



**Interim Financial Report
for the nine months ended
March 31, 2017**

Saritow Spinning Mills Limited

CONTENTS

Company Information	2
Directors' Report	3
Directors' Report - (Urdu).....	4
Auditors' Report	5
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account	7
Condensed Interim Statement of Other Comprehensive Income.....	8
Condensed Interim Cash Flow Statement	9
Condensed Interim Statement of Changes in Equity	10
Notes to and forming part of Condensed Interim Financial Information	11

Company Information

BOARD OF DIRECTORS

Mr. M. Azam Saigol	Chief Executive
Mr. M. Naseem 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. Syed Haroon Rashid	Chairman/Member
Mr. M. Zeid Yousuf Saigol	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
Askari Bank Limited
Habib Bank Limited
JS Bank Limited
Sindh 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 please to present Financial Results for the Nine months ended March 31, 2017 along with director report thereon.

Operational Results

During the period under review our Company was able to achieve turnover of Rs 2,191.261 million as compared to Rs 1835.460 million during the same period last year and was able to earn net profit of Rs.18.776 million as compared to net loss of Rs.70.540 million during the same period last year.

Textile industry is facing Raw material shortage due to crop failure of second year in running. This year production of 11 million bales is expected. Crop shortage resulted in increased raw material prices and with little improvement in yarn prices our company was able to perform much better this year as compared to last year.

Future Outlook

During last few months fine count yarn prices have shown improvement and if the same persists our company will be able to perform much better during the remaining part of the year under review.

Acknowledgement

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

For and on behalf of the Board

Lahore : April 29, 2017

Chief Executive

ڈائریکٹرز رپورٹ

ساریٹو سپننگ ملازمینڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے نو ماہ کے مالیاتی نتائج پیش کرتے ہیں جو کہ 31 مارچ، 2017 کو مکمل ہو رہے ہیں۔

آرپیشل نتائج

زیر نظر مدت کے دوران ہماری کمپنی نے 2,191.261 ملین کی خالص فروخت کی جو کہ پچھلے سال اسی عرصے کے دوران 1,835.460 ملین تھی۔ اس کی وجہ سے ہماری کمپنی نے 18.776 ملین خالص منافع کمایا اور ہماری کمپنی نے پچھلے سال زیر نظر عرصے میں (70.540) ملین نقصان کے مقابلے میں اس سال 18.776 ملین کا خالص نفع کمایا۔

ٹیکسٹائل انڈسٹری کو مسلسل دو سال سے فصل کی خرابی کی وجہ سے خام مال کی کمی کا سامنا کرنا پڑ رہا ہے زیر نظر سال میں کل 11 ملین بیلز کی پیداوار متوقع ہے فصل کی کمی کی وجہ سے خام مال کی قیمتیں بڑھ گئی ہیں مگر دھاگے کی قیمتوں میں اضافے کی وجہ سے ہماری کمپنی نے پچھلے سال کی نسبت بہت اچھی کارکردگی پیش کی۔

مستقبل کا نقطہ نظر

پچھلے کچھ مہینوں کے دوران فائن کاؤنٹ کے دھاگے کی قیمتوں میں اضافے کا رجحان دیکھا گیا ہے اگر یہی رجحان قائم رہا تو ہماری کمپنی آنے والے باقی سال میں بہت اچھی کارکردگی کا مظاہر کرے گی۔

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام کسٹمرز حضرات اور شیئرز 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 سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

