional Interest	(38.555)	68.522
Gross Profit Ratio	6.93%	11.39%
After Tax Profit Ratio without Notional Interest	(0.88)%	4.63%
After Tax Profit Ratio with Notional Interest	(2.09)%	3.61%

Operating Financial Results

During the period of 9 months under review, our Company was able to achieve turnover of Rs 1,841.179 million as compared to Rs 1,897.613 million during same period last year and was able to earn Gross Profit of 6.93% as compared to 11.39% during the same period last year.

Yarn prices started going down from the start of the year in anticipation of bumper raw cotton crop. Although raw cotton was available in abundance but due to huge fluctuation in prices and carry over inventory of raw cotton our average raw cotton price remain on higher side resulted in loss for the period under review. The period under review was also hit by energy crisis. Power supply from LESCO and Natural Gas supply from SNGPL remain low and we were forced to rely on Furnace Oil generation to bridge the gap.

Future Outlook

Continuous decline in Yarn prices will have negative impact on future profitability of your Company. Power supply will remain the top issue for the Textile industry. Levy of GIDC on natural gas by Federal Government will also affect the future profitability. In spite of all these odds, we hope that your Company will perform better during remaining part of the year.

We are proud to announce that we were successfully able to complete the BMR which started commercial production from the month of October 2014. We were hoping that this will have positive impact on the future profitability of the company but due to constant decrease in course count prices this could not be materialized.

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

Lahore : April 30, 2015

Chief Executive

Condensed Interim Balance Sheet

as at March 31, 2015

	Note	March 31, 2015	June 30, 2014
		Rupees	Rupees
		(Un-Audited)	(Audited)
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
35,000,000 (June 30, 2012: 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
Accumulated Profit		295,512,169	332,663,678
		593,918,239	631,069,748
Surplus on revaluation of property, plant and equipment		73,034,075	74,437,334
Loan from sponsors - Unsecured, Subordinate	4	221,276,505	199,007,562
Liabilities against assets subject to finance lease	5	32,941,177	45,294,118
Non-current liabilities			
Long term finances - Secured		298,302,668	341,609,645
Long term deposits - Unsecured		8,000,000	8,000,000
Employees retirement benefits		41,752,830	35,282,172
Deferred taxation		230,277,783	230,277,783
		578,333,281	615,169,600
Current liabilities			
Trade and other payables		224,975,507	186,951,817
Accrued interest/mark-up		36,150,506	18,813,326
Short term borrowings - Secured		377,635,520	247,611,611
Current portion of non-current liabilities		103,534,207	66,443,983
		742,295,740	519,820,737
Contingencies and commitments	6	-	-
		<u>2,241,799,016</u>	<u>2,084,799,099</u>
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,435,258,110	1,446,553,003
Long term deposits		20,913,886	20,913,886
		1,456,171,996	1,467,466,889
Current assets			
Stores, spares and loose tools		19,324,830	20,205,226
Stock in trade		609,075,690	452,773,282
Trade receivables		55,074,440	26,968,457
Advances, deposits, prepayments and other receivables		49,605,622	56,523,416
Current tax assets		28,451,681	27,865,352
Cash and bank balances		24,094,757	32,996,477
		785,627,020	617,332,210
		<u>2,241,799,016</u>	<u>2,084,799,099</u>

The annexed notes 1 to 13 form an integral part of this interim financial information.

Condensed Interim Profit and Loss Account (*Un-audited*)

for the nine months ended March 31, 2015

	Note	Nine months ended		Quarter ended	
		March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
		Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)
Sales -net	8	1,841,179,058	1,897,612,737	638,981,435	616,025,326
Cost of sales	9	1,713,606,564	1,681,542,690	595,827,861	561,706,065
Gross profit		127,572,494	216,070,047	43,153,574	54,319,261
Distribution cost		4,391,690	4,073,597	2,213,791	2,261,722
Administrative expenses		34,048,553	36,389,072	11,078,582	10,923,652
Other operating expenses		11,749,729	8,254,656	-	1,319,114
		50,189,972	48,717,325	13,292,373	14,504,488
		77,382,522	167,352,722	29,861,201	39,814,773
Other income		-	344,898	-	-
Operating profit		77,382,522	167,697,620	29,861,201	39,814,773
Finance cost		75,256,560	58,028,613	28,277,544	22,289,393
Nonational interest expense	4	22,268,943	19,377,780	7,422,979	6,459,260
		97,525,503	77,406,393	35,700,523	28,748,653
Profit before taxation		(20,142,980)	90,291,227	(5,839,321)	11,066,120
Taxation	10	(18,411,788)	(21,769,363)	(6,389,814)	(6,160,252)
Profit after taxation		(38,554,768)	68,521,864	(12,229,135)	4,905,868
Earnings per share - basic and diluted					
before notional interest		(0.55)	2.95	(0.16)	0.38
after notional interest		(1.29)	2.30	(0.41)	0.16

