

Interim Financial Report | half year ended December 31, 2013
(Un-audited)



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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 please to present Financial Results for the Half Year ended December 31, 2013 along with director report thereon.

| Financial High Lights | Half year ending December 31, 2013 <i>Rupees in Million</i> | Half year ending December 31, 2012 <i>Rupees in Million</i> |
|---------------------------------|---|---|
| Net Sales | 1,281.587 | 1,115.048 |
| Gross Profit | 161.751 | 161.8364 |
| Pre Tax Profit | 79.225 | 90.521 |
| Profit After Tax | 63.616 | 79.370 |
| Gross Profit Ratio to Sales | 12.62% | 14.51% |
| After Tax Profit Ratio to Sales | 4.96% | 7.11% |

Operating Financial Results

During the period under review our Company was able to achieve turnover of Rs 1,281.587 million as compared to Rs 1,115.048 million during the same period last year and was able to earn Gross Profit of Rs 161.751 million as compared to Rs 161.836 million during the same period last year. Our Company was able to earn after tax Profit of Rs 63.616 million during the Half Year under review against Rs 79.370 million same period last year.

In spite of huge increase in Electricity and Natural Gas tariff your company was able to perform well and was able to earn handsome after tax profits.

Future Outlook

At the moment the raw material prices have gone up considerably but the yarn price remain subdued. If the scenario persists in days to come the profitability of the company will be affected.

During last so many years our Company was unable to carry out major BMR to replace and upgrade the aging Plant and Machinery of our project and at the moment our company is primarily producing low yielding fine count yarn. In order to enter the high yielding course count market your company has planned to revamp whole back process along with winding section of Unit No.2 of the project. This BMR will cost approximately Rs. 502.00 Million. In order to finance this whole BMR, NIB Bank Limited have agreed to provide term finance facility of Rs. 350.000 Million and balance Rs. 152.000 Million will be financed from company's own cash flows.

The looming energy crises will affect the performance of the Company but with the better management of raw material and other cost components we hope to achieve much better results in days to come.

For and on behalf of the Board

Lahore : February 27, 2014

Chief Executive

Auditors' report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Saritow Spinning Mills Limited ("the Company") as at December 31, 2013 and the related condensed interim profit and loss account, statement of profit or loss and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the quarter ended December 31, 2013 of the condensed interim profit and loss account and statement of profit or loss and other comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

Scope of Review

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

Conclusion

The Company has changed its accounting policy in respect of post-employment benefits, as referred to in note 3.1 to the condensed interim financial information and we concur with the change.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: **ZUBAIR IRFAN MALIK**

