



Interim Financial Report | half year ended December 31, 2015  
(Un-audited)



Saritow Spinning Mills Limited

## **CONTENTS**

<b>Company Information .....</b>	<b>2</b>
<b>Directors' Report .....</b>	<b>3</b>
<b>Auditors' report to the Members on Review of Interim Financial Information .....</b>	<b>4</b>
<b>Condensed Interim Balance Sheet .....</b>	<b>5</b>
<b>Condensed Interim Profit and Loss Account .....</b>	<b>6</b>
<b>Condensed Interim Statement of Profit or Loss and Other Comprehensive Income.....</b>	<b>7</b>
<b>Condensed Interim Cash Flow Statement .....</b>	<b>8</b>
<b>Condensed Interim Statement of Changes in Equity .....</b>	<b>9</b>
<b>Notes to and forming part of Condensed Interim Financial Information .....</b>	<b>10</b>

## ***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. 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, 2015 along with director report thereon.

Financial High Lights	Half year ending December 31, 2015 <i>Rupees in Million</i>	Half year ending December 31, 2014 <i>Rupees in Million</i>
Net Sales	1,206.259	1,202.198
Gross Profit	4.697	84.419
Pre Tax Profit / ( Loss )	(59.392)	(14.304)
After Tax Profit / ( Loss )	(59.392)	( 26.326 )
Gross Profit Ratio	0.39%	7.02%
After Tax Profit Ratio	(4.92)%	( 2.19)%
Debt : Equity Ratio	28 : 72	25:75
Current Ratio	1:1.03	1:1.05

### Operating Financial Results

During the period of half year under review our Company was able to achieve turnover of Rs 1,206.259 million as compared to Rs 1,202.198 million during same period last year.

Textile industry is going through worst crises due to badly damaged Cotton Crop of 2015-16 and heavy imports of Yarn from neighboring countries. The current raw Cotton Crop has been reduced by 33% in comparison to last year forcing the local cotton prices to soar to un precedent high. Reduced local Cotton crop have forced local Spinners to import expensive raw material from abroad which resulted in higher in put cost. On the other hand exports have gone down and heavy subsidized imports of Yarns have made the local spinners unviable.

### Future Outlook

Declining Yarn prices will have negative impact on future profitability of your Company. Power supply will remain the top issue for the Textile industry in coming days. Against all these odds its Endeavour of your Company to perform better during remaining part of the year.

### 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 : February 29, 2016

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, 2015 and the related condensed interim profit and loss account, condensed interim 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 three months ended December 31, 2015 of the condensed interim profit and loss account and condensed interim 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***

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 29, 2016**

**Place: LAHORE**

## Condensed Interim Balance Sheet

for six months ended December 31, 2015

	Note	December 31, 2015 Rupees (Un-Audited)	June 30, 2015 Rupees (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized share capital</i>			
35,000,000 (June 30, 2015: 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		<u>220,559,663</u>	<u>279,019,563</u>
		<b>518,965,733</b>	<b>577,425,633</b>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		<b>72,220,072</b>	<b>73,152,077</b>
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors and family members <i>Unsecured, subordinate</i>	6	<u>265,884,966</u>	<u>265,884,966</u>
Long term finances - <i>Secured</i>		<u>302,835,465</u>	<u>275,078,475</u>
Liabilities against assets subject to finance lease		<u>21,610,512</u>	<u>28,823,530</u>
Long term deposits - <i>Unsecured</i>		<u>8,000,000</u>	<u>8,000,000</u>
Employees retirement benefits		<u>48,452,744</u>	<u>44,661,798</u>
Deferred taxation		<u>210,115,055</u>	<u>210,115,055</u>
		<b>856,898,742</b>	<b>832,563,824</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<u>289,301,783</u>	<u>232,070,683</u>
Accrued interest/mark-up		<u>14,250,583</u>	<u>18,961,997</u>
Short term borrowings - <i>Secured</i>		<u>461,513,276</u>	<u>191,431,131</u>
Current portion of non-current liabilities		<u>46,153,025</u>	<u>120,358,400</u>
		<b>811,218,667</b>	<b>562,822,211</b>
<b>TOTAL LIABILITIES</b>		<b>1,668,117,409</b>	<b>1,395,386,035</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	<u>2,259,303,214</u>	<u>2,045,963,745</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<u>1,400,573,433</u>	<u>1,432,050,470</u>
Long term deposits		<u>20,913,886</u>	<u>20,913,886</u>
		<b>1,421,487,319</b>	<b>1,452,964,356</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<u>27,738,287</u>	<u>19,262,902</u>
Stock in trade		<u>619,317,259</u>	<u>403,723,410</u>
Trade receivables		<u>61,863,079</u>	<u>69,862,997</u>
Advances, deposits, prepayments and other receivables		<u>53,005,628</u>	<u>41,607,045</u>
Current tax assets		<u>54,292,096</u>	<u>34,000,037</u>
Cash and bank balances		<u>21,599,546</u>	<u>24,542,998</u>
		<b>837,815,895</b>	<b>592,999,389</b>
<b>TOTAL ASSETS</b>		<b>2,259,303,214</b>	<b>2,045,963,745</b>