The annexed notes 1 to 13 form an integral part of this interim financial information.

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (*Un-audited*)
for the nine months ended March 31, 2015

	Nine months ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
Incremental depreciation	2,158,860	2,439,449	2,158,860	930,283
Other comprehensive income before taxation	2,158,860	2,439,449	2,158,860	930,283
Taxation	755,601	853,807	755,601	325,599
Other comprehensive income after taxation	1,403,259	1,585,642	1,403,259	604,684
Profit after taxation	(38,554,768)	68,521,864	(12,229,136)	4,905,868
Total comprehensive income	(37,151,509)	70,107,506	(10,825,876)	5,510,552

The annexed notes 1 to 13 form an integral part of this interim financial information.

Condensed Interim Cash Flow Statement (*Un-audited*)

for the nine months ended March 31, 2015

	Nine months ended	
	March, 31, 2015	March 31, 2014
	<i>Rupees</i>	<i>Rupees</i>
	(Un-Audited)	(Un-Audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(20,142,980)	90,291,227
Adjustments for non-cash items	169,696,896	130,498,590
Operating profit before changes in working capital	149,553,915	220,789,817
Changes in working capital	(134,403,553)	(336,635,367)
Cash used in operations	15,150,362	(115,845,550)
Payments for:		
Interest / mark-up	(57,919,380)	(52,552,226)
Worker's profit participation fund	(4,182,958)	(14,760,651)
Employees retirement benefits	(5,831,242)	(7,718,983)
Income tax	(18,998,117)	(35,516,683)
	(86,931,697)	(110,548,543)
Net cash used in operating activities	(71,781,334)	(226,394,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(56,195,580)	(198,683,796)
Proceeds from disposal of property, plant and equipment	7,620,980	4,226,041
Decrease in long term deposits	-	(135,790)
Net cash used in investing activities	(48,574,600)	(194,593,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in long term finances	(10,334,401)	112,492,166
Liabilities against assets subject to finance lease	(8,235,294)	(4,117,647)
Dividend paid	-	(9,462,586)
Net increase in short term borrowings	130,023,909	321,355,840
Net cash flow from financing activities	111,454,214	420,267,773
Net (decrease)/increase in cash and cash equivalents	(8,901,720)	(719,865)
Cash and cash equivalents as at beginning of the period	32,996,477	20,643,499
Cash and cash equivalents as at end of the period	24,094,757	19,923,634

The annexed notes 1 to 13 form an integral part of this interim financial information.

Condensed Interim Statement of Changes in Equity (*Un-audited*) for the nine months ended March 31, 2015

	Issued subscribed and paid-up capital	Accumulated (losses)/profit	Total
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
As at July 1, 2013	298,406,070	300,966,595	599,372,665
Profit for the Nine months ended March 31, 2014	-	68,521,864	68,521,864
Other comprehensive income for the Nine months ended March 31, 2014	-	1,585,642	1,585,642
Final dividend paid @ Rs. 1 per ordinary share	-	(9,462,586)	(9,462,586)
As at March 31, 2014	<u>298,406,070</u>	<u>361,611,515</u>	<u>660,017,585</u>
Profit/(Loss) for the Quarter ended June 30, 2014	-	(29,262,432)	(29,262,432)
Other comprehensive income for the Quarter ended June 30, 2014	-	314,595	314,595
As at June 30, 2014	<u>298,406,070</u>	<u>332,663,678</u>	<u>631,069,748</u>
Profit/(Loss) for the Nine months ended March 31, 2015	-	(38,554,768)	(38,554,768)
Other comprehensive income for the Nine months ended March 31, 2015	-	1,403,259	1,403,259
As at March 31, 2015	<u><u>298,406,070</u></u>	<u><u>295,512,169</u></u>	<u><u>593,918,239</u></u>

The annexed notes 1 to 13 form an integral part of this interim financial information.