میاں محمد اعظم سہگل

چیف ایگزیکٹو

لاہور: 29 اپریل، 2017

Condensed Interim Balance Sheet

as at March 31, 2017

	Note	March 31, 2017	June 30, 2016
		Rupees	Rupees
		(Un-audited)	(Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
35,000,000 (June 30, 2016: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital		298,406,070	298,406,070
Accumulated Profit		236,655,787	218,554,426
TOTAL EQUITY		535,061,857	516,960,496
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		28,235,821	27,561,315
NON-CURRENT LIABILITIES			
Loan from directors and family members - <i>unsecured, subordinate</i>	6	265,884,966	265,884,966
Long term finances - <i>Secured</i>		227,126,599	302,835,465
Liabilities against assets subject to finance lease		5,270,852	12,352,942
Long term deposits - <i>Unsecured</i>		8,000,000	8,000,000
Employees retirement benefits		56,099,964	51,147,526
Deferred taxation		168,840,139	168,840,139
		731,222,520	809,061,038
CURRENT LIABILITIES			
Trade and other payables		268,015,936	305,471,636
Accrued interest/mark-up		16,051,262	14,639,801
Short term borrowings - <i>Secured</i>		526,842,977	354,758,296
Current portion of non-current liabilities		98,860,746	33,353,025
		909,770,921	708,222,758
TOTAL LIABILITIES		1,640,993,441	1,517,283,796
CONTINGENCIES AND COMMITMENTS			
	7	2,204,291,119	2,061,805,607
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,322,663,443	1,360,930,080
Long term deposits		21,062,056	21,038,886
		1,343,725,499	1,381,968,966
CURRENT ASSETS			
Stores, spares and loose tools		29,625,892	19,998,068
Stock in trade		580,215,234	453,251,090
Trade receivables - <i>Unsecured, considered good</i>		50,915,028	58,939,389
Advances, deposits, prepayments and other receivables		98,488,133	68,967,349
Current taxation		84,358,871	66,495,655
Cash and bank balances		16,962,462	12,185,090
		860,565,620	679,836,641
TOTAL ASSETS		2,204,291,119	2,061,805,607

The annexed notes 1 to 18 form an integral part of this interim financial information.

Condensed Interim Profit and Loss Account (Un-audited)
for the nine months ended March 31, 2017

	Note	Nine months ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
		Rupees	Rupees	Rupees	Rupees
Sales - net	9	2,191,260,964	1,835,459,671	698,070,981	629,201,119
Cost of sales	10	(2,078,735,874)	(1,810,391,199)	(657,928,758)	(608,829,832)
Gross profit		112,525,090	25,068,472	40,142,223	20,371,287
Selling and distribution expenses		(4,963,071)	(4,957,820)	(1,890,570)	(2,278,812)
Administrative and general expenses		(35,337,396)	(34,410,652)	(11,737,735)	(8,480,122)
		(40,300,467)	(39,368,472)	(13,628,305)	(10,758,934)
		72,224,623	(14,300,000)	26,513,918	9,612,353
Other operating expenses		-	(2,590,071)	-	23,924
Operating profit/(loss)		72,224,623	(16,890,071)	26,513,918	9,636,277
Finance cost		(53,448,756)	(53,649,848)	(19,987,807)	(20,784,291)
Profit/(loss) before taxation		18,775,867	(70,539,919)	6,526,111	(11,148,014)
Provision for taxation	11	-	-	-	-
Profit/(loss) after taxation		18,775,867	(70,539,919)	6,526,111	(11,148,014)
Earnings/(loss) per share - basic and diluted		0.63	(2.36)	0.22	(0.37)

The annexed notes 1 to 18 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, 2017

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Rupees	Rupees	Rupees	Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
<i>Items that will not be reclassified to profit or loss</i>				
(Decremental)/incremental depreciation	(674,506)	1,336,330	(674,506)	1,123,888
Other comprehensive (loss)/income before taxation	(674,506)	1,336,330	(674,506)	1,123,888
Profit/(Loss) after taxation	18,775,867	(70,539,919)	6,526,111	(11,148,014)
Total comprehensive profit/(loss)	18,101,361	(69,203,589)	5,851,605	(10,024,126)

The annexed notes 1 to 18 form an integral part of this interim financial information.

Condensed Interim Cash Flow Statement (Un-audited)

for the nine months ended March 31, 2017

	Nine months ended	
	March 31, 2017	March 31, 2016
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	18,775,867	(70,539,919)
Adjustments for non-cash items		
Depreciation	49,682,097	34,234,162
Provision for employees retirement benefits	14,852,865	9,268,710
Gain on disposal of property, plant and equipment	-	(3,640,792)
Interest/markup on borrowings	53,448,756	32,865,557
	117,983,718	72,727,637
Operating profit before changes in working capital	136,759,585	2,187,718
Changes in working capital		
Stores, spares and loose tools	(9,627,824)	(8,475,385)
Stock in trade	(126,964,144)	(215,593,849)
Trade debts	8,024,361	7,999,918
Advances, deposits, prepayments and other receivables	(29,520,788)	(11,398,583)
Trade and other payables	(37,455,700)	57,231,100
	(195,544,095)	(170,236,799)
Net cash used in from operations	(58,784,510)	(168,049,081)
Payments for:		
Interest/markup on borrowings	(52,037,295)	(37,576,971)
Income tax	(17,863,216)	(20,292,059)
Employees retirement benefits	(9,900,427)	(5,477,764)
Net cash used in operating activities	(138,585,448)	(231,395,875)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12,841,588)	(12,912,837)
Proceeds from disposal of property, plant and equipment	1,426,130	13,796,504
Net cash (used in)/generated from investing activities	(11,415,458)	883,667
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(17,283,233)	(53,661,403)
Increase in long term deposits	(23,170)	-
Net increase in short term borrowings	172,084,681	270,082,145
Net cash generated from financing activities	154,778,278	216,420,742
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,777,372	(14,091,466)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	12,185,090	24,542,998
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,962,462	10,451,532