The annexed notes 1 to 17 form an integral part of this interim financial information.

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

for the half year ended December 31, 2015

	Note	Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		Rupees	Rupees	Rupees	Rupees
<b>Sales - net</b>	9	<b>1,206,258,552</b>	1,202,197,623	<b>571,782,384</b>	547,441,909
Cost of sales	10	<b>(1,201,561,367)</b>	(1,117,778,703)	<b>(580,181,594)</b>	(498,053,413)
<b>Gross profit/(loss)</b>		<b>4,697,185</b>	84,418,920	<b>(8,399,210)</b>	49,388,496
Selling and distribution expenses		<b>(2,679,008)</b>	(2,177,899)	<b>(813,133)</b>	(1,628,871)
Administrative and general expenses		<b>(25,930,530)</b>	(22,969,971)	<b>(13,643,313)</b>	(11,207,899)
		<b>(28,609,538)</b>	(25,147,870)	<b>(14,456,446)</b>	(12,836,770)
Net other (expenses)/income		<b>(2,613,995)</b>	194,820	<b>(3,791,204)</b>	194,820
<b>Operating (loss)/profit</b>		<b>(26,526,348)</b>	59,465,870	<b>(26,646,860)</b>	36,746,546
Finance cost		<b>(32,865,557)</b>	(46,979,016)	<b>(16,961,463)</b>	(24,283,754)
Other charges		-	(11,944,549)	-	(11,944,549)
		<b>(32,865,557)</b>	(58,923,565)	<b>(16,961,463)</b>	(36,228,303)
Notional interest expense		-	(14,845,964)	-	(7,422,982)
<b>Loss before taxation</b>		<b>(59,391,905)</b>	(14,303,659)	<b>(43,608,323)</b>	(6,904,739)
Provision for taxation	11	-	(12,021,974)	-	(5,474,419)
<b>Loss after taxation</b>		<b>(59,391,905)</b>	(26,325,633)	<b>(43,608,323)</b>	(12,379,158)
<b>Loss per share - basic and diluted</b>					
<b>before notional interest</b>		<b>(1.99)</b>	(0.38)	<b>(1.46)</b>	(0.17)
<b>after notional interest</b>		<b>(1.99)</b>	(0.88)	<b>(1.46)</b>	(0.41)

The annexed notes 1 to 17 form an integral part of this interim financial information.

**Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (*Un-audited*)**  
*for the half year ended December 31, 2015*

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Items that may not be reclassified to profit or loss				
Incremental depreciation	932,005	935,507	467,190	935,507
Other comprehensive income before taxation	932,005	935,507	467,190	935,507
Taxation	-	-	-	-
Other comprehensive income after taxation	932,005	935,507	467,190	935,507
Loss after taxation	(59,391,905)	(26,325,633)	(43,608,323)	(12,379,158)
Total comprehensive loss	(58,459,900)	(25,390,126)	(43,141,133)	(11,443,651)

*The annexed notes 1 to 17 form an integral part of this interim financial information.*