Notes to the Condensed Interim Financial Information (*Un-audited*) for the nine months ended March 31, 2015

1 REPORTING ENTITY

Saritow Spinning Mills Limited ("the Company") was incorporated in Pakistan on March 10, 1987 as Public Limited Company under the 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 Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. 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

This interim financial information is not 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, 2014.

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

This condensed interim financial information has 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 this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Judgements, estimates and assumptions

The preparation of financial information 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2014.

	<i>Note</i>	March 31, 2015	June 30, 2014
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
4 LOAN FROM SPONSORS - UNSECURED, SUBORDINATE			
Face value of loan		265,884,966	265,884,966
Unamortized notional interest	4.2	(44,608,461)	(66,877,404)
		<u>221,276,505</u>	<u>199,007,562</u>

Notes to the Condensed Interim Financial Information (*Un-audited*) for the nine months ended March 31, 2015

- 4.1 This loan has been obtained from sponsor directors and their family members of the Company and is interest free. The loan is subordinate to all term finances and short term borrowings of the Company. As per terms of loan agreement between the lenders and the Company, no repayment shall be demanded and no repayments shall be made by the Company to the lenders before July 31, 2016, being the earliest date on which the underlying borrowings, to which this loan is subordinated, are expected to be completely repaid. Accordingly, this loan has been carried at amortized cost which has been determined using a discount rate of 14.92% per annum, being the average effective borrowing rate of the Company.

	March 31, 2015	June 30, 2014
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
4.2 Unamortized notional interest		
As at beginning of the period/year	66,877,404	92,714,446
Amortized during the period/year	(22,268,943)	(25,837,042)
As at end of the period/year	<u>44,608,461</u>	<u>66,877,404</u>

5 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	53,529,412	61,764,706
Less : Current portion	(20,588,235)	(16,470,588)
	<u>32,941,177</u>	<u>45,294,118</u>

- 5.1 These represent machinery acquired under finance lease arrangements. The leases are priced at rates ranging from three months KIBOR plus 2.25% per annum. Lease rentals are payable quarterly over a tenure ranging from 5 years. The Company also has the option to acquire these assets at the end of lease terms and intends to exercise the option.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2014.

	March 31, 2015	June 30, 20014
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
6.2 Commitments		
Commitments under irrevocable letters of credit for import of :		
- Capital expenditure	-	-
- Stores,spares and loose tools	2,852,793	19,269,982
- Raw material	75,315,128	65,491,817
	<u>78,167,921</u>	<u>84,761,799</u>

7 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	7.1	1,384,211,261	1,182,067,729
Capital work in progress		51,046,849	264,485,274
		<u>1,435,258,110</u>	<u>1,446,553,003</u>

Notes to the Condensed Interim Financial Information (*Un-audited*) for the nine months ended March 31, 2015

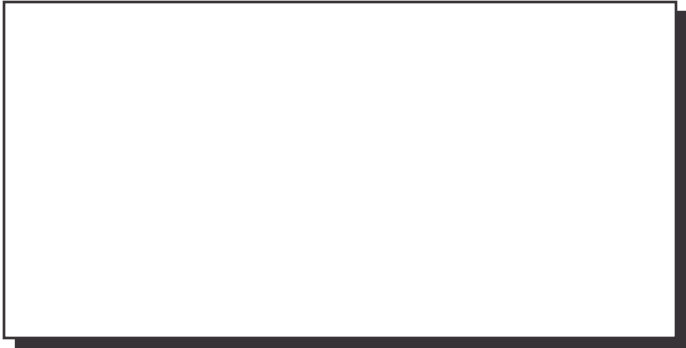
	March 31, 2015	June 30, 20014
	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Audited)
7.1 Operating fixed assets		
Assets owned by the Company	1,320,772,875	1,116,157,718
Assets subject to finance lease	63,438,386	65,910,011
	<u>1,384,211,261</u>	<u>1,182,067,729</u>
7.1.1 Assets owned by the Company		
Net book value at the beginning of the period/year	1,116,157,718	1,005,243,250
Additions during the period/year		
Plant and machinery	267,174,355	164,708,581
Furniture and fixtures	-	24,000
Vehicles	2,459,650	11,824,925
	269,634,005	176,557,506
Net book value of assets disposed during the period/year	(19,370,709)	(15,918,074)
Depreciation for the period/year	(45,648,139)	(49,724,964)
Net book value at the end of the period/year	<u>1,320,772,875</u>	<u>1,116,157,718</u>
7.1.2 Assets subject to finance lease		
Net book value at the beginning of the period/year	65,910,011	69,378,959
Depreciation for the period/year	(2,471,625)	(3,468,948)
Net book value at the end of the period/year	<u>63,438,386</u>	<u>65,910,011</u>