Date: **FEBRUARY 27, 2014**

Place: **LAHORE**

Condensed Interim Balance Sheet

as at December 31, 2013

| | Note | December 31, 2013 | June 30, 2013 | June 30, 2012 |
|---|------|------------------------|-----------------------------------|-----------------------------------|
| | | Rupees (Un-audited) | Rupees (Audited) (restated) | Rupees (Audited) (restated) |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| <i>Authorized capital</i> | | | | |
| 35,000,000 (June 30, 2013: 35,000,000) ordinary shares of Rs. 10 each | | <u>350,000,000</u> | <u>350,000,000</u> | <u>350,000,000</u> |
| Issued, subscribed and paid-up capital | | 298,406,070 | 298,406,070 | 298,406,070 |
| Accumulated profit | | 355,500,144 | 300,365,776 | 178,105,482 |
| TOTAL EQUITY | | <u>653,906,214</u> | <u>598,771,846</u> | <u>476,511,552</u> |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | 75,534,390 | 76,515,348 | 78,429,877 |
| LOAN FROM SPONSORS - UNSECURED | 6 | 186,089,040 | 173,170,520 | 150,687,887 |
| NON-CURRENT LIABILITIES | | | | |
| Long term finances - <i>Secured</i> | | 44,291,395 | 57,091,395 | 85,506,419 |
| Liabilities against assets subject to finance lease - <i>Secured</i> | | 53,529,412 | 61,764,706 | - |
| Long term deposits - <i>Unsecured</i> | | 8,000,000 | 8,000,000 | 8,000,000 |
| Employees retirement benefits | | 29,089,384 | 30,000,125 | 29,785,783 |
| Deferred taxation | | 223,050,095 | 223,050,095 | 216,826,262 |
| | | <u>357,960,286</u> | <u>379,906,321</u> | <u>340,118,464</u> |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 163,731,400 | 174,702,605 | 134,524,355 |
| Accrued interest/mark-up | | 17,058,216 | 16,353,300 | 15,625,522 |
| Short term borrowings - <i>Secured</i> | 7 | 527,373,623 | 110,722,646 | 154,742,636 |
| Current portion of non-current liabilities | | 42,543,983 | 48,543,523 | 65,734,556 |
| Current tax liability | | 28,396,590 | 18,833,829 | 2,791,355 |
| | | <u>779,103,812</u> | <u>369,155,903</u> | <u>373,418,424</u> |
| TOTAL LIABILITIES | | <u>1,137,064,098</u> | <u>749,062,224</u> | <u>713,536,888</u> |
| CONTINGENCIES AND COMMITMENTS | 8 | - | - | - |
| TOTAL EQUITY AND LIABILITIES | | <u>2,052,593,742</u> | <u>1,597,519,938</u> | <u>1,419,166,204</u> |
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 9 | 1,058,168,615 | 1,074,622,209 | 1,006,093,165 |
| Long term deposits - <i>Unsecured, considered good</i> | | 16,125,556 | 15,989,766 | 14,373,910 |
| | | <u>1,074,294,171</u> | <u>1,090,611,975</u> | <u>1,020,467,075</u> |
| CURRENT ASSETS | | | | |
| Stores, spares and loose tools | | 23,249,032 | 19,459,940 | 13,330,454 |
| Stock in trade | | 828,698,072 | 369,678,225 | 280,650,629 |
| Trade debts | | 34,313,530 | 22,256,811 | 33,750,748 |
| Advances, deposits, prepayments and other receivables | | 72,462,543 | 74,869,488 | 54,711,630 |
| Cash and bank balances | | 19,576,394 | 20,643,499 | 16,255,668 |
| | | <u>978,299,571</u> | <u>506,907,963</u> | <u>398,699,129</u> |
| TOTAL ASSETS | | <u>2,052,593,742</u> | <u>1,597,519,938</u> | <u>1,419,166,204</u> |

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

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

for the half year ended December 31, 2013

| | Note | Half year ended | | Quarter ended | |
|---|------|------------------------|-------------------|----------------------|-------------------|
| | | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | | Rupees | Rupees | Rupees | Rupees |
| Turnover - net | 10 | 1,281,587,411 | 1,115,047,891 | 593,922,344 | 568,986,226 |
| Cost of sales | 11 | (1,119,836,625) | (953,211,693) | (529,691,737) | (481,474,397) |
| Gross profit | | 161,750,786 | 161,836,198 | 64,230,607 | 87,511,829 |
| Distribution cost | | (1,811,875) | (1,932,266) | (1,331,225) | (879,817) |
| Administrative expenses | | (25,465,420) | (25,324,253) | (11,848,105) | (12,390,512) |
| Other operating expenses | | (6,935,542) | (7,123,350) | (2,661,185) | (4,004,090) |
| | | (34,212,837) | (34,379,869) | (15,840,515) | (17,274,419) |
| | | 127,537,949 | 127,456,329 | 48,390,092 | 70,237,410 |
| Other operating income | | 344,898 | 375,390 | - | 300,390 |
| Operating profit | | 127,882,847 | 127,831,719 | 48,390,092 | 70,537,800 |
| Finance cost | | (35,739,220) | (26,069,562) | (17,308,731) | (13,336,512) |
| Notional interest expense | | (12,918,520) | (11,241,316) | (6,459,260) | (5,620,658) |
| Profit before taxation | | 79,225,107 | 90,520,841 | 24,622,101 | 51,580,630 |
| Provision for taxation | 12 | (15,609,111) | (11,150,476) | (8,722,582) | (5,689,863) |
| Profit after taxation | | 63,615,996 | 79,370,365 | 15,899,519 | 45,890,767 |
| Earnings per share - basic and diluted | | 2.13 | 2.66 | 0.53 | 1.54 |

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

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (*Un-audited*) for the half year ended December 31, 2013

| | Half year ended | | Quarter ended | |
|--|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> |
| <i>Items that may be reclassified subsequently to profit or loss</i> | - | - | - | - |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Incremental depreciation | 1,509,166 | 1,582,836 | 754,566 | 791,418 |
| Other comprehensive income before taxation | 1,509,166 | 1,582,836 | 754,566 | 791,418 |
| Taxation | (528,208) | (553,993) | (264,098) | (276,996) |
| Other comprehensive income after taxation | 980,958 | 1,028,843 | 490,468 | 514,422 |
| Profit after taxation | 63,615,996 | 79,370,365 | 15,899,519 | 45,890,767 |
| Total comprehensive income | 64,596,954 | 80,399,208 | 16,389,987 | 46,405,189 |