The annexed notes 1 to 18 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, 2017

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	Rupees	Rupees	Rupees
Balance as at June 30, 2015 - Audited	298,406,070	279,019,563	577,425,633
Comprehensive loss			
Loss after taxation	-	(70,539,919)	(70,539,919)
Other comprehensive income	-	1,336,330	1,336,330
Total comprehensive loss	-	(69,203,589)	(69,203,589)
Balance as at March 31, 2016 - Un-audited	298,406,070	209,815,974	508,222,044
Balance as at April 01, 2016 - Un-audited	298,406,070	209,815,974	508,222,044
Comprehensive loss			
Income/(loss) after taxation	-	4,383,944	4,383,944
Other comprehensive income/(loss)	-	4,354,508	4,354,508
Total comprehensive loss	-	8,738,452	8,738,452
Transaction with owners	-	-	-
Balance as at June 30, 2016 - Audited	298,406,070	218,554,426	516,960,496
Balance as at July 01, 2016 - Audited	298,406,070	218,554,426	516,960,496
Comprehensive income			
Profit after taxation	-	18,775,867	18,775,867
Other comprehensive loss	-	(674,506)	(674,506)
Total comprehensive income	-	18,101,361	18,101,361
Transaction with owners	-	-	-
Balance as at March 31, 2017 - Un-audited	298,406,070	236,655,787	535,061,857

The annexed notes 1 to 18 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, 2017

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 and Lahore Stock Exchanges. 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, 2016.

The comparative interim balance sheet as at June 30, 2016 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 comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the half year ended March 31, 2016 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of comprehensive income for the quarters ended March 31, 2017 and March 31, 2016 are neither audited nor reviewed.

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

The financial information contained in this interim 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 Judgments, estimates and assumptions

The preparation of financial information 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. 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 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR

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

IFRS 14 – Regulatory Deferral Accounts (2014)

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.

- Disclose the information required by IFRS 3 and other IFRSs for business combinations.

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2017

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Annual Improvements 2012-2014 cycle

These improvements make amendments to the following standards:

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 - Financial Instruments: Disclosures - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- IAS 19 - Employee Benefits - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 - Interim Financial Reporting - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

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

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

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
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

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2017

	Effective date (annual periods beginning on or after)
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Classification and Measurement of Share-based Payment Transactions	January 01, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 01, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40)	January 01, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle	January 01, 2018

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 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, 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: Classification and Measurement (2014)

IFRS 9 replaces 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 cash flow characteristics. The standard introduces a 'fair value through 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 measurement of entity's own credit risk.
- **Impairment:** 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 loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 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 exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2017

- The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

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, 2016.

6 LOAN FROM SPONSORS - 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 and short term borrowings 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.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in status and amount of contingencies since June 30, 2016.

	<i>Note</i>	March 31, 2017	June 30, 2016
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
7.2 Commitments			
Commitments under irrevocable letters of credit for import of:			
- purchase of raw material		325,355,620	71,228,417
- purchase of stores, spare and loose tools		11,211,847	2,448,145
		<u>336,567,467</u>	<u>73,676,562</u>
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	<i>8.1</i>	1,305,435,615	1,356,543,840
Capital work in progress		17,227,828	4,386,240
		<u>1,322,663,443</u>	<u>1,360,930,080</u>
8.1 Operating fixed assets			
Assets owned by the Company	<i>8.1.1</i>	1,257,310,615	1,306,543,840
Assets subject to finance lease	<i>8.1.2</i>	48,125,000	50,000,000
		<u>1,305,435,615</u>	<u>1,356,543,840</u>
8.1.1 Assets owned by the Company			
Net book value at the beginning of the period/year		1,306,543,840	1,327,815,503
Additions during the period/year			
Freehold land		-	768,125
Plant and machinery		-	57,164,209
Buildings on freehold land		-	42,663,490
Arms and ammunitions		-	48,670
Vehicles		-	4,715,000
		-	105,359,494
Net book value of assets disposed during the period/year		(1,426,130)	(60,257,527)
Depreciation for the period/year		(47,807,095)	(66,373,630)
Net book value at the end of the period/year		<u>1,257,310,615</u>	<u>1,306,543,840</u>