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

for the half year ended December 31, 2015

	December 31, 2015	December 31, 2014
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(59,391,905)	(14,303,659)
<b>Adjustments for non-cash items</b>		
Depreciation	34,234,162	30,610,279
Provision for employees retirement benefits	9,268,710	8,201,266
(Gain)/loss on disposal of property, plant and equipment	(3,640,792)	11,749,729
Imputed interest		14,845,964
Interest/mark-up on borrowings	32,865,557	46,979,016
	72,727,637	112,386,254
<b>Operating profit before changes in working capital</b>	<b>13,335,732</b>	<b>98,082,595</b>
<b>Changes in working capital</b>		
Stores, spares and loose tools	(8,475,385)	(1,123,080)
Stock in trade	(215,593,849)	(193,761,476)
Trade debts	7,999,918	(18,453,641)
Advances, deposits, prepayments and other receivables	(11,398,583)	12,878,872
Long term deposits		-
Trade and other payables	57,231,100	60,127,412
	(170,236,799)	(140,331,913)
<b>Net cash used in operations</b>	<b>(156,901,067)</b>	<b>(42,249,318)</b>
Payments for:		
Interest/mark-up on borrowings	(37,576,971)	(42,465,431)
Income tax	(20,292,059)	(13,526,756)
Employees retirement benefits	(5,477,764)	(3,560,522)
<b>Net cash used in operating activities</b>	<b>(220,247,861)</b>	<b>(101,802,027)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(12,912,837)	(54,263,347)
Proceeds from disposal of property, plant and equipment	13,796,504	7,620,978
<b>Net cash generated from/(used in) investing activities</b>	<b>883,667</b>	<b>(46,642,369)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(53,661,403)	(8,052,047)
Net increase in short term borrowings	270,082,145	146,368,384
<b>Net cash generated from financing activities</b>	<b>216,420,742</b>	<b>138,316,337</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,943,452)</b>	<b>(10,128,059)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>24,542,998</b>	<b>32,996,477</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>21,599,546</b>	<b>22,868,418</b>

The annexed notes 1 to 17 form an integral part of this interim financial information.

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

for the half year ended December 31, 2015

	Issued subscribed and paid-up capital <i>Rupees</i>	Accumulated profit <i>Rupees</i>	Total <i>Rupees</i>
<b>Balance as at July 01, 2014</b>	298,406,070	332,663,678	631,069,748
<b>Comprehensive loss</b>			
Loss after taxation	-	(26,325,633)	(26,325,633)
Other comprehensive income	-	935,507	935,507
<b>Total comprehensive loss</b>	-	(25,390,126)	(25,390,126)
<b>Transaction with owners</b>	-	-	-
<b>Balance as at December 31, 2014</b>	<u>298,406,070</u>	<u>307,273,552</u>	<u>605,679,622</u>
<b>Balance as at January 01, 2015</b>	298,406,070	307,273,552	605,679,622
<b>Comprehensive income</b>			
Profit after taxation	-	8,827,021	8,827,021
Other comprehensive income	-	104,466	104,466
<b>Total comprehensive income</b>	-	8,931,487	8,931,487
<b>Unamortized notional interest derecognized</b>	-	(37,185,476)	(37,185,476)
<b>Transaction with owners</b>	-	-	-
<b>Balance as at June 30, 2015</b>	<u>298,406,070</u>	<u>279,019,563</u>	<u>577,425,633</u>
<b>Balance as at July 01, 2015</b>	<b>298,406,070</b>	<b>279,019,563</b>	<b>577,425,633</b>
<b>Comprehensive loss</b>			
Loss after taxation	-	(59,391,905)	(59,391,905)
Other comprehensive income	-	932,005	932,005
<b>Total comprehensive loss</b>	-	(58,459,900)	(58,459,900)
<b>Transaction with owners</b>	-	-	-
<b>Balance as at December 31, 2015</b>	<u><b>298,406,070</b></u>	<u><b>220,559,663</b></u>	<u><b>518,965,733</b></u>

*The annexed notes 1 to 17 form an integral part of this interim financial information.*

## Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 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 Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn. The Mill is located at Bhai Pheru, District Kasur in the Province of Punjab.

### 2 BASIS OF PREPARATION

The financial information contained in this interim financial report is un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2015.

This condensed interim financial information has been subjected to limited scope review by the auditors of the Company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2015 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 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, 2014 are based on un-audited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and comprehensive income for the quarters ended December 31, 2015 and December 31, 2014 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

The financial information contained in this interim report has been prepared under the historical cost convention except for certain financial instruments at fair value/amortized cost, certain items of property, plant and equipment at revalued amounts 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 an 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 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR

The following new/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 interim financial information of the Company.

#### *IFRS 10 - Consolidated Financial Statements (2011)*

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

#### *IFRS 11 - Joint Arrangements (2011)*

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

#### *IFRS 12 - Disclosure of Interests in Other Entities (2011)*

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

#### *IFRS 13 - Fair Value Measurement (2011)*

The standard establishes a single framework for measuring fair value where that is required by other standards.

## Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2015

*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)*

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

*Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)*

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

#### 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)
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016
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
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
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)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Annual Improvements 2012-2014 cycle	January 01, 2016
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

#### 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 preceding annual financial statements of the Company for the year ended June 30, 2015.