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

Condensed Interim Cash Flow Statement (Un-audited)

for the half year ended December 31, 2013

| | December 31, 2013 | December 31, 2012 |
|---|--------------------------|--------------------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 79,225,107 | 90,520,841 |
| Adjustments for non-cash items | | |
| Depreciation | 25,659,895 | 23,692,916 |
| Provision for employees retirement benefits | 3,994,050 | 4,436,233 |
| Gain on disposal of property, plant and equipment | (344,898) | (30,888) |
| Imputed interest | 12,918,520 | 11,241,316 |
| Interest/mark-up on borrowings | 35,739,220 | 24,438,672 |
| | <u>77,966,787</u> | <u>63,778,249</u> |
| Operating profit before changes in working capital | 157,191,894 | 154,299,090 |
| Changes in working capital | | |
| Stores, spares and loose tools | (3,789,092) | (3,699,889) |
| Stock in trade | (459,019,847) | (247,953,204) |
| Trade debts | (12,056,719) | (12,357,216) |
| Advances, deposits, prepayments and other receivables | 2,406,945 | (44,926,710) |
| Long term deposits | (40,669) | - |
| Trade and other payables | (10,971,205) | 46,828,709 |
| | <u>(483,470,587)</u> | <u>(262,108,310)</u> |
| Cash used in operations | (326,278,693) | (107,809,220) |
| Payments for | | |
| Interest/mark-up on borrowings | (35,034,304) | (25,450,290) |
| Income tax | (6,046,350) | (6,800,772) |
| Employees retirement benefits | (4,904,791) | (3,895,211) |
| Net cash used in operating activities | (372,264,138) | (143,955,493) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (13,432,343) | (14,410,911) |
| Proceeds from disposal of property, plant and equipment | 4,570,939 | 7,746,048 |
| Net cash used in investing activities | (8,861,404) | (6,664,863) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long term finances | (27,034,834) | (26,326,867) |
| Decrease in long term deposits | (95,120) | - |
| Dividend paid | (9,462,586) | - |
| Net increase in short term borrowings | 416,650,977 | 209,926,222 |
| Net cash generated from financing activities | 380,058,437 | 183,599,355 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (1,067,105) | 32,978,999 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 20,643,499 | 16,232,743 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>19,576,394</u> | <u>49,211,742</u> |

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

Condensed Interim Statement of Changes in Equity (Un-audited)

for the half year ended December 31, 2013

| Note | Issued subscribed and paid-up capital <i>Rupees</i> | Accumulated profit <i>Rupees</i> | Total equity <i>Rupees</i> |
|---|--|--|----------------------------------|
| Balance as at July 01, 2012 - Audited | 298,406,070 | 178,451,690 | 476,857,760 |
| Change in accounting policy | 3.1 | (346,208) | (346,208) |
| Balance as at July 01, 2012 - Audited (restated) | 298,406,070 | 178,105,482 | 476,511,552 |
| Comprehensive income | | | |
| Profit after taxation | - | 79,370,365 | 79,370,365 |
| Other comprehensive income | - | 1,028,843 | 1,028,843 |
| Total comprehensive income | - | 80,399,208 | 80,399,208 |
| Transaction with owners | - | - | - |
| Balance as at December 31, 2012 - Un-audited | 298,406,070 | 258,504,690 | 556,910,760 |
| Comprehensive income | | | |
| Profit after taxation - (restated) | - | 41,230,011 | 41,230,011 |
| Other comprehensive income - (restated) | - | 631,075 | 631,075 |
| Total comprehensive income | - | 41,861,086 | 41,861,086 |
| Transaction with owners | - | - | - |
| Balance as at June 30, 2013 - Audited | 298,406,070 | 300,365,776 | 598,771,846 |
| Comprehensive income | | | |
| Profit after taxation | - | 63,615,996 | 63,615,996 |
| Other comprehensive income | - | 980,958 | 980,958 |
| Total comprehensive income | - | 64,596,954 | 64,596,954 |
| Transaction with owners | - | - | - |
| Final dividend paid @ Rs.1 per ordinary share | 14 | (9,462,586) | (9,462,586) |
| Balance as at December 31, 2013 - Un-audited | 298,406,070 | 355,500,144 | 653,906,214 |

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

Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2013

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, 2013.

The comparative interim balance sheet as at June 30, 2013 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 half year ended December 31, 2012 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 quarters ended December 31, 2013 and December 31, 2012 are neither audited nor reviewed.

2.1 Statement of compliance

This condensed interim financial report 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 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 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, 2013, except for the change referred to in note 3.1.