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2017

Note	March 31, 2017 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
8.1.2 Assets subject to finance lease		
Net book value at the beginning of the period/year	50,000,000	53,130,726
Depreciation for the period/year	(1,875,000)	(3,130,726)
Net book value at the end of the period/year	48,125,000	50,000,000

	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)
9 SALES - NET				
Yarn	2,156,970,163	1,811,814,567	685,916,744	619,974,202
Waste	34,290,801	23,645,104	12,154,237	9,226,917
	2,191,260,964	1,835,459,671	698,070,981	629,201,119

10 COST OF GOODS SOLD

Raw material consumed	1,446,037,754	1,239,659,234	451,989,633	419,951,531
Stores, spares and loose tools consumed	66,632,289	54,486,533	28,457,255	20,146,226
Salaries, wages and benefits	206,282,146	214,787,498	66,562,638	72,227,800
Insurance	2,193,372	2,321,266	784,726	902,592
Repair and maintenance	12,047,287	13,384,337	4,459,011	2,938,537
Depreciation	49,682,097	51,495,828	16,535,677	19,913,347
Other manufacturing overheads	278,013,809	262,257,788	78,676,779	64,410,832
	2,060,888,754	1,838,392,484	647,465,719	600,490,865
Work in process				
as at beginning of the period	28,898,614	27,347,422	30,035,311	28,812,990
as at end of the period	(36,645,854)	(29,019,938)	(36,645,854)	(29,019,938)
	(7,747,240)	(1,672,516)	(6,610,543)	(206,948)
Cost of goods manufactured	2,053,141,514	1,836,719,968	640,855,176	600,283,917
Finished goods				
as at beginning of the period	136,780,349	101,544,768	128,259,571	136,419,452
as at end of the period	(111,185,989)	(127,873,537)	(111,185,989)	(127,873,537)
	25,594,360	(26,328,769)	17,073,582	8,545,915
	2,078,735,874	1,810,391,199	657,928,758	608,829,832

11 TAXATION

11.1 No provision for tax under section 113 has been made due to availability of tax credits in access of Provision amounting to Rs. 21.913 million (2016: Rs.18.355 million).

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

12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and undertakings, key management personnel and sponsor 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.

Transactions with key management personnel are limited to payment of short term and post employment benefits. Transactions with sponsors and their family members are limited to provision of interest free 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.

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2017

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

		March 31, 2017	March 31, 2016
		Rupees	Rupees
12.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	14,595,527	14,235,525
	Post employment benefits	1,621,727	1,581,725
Kohinoor Power Company Ltd	Generator Rent	9,000,000	1,000,000
		March 31, 2017	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
12.2 Balances with related parties			
Nature of relationship	Nature of balance		
Sponsors and their family members	Interest free loan	265,884,966	265,884,966
Kohinoor Power Company Ltd	Generator Rent	-	1,108,570
13 FINANCIAL INSTRUMENTS			
The carrying amounts of the Company's financial instruments by class and category are as follows:			
		March 31, 2017	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
13.1 Financial assets			
<i>Cash in hand</i>		3,036,515	1,937,388
<i>Loans and receivables</i>			
Long term deposits		21,062,056	21,038,886
Trade receivables		50,915,028	58,939,389
Security deposits		40,670	40,670
Bank balances		13,925,947	10,247,702
		88,980,216	92,204,035
13.2 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Loan from directors and family members		265,884,966	265,884,966
Long term finances		227,126,599	315,600,255
Liabilities against assets subject to finance lease - Secured		5,270,852	32,941,177
Long term deposits		8,000,000	8,000,000
Short term borrowings		526,842,977	354,758,296
Accrued interest/markup		16,051,262	14,639,801
Trade creditors		104,991,953	96,892,274
Accrued liabilities		107,711,362	94,074,591
Bills payable		-	22,887,772
Unclaimed dividend		485,351	485,351
		1,262,365,322	1,206,164,483

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended March 31, 2017

14 FAIR VALUE MEASUREMENTS

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

14.1 Financial instruments measured at fair value

14.1.1 Recurring fair value measurements

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

14.1.2 Non-recurring fair value measurements

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

14.2 Financial instruments not measured at fair value

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

15 EVENTS AFTER THE REPORTING PERIOD

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

16 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern reservation, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in this condensed interim financial information.

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 29, 2017 by the Board of Directors of the Company.

18 GENERAL

- 18.1 There are no other significant activities since June 30, 2016 affecting the interim financial information.
- 18.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 18.3 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 this condensed interim financial information.
- 18.4 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