	Note	December 31, 2015	June 30, 2015
		Rupees	Rupees
<b>6 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE</b>			
Face value of loan		265,884,966	265,884,966
Unamortized notional interest	6.1	-	-
		<u>265,884,966</u>	<u>265,884,966</u>
<b>6.1 Unamortized notional interest</b>			
As at beginning of the period/year		-	66,877,404
Amortized during the period/year		-	(29,691,928)
Derecognized during the period/year		-	(37,185,476)
As at end of the period/year		<u>-</u>	<u>-</u>

## Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2015

	<i>Note</i>	<b>December 31, 2015</b>	June 30, 2015
		<i>Rupees</i>	<i>Rupees</i>
<b>7 CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 Contingencies</b>			
There is no change in status and amount of contingencies since June 30, 2015.			
<b>7.2 Commitments</b>			
<b>7.2.1 Commitments under irrevocable letters of credit for import of:</b>			
Raw material		92,821,554	57,539,801
Stores, spare and loose tools		43,414,237	9,114,726
		<u>136,235,791</u>	<u>66,654,527</u>
<b>7.2.2 Commitments under operating leases:</b>		<u>3,367,208</u>	<u>3,401,222</u>
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets		1,353,769,149	1,390,430,013
Capital work in progress		46,804,284	41,620,457
		<u>1,400,573,433</u>	<u>1,432,050,470</u>
<b>8.1 Operating fixed assets</b>			
Assets owned by the Company	8.1.1	1,292,720,002	1,327,815,503
Assets subject to finance lease	8.1.2	61,049,147	62,614,510
		<u>1,353,769,149</u>	<u>1,390,430,013</u>
<b>8.1.1 Assets owned by the Company</b>			
Net book value at the beginning of the period/year		1,327,815,503	1,116,157,718
Additions during the period/year			
Plant and machinery		3,129,010	276,696,571
Furniture and fixtures		-	7,485,686
Vehicles		4,600,000	10,733,717
		7,729,010	294,915,974
Net book value of assets disposed during the period/year		(10,155,712)	(20,667,187)
Depreciation for the period/year		(32,668,799)	(62,591,002)
Net book value at the end of the period/year		<u>1,292,720,002</u>	<u>1,327,815,503</u>
<b>8.1.2 Assets subject to finance lease</b>			
Net book value at the beginning of the period/year		62,614,510	65,910,011
Depreciation for the period/year		(1,565,363)	(3,295,501)
Net book value at the end of the period/year		<u>61,049,147</u>	<u>62,614,510</u>
		<u>1,292,720,002</u>	<u>1,327,815,503</u>
<b>9 SALES - NET</b>			
Yarn		1,191,840,365	539,536,234
Waste		14,418,187	7,905,675
		<u>1,206,258,552</u>	<u>547,441,909</u>
		<u>1,202,197,623</u>	<u>571,782,384</u>

<i>Note</i>	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)
	1,191,840,365	1,186,863,581	563,753,047	539,536,234
	14,418,187	15,334,042	8,029,337	7,905,675
	<u>1,206,258,552</u>	<u>1,202,197,623</u>	<u>571,782,384</u>	<u>547,441,909</u>

## Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2015

Note	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)	Rupees (Un-Audited)
<b>10 COST OF GOODS SOLD</b>				
Raw material consumed	819,707,703	702,196,459	390,840,977	335,148,165
Stores, spares and loose tools consumed	34,340,307	30,641,291	18,535,243	16,796,444
Salaries, wages and benefits	142,559,698	119,829,139	68,332,223	61,071,795
Insurance	1,418,674	1,399,864	656,686	710,418
Repair and maintenance	10,445,800	6,351,290	7,630,313	3,408,027
Depreciation	31,582,481	30,610,279	14,481,690	16,278,951
Other manufacturing overheads	197,846,956	233,339,802	100,387,439	116,383,273
	<b>1,237,901,619</b>	<b>1,124,368,124</b>	<b>600,864,571</b>	<b>549,797,073</b>
Work in process				
as at beginning of the period	27,347,422	36,739,040	29,776,025	34,141,403
as at end of the period	(28,812,990)	(31,446,967)	(28,812,990)	(31,446,967)
	<b>(1,465,568)</b>	<b>5,292,073</b>	<b>963,035</b>	<b>2,694,436</b>
Cost of goods manufactured	<b>1,236,436,051</b>	<b>1,129,660,197</b>	<b>601,827,606</b>	<b>552,491,509</b>
Finished goods				
as at beginning of the period	101,544,768	102,241,716	114,773,440	59,685,114
as at end of the period	(136,419,452)	(114,123,210)	(136,419,452)	(114,123,210)
	<b>(34,874,684)</b>	<b>(11,881,494)</b>	<b>(21,646,012)</b>	<b>(54,438,096)</b>
	<b>1,201,561,367</b>	<b>1,117,778,703</b>	<b>580,181,594</b>	<b>498,053,413</b>