	Nine months ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)
8 SALES-net				
Yarn	1,817,497,845	1,860,879,300	630,634,264	602,385,396
Waste	23,681,213	36,733,437	8,347,171	13,639,930
	<u>1,841,179,058</u>	<u>1,897,612,737</u>	<u>638,981,435</u>	<u>616,025,326</u>

Notes to the Condensed Interim Financial Information (*Un-audited*) for the nine months ended March 31, 2015

	Nine months ended		Quarter ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)
9 COST OF GOODS SOLD				
Raw material consumed	1,102,025,046	1,173,601,816	399,828,587	396,706,875
Stores, spares and loose tools consumed	49,288,642	41,990,730	18,647,351	14,158,294
Salaries, wages and benefits	188,414,913	156,705,504	68,585,774	53,886,760
Insurance	2,244,674	2,099,578	844,810	952,422
Repair and maintenance	9,656,392	4,707,668	3,305,102	55,171
Depreciation	48,119,764	38,846,546	17,509,485	13,186,651
Other manufacturing overheads	314,137,962	315,526,365	80,798,160	108,014,888
	<u>1,713,887,393</u>	<u>1,733,478,207</u>	<u>589,519,269</u>	<u>586,961,061</u>
Work in process				
Opening stock	36,739,040	27,865,678	31,446,967	33,287,080
Closing stock	(29,659,223)	(32,810,939)	(29,659,223)	(32,810,939)
	<u>7,079,817</u>	<u>(4,945,261)</u>	<u>1,787,744</u>	<u>476,141</u>
Cost of goods manufactured	<u>1,720,967,210</u>	<u>1,728,532,946</u>	<u>591,307,013</u>	<u>587,437,202</u>
Finished goods				
Opening stock	102,241,716	67,682,609	114,123,210	88,941,728
Closing stock	(109,602,362)	(114,672,865)	(109,602,362)	(114,672,865)
	<u>(7,360,646)</u>	<u>(46,990,256)</u>	<u>4,520,848</u>	<u>(25,731,137)</u>
	<u><u>1,713,606,564</u></u>	<u><u>1,681,542,690</u></u>	<u><u>595,827,861</u></u>	<u><u>561,706,065</u></u>
10 TAXATION				
10.1	Provision for current tax has been in accordance with section 113 of the Income Tax Ordinance, 2001.			
10.2	No provision for deferred tax has been made as the impact of the same is considered immaterial.			
11 TRANSACTIONS AND BALANCES WITH RELATED PARTIES				
Related parties from the Company's perspective comprise associated companies and key management personnel (including chief executive and directors) and sponsors of the Company. The Company in the normal course of business carries out transactions with various related parties and continues to have a policy whereby all such transactions are carried out at arm's length. Key management personnel do not draw any compensation from the Company. Transactions with sponsors are limited to interest free loan obtained. Pricing for these transactions, other than interest free loan from sponsors, is determined as follows:				
Nature of transaction	Pricing mechanism			
Sale of goods and services	Comparable uncontrolled price method			
Purchase of goods and services	Comparable uncontrolled price method			
12 DATE OF AUTHORIZATION FOR ISSUE				
This condensed interim financial information was authorized for issue on April 30, 2015 by the Board of Directors of the Company.				
13 GENERAL				
Figures have been rounded off to the nearest rupee.				

Book Post
PRINTED MATTER
(Under Postal Certificate)



If Undelivered Please Return to:
SARITOW SPINNING MILLS LIMITED
17-Aziz Avenue, Canal Bank, Gulberg - V, Lahore.
Tel: 042 - 35717364-65