3.1 During the period, the Company has changed its accounting policy in respect of post-employment benefits whereby actuarial gains and losses are recognized in other comprehensive income in the periods in which they occur. Current and past services costs, gains or losses on settlement and net interest on defined benefit obligation continue to be recognized in profit or loss. Prior to change, actuarial gains and losses are recognized in profit or loss using the '10% Corridor Approach'. The change has been applied retrospectively by adjusting the accumulated profits as at July 01, 2012. Had there been no change, accumulated profits as at the reporting date would have been higher by Rs. 600,819.

4 ADOPTION OF NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The following amendment to approved accounting standards are effective in the current period and relevant to the Company.

IAS 19 - Employee Benefits (*Revised 2011*)

The revised standard, among other changes not relevant to the Company, has eliminated the option that allowed entities to defer the recognition of changes in net defined benefit liability under the '10% Corridor Approach' and has amended some of the disclosure requirements for defined benefit plans. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income. Services costs and net interest are required to be recognized in profit or loss as they occur. The Company has adopted the revised standards which has resulted in change in accounting policy as referred to in note 3.1.

Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2013

IAS 34 - Interim Financial Reporting ('Amendments')

The amendments align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 - Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. Since the Company operates as a single reportable segment, the said amendment is not expected to have any impact.

| | <i>Note</i> | December 31, 2013 | June 30, 2013 |
|--|-------------|--------------------------------------|-----------------------------------|
| | | <i>Rupees</i> <i>(Un-Audited)</i> | <i>Rupees</i> <i>(Audited)</i> |
| 5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL | | | |
| Ordinary shares of Rs. 10 each: | | | |
| 13,275,000 (June 30, 2012: 13,275,000) ordinary shares issued for cash | | 132,750,000 | 132,750,000 |
| 16,565,607 (June 30, 2012: 16,565,607) ordinary shares issued as consideration of merger | | 165,656,070 | 165,656,070 |
| | | <u>298,406,070</u> | <u>298,406,070</u> |
| 6 LOAN FROM SPONSORS - UNSECURED, SUBORDINATE | | | |
| Face value of loan | | 265,884,966 | 265,884,966 |
| Unamortized notional interest | 6.2 | (79,795,926) | (92,714,446) |
| | | <u>186,089,040</u> | <u>173,170,520</u> |

- 6.1 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.

| | December 31, 2013 | June 30, 2013 |
|--|--------------------------------------|-----------------------------------|
| | <i>Rupees</i> <i>(Un-Audited)</i> | <i>Rupees</i> <i>(Audited)</i> |
| 6.2 Unamortized notional interest | | |
| As at beginning of the year | 92,714,446 | 115,197,079 |
| Amortized during the period | (12,918,520) | (22,482,633) |
| As at end of the period | <u>79,795,926</u> | <u>92,714,446</u> |

7 SHORT TERM BORROWINGS

The aggregate available short term funded facilities amounts to Rs. 670 million (June 30, 2013: Rs. 570 million) out of which Rs. 143 million (June 30, 2013: Rs. 459 million) remained unavailed as at the reporting date.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2013.

| | <i>Note</i> | December 31, 2013 | June 30, 2013 |
|---|-------------|--------------------------------------|-----------------------------------|
| | | <i>Rupees</i> <i>(Un-Audited)</i> | <i>Rupees</i> <i>(Audited)</i> |
| 8.2 Commitments | | | |
| 8.2.1 Commitments under irrevocable letters of credit for: | | | |
| - purchase of machinery | | 346,094,631 | - |
| - purchase of raw material | | 65,546,767 | 60,145,164 |
| | | <u>411,641,398</u> | <u>60,145,164</u> |

Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2013

| | Note | December 31, 2013 | June 30, 2013 |
|--|------|------------------------|---------------------|
| | | Rupees (Un-Audited) | Rupees (Audited) |
| 9 PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | | | |
| - assets owned by the Company | 9.1 | 984,383,731 | 1,005,243,250 |
| - assets subject to finance lease | 9.2 | 67,644,485 | 69,378,959 |
| | | 1,052,028,216 | 1,074,622,209 |
| Capital work in progress | | 6,140,399 | - |
| | | 1,058,168,615 | 1,074,622,209 |
| 9.1 Assets owned by the Company | | | |
| Net book value at the beginning of the period/year | | 1,005,243,250 | 1,006,093,165 |
| Additions during the period/year | | | |
| Plant and machinery | | - | 43,220,251 |
| Buildings on freehold land | | - | 3,423,866 |
| Furniture and fixtures | | - | 525,755 |
| Vehicles | | 7,291,944 | 7,815,241 |
| | | 7,291,944 | 54,985,113 |
| Net book value of assets disposed during the period/year | | (4,226,041) | (7,804,395) |
| Depreciation for the period/year | | (23,925,422) | (48,030,633) |
| Net book value at the end of the period/year | | 984,383,731 | 1,005,243,250 |
| 9.2 Assets subject to finance lease | | | |
| Net book value at the beginning of the period/year | | 69,378,959 | - |
| Additions during the period/year | | | |
| Plant and machinery | | - | 70,000,000 |
| Depreciation for the period/year | | (1,734,474) | (621,041) |
| Net book value at the end of the period/year | | 67,644,485 | 69,378,959 |
| | | | |
| | | Half year ended | Quarter ended |
| | | December 31, 2013 | December 31, 2012 |
| | | December 31, 2013 | December 31, 2012 |
| | | Rupees | Rupees |
| | | (Un-Audited) | (Un-Audited) |
| 10 TURNOVER - NET | | | |
| Yarn | | 1,258,493,904 | 1,100,996,450 |
| Waste | | 23,093,507 | 14,051,441 |
| | | 1,281,587,411 | 1,115,047,891 |
| 11 COST OF SALES | | | |
| Raw material consumed | | 776,894,941 | 650,137,313 |
| Stores, spares and loose tools consumed | | 27,832,436 | 26,469,952 |
| Salaries, wages and benefits | | 102,818,744 | 78,976,313 |
| Insurance | | 1,147,156 | 811,479 |
| Repair and maintenance | | 4,652,497 | 4,809,823 |
| Depreciation | | 25,659,895 | 23,692,916 |
| Other manufacturing overheads | | 207,511,477 | 165,376,815 |
| | | 1,146,517,146 | 950,274,611 |
| Work in process | | | |
| - at the beginning of the period | | 27,865,678 | 29,803,133 |
| - at the end of the period | | (33,287,080) | (30,607,349) |
| | | (5,421,402) | (804,216) |
| | | 1,141,095,744 | 949,470,395 |
| Finished goods | | | |
| - at the beginning of the period | | 67,682,609 | 40,186,448 |
| - at the end of the period | | (88,941,728) | (36,445,150) |
| | | (21,259,119) | 3,741,298 |
| | | 1,119,836,625 | 953,211,693 |
| | | | |
| | | 392,359,308 | 15,214,336 |
| | | 52,991,792 | 43,153,480 |
| | | 769,668 | 428,570 |
| | | 1,923,526 | 2,817,183 |
| | | 12,981,652 | 11,861,328 |
| | | 104,655,761 | 86,494,202 |
| | | 580,896,043 | 484,396,129 |
| | | | |
| | | 35,065,432 | 28,233,435 |
| | | (33,287,080) | (30,607,349) |
| | | 1,778,352 | (2,373,914) |
| | | 582,674,395 | 482,022,215 |
| | | | |
| | | 35,959,070 | 35,897,332 |
| | | (88,941,728) | (36,445,150) |
| | | (52,982,658) | (547,818) |
| | | 529,691,737 | 481,474,397 |

Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2013

12 PROVISION FOR TAXATION

- 12.1 Provision for current tax has been in accordance with 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 companies and key management personnel. 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 employee benefits and post employment benefits only. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

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

| | | Half year ended | |
|---|------------------------------|-------------------------------|-------------------------------|
| | | December 31, 2013 | December 31, 2012 |
| | | <i>Rupees</i> (Un-Audited) | <i>Rupees</i> (Un-Audited) |
| 13.1 Transactions with related parties | | | |
| Nature of relationship | Nature of transaction | | |
| Associated companies | Rent received | 300,000 | 300,000 |
| Key management personnel | Short term employee benefits | 9,503,541 | 6,937,806 |
| | Post employment benefits | 791,962 | 578,151 |
| 13.2 Balances with related parties | | | |
| Nature of relationship | Nature of transaction | | |
| Sponsors | Borrowings | 186,089,040 | 173,170,520 |

14 DIVIDEND ON ORDINARY SHARES

During the period, shareholders of the Company approved dividend @ Rs. 1 per ordinary share as final dividend for the year ended June 30, 2013. The directors and sponsors have waived their right to dividend and accordingly the appropriations made relate to minority shareholders only.

15 EVENTS AFTER THE REPORTING PERIOD

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

16 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 27, 2014.

18 GENERAL

- 18.1 There are no other significant activities since June 30, 2013 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 Figures have been rounded off to the nearest Rupee.

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