### 11 TAXATION

Provision for taxation				
Current taxation	11.1	-	12,021,974	-
Deferred taxation	11.2	-	-	-
		<b>-</b>	<b>12,021,974</b>	<b>-</b>
			<b>-</b>	<b>5,474,419</b>

11.1 Provision for current tax has been in accordance with section 113 of the Income Tax Ordinance, 2001. Due to availability of tax credits in access of provision, the provision for current tax amounting to Rs. 12.06 million for the half year ended December 31, 2015 and Rs. 5.72 million for the quarter ended December 31, 2015 have been reduced to nil.

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 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 dividend on ordinary shares. 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 orderly transaction between market participants.

Details of transactions with related parties are as follows:

	Half year ended	
	December 31, 2015	December 31, 2014
	Rupees (Un-Audited)	Rupees (Un-Audited)
<b>12.1 Transactions with related parties</b>		
<b>Nature of relationship</b>	<b>Nature of transaction</b>	
Key management personnel	Short term employee benefits	10,827,150
	Post employment benefits	1,804,525
		9,503,541
		791,962

## Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2015

		December 31, 2015	June 30, 2015
		<i>Rupees</i> <i>(Un-Audited)</i>	<i>Rupees</i> <i>Audited</i>
<b>12.2</b>	<b>Balances with related parties</b>		
	<b>Nature of relationship</b>	<b>Nature of balance</b>	
	Directors and their family members	Borrowings	
		<b>265,884,966</b>	265,884,966
<b>13</b>	<b>FINANCIAL INSTRUMENTS</b>		
<b>13.1</b>	<b>Financial instruments by class and category</b>		
<b>13.1.1</b>	<b>Financial assets</b>		
	<i>Cash in hand</i>	<b>2,302,008</b>	445,995
	<i>Loans and receivables</i>		
	Long term deposits	<b>20,913,886</b>	20,913,886
	Trade receivables	<b>61,863,079</b>	69,862,997
	Security deposits	<b>165,670</b>	40,670
	Cash and bank balances	<b>19,297,538</b>	24,097,003
		<b>104,542,181</b>	<b>115,360,551</b>
<b>13.1.2</b>	<b>Financial liabilities</b>		
	<i>Financial liabilities at amortized cost</i>		
	Loan from directors and family members	<b>265,884,966</b>	265,884,966
	Long term finances	<b>328,400,255</b>	374,848,640
	Liabilities against assets subject to finance lease	<b>42,198,747</b>	49,411,765
	Long term deposits	<b>8,000,000</b>	8,000,000
	Short term borrowings	<b>461,513,276</b>	191,431,131
	Accrued interest/mark-up	<b>14,250,583</b>	18,961,997
	Trade creditors	<b>105,566,956</b>	91,693,964
	Accrued liabilities	<b>134,040,433</b>	113,630,207
	Unclaimed dividend	<b>485,351</b>	485,351
		<b>1,360,340,567</b>	<b>1,114,348,021</b>
<b>13.2</b>	<b>Fair value measurements</b>		
	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.		
<b>13.2.1</b>	<b>Financial instruments measured at fair value</b>		
	None of the financial instruments are measured at fair value on recurring or non-recurring basis as at the reporting date.		
<b>13.2.2</b>	<b>Financial instruments not measured at fair value</b>		
	The management considers the carrying amount of all financial instruments not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.		
<b>14</b>	<b>EVENTS AFTER THE REPORTING PERIOD</b>		
	There are no significant events after the reporting period that may require adjustment of and/or disclosure in this condensed interim financial report.		
<b>15</b>	<b>RECOVERABLE AMOUNTS AND IMPAIRMENT</b>		
	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.		
<b>16</b>	<b>DATE OF AUTHORIZATION FOR ISSUE</b>		
	This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 29, 2016.		

**Notes to the Condensed Interim Financial Information (*Un-audited*)**  
*for the half year ended December 31, 2015*

**17 GENERAL**

**17.1** There are no other significant activities since June 30, 2015 affecting the interim financial information.

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

**17.3** 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