



**Interim Financial Report  
for the half year ended  
December 31, 2016**

Saritow Spinning Millis Limited

## CONTENTS

Company Information .....	1
Directors' Report .....	2
Directors' Report - (Urdu).....	3
Auditors' Report .....	4
Condensed Interim Balance Sheet .....	5
Condensed Interim Profit and Loss Account .....	6
Condensed Interim Statement of Other Comprehensive Income.....	7
Condensed Interim Cash Flow Statement .....	8
Condensed Interim Statement of Changes in Equity .....	9
Notes to and forming part of Condensed Interim Financial Information .....	10

## 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 half year ended December 31, 2016 along with director report thereon.

### **Operational Results**

During the period under review our Company was able to achieve turnover of Rs 1,493.190 million as compared to Rs 1206.258 million during the same period last year and was able to earn net profit of Rs.12.250 million as compared to net loss of Rs.59.392 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 : February 28, 2017

Chief Executive

## ڈائریکٹرز رپورٹ

سار یوسٹونگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے آدھے سال کے مالیاتی نتائج پیش کرتے ہیں جو کہ 31 دسمبر، 2016 کو مکمل ہو رہے ہیں

### آپریٹل نتائج

زیر نظر مدت کے دوران ہماری کمپنی نے 1,493.190 ملین کی خالص سیل کی جو کہ پچھلے سال اسی عرصے کے دوران 1,206.258 ملین تھی۔ اس کی وجہ سے ہماری کمپنی نے 12.250 ملین خالص منافع کمایا اور ہماری کمپنی نے پچھلے سال زیر نظر عرصے میں (59.392) ملین نقصان کے مقابلے میں اس سال 12.250 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 ڈائنٹ 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 ہولڈرز کا شکریہ ادا کرتے ہیں اور ساتھ ہی کمپنی کے اہداف کو پورا کرنے کے لئے اپنے تمام ملازمین کی ان تھک محنت کو بھی سہراتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

میاں محمد اعظم سہگل

چیف ایگزیکٹو

لاہور: 28 فروری، 2017

## ***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, 2016 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 the three months period ended December 31, 2016 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: IRFAN REHMAN MALIK**

***Lahore: February 28, 2017***

## Condensed Interim Balance Sheet

as at December 31, 2016

	Note	December 31, 2016	June 30, 2016
		Rupees	Rupees
		(Un-audited)	(Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized share capital</i>			
35,000,000 (June 30, 2016: 35,000,000) ordinary shares of Rs. 10 each		<b>350,000,000</b>	350,000,000
Issued, subscribed and paid-up capital		<b>298,406,070</b>	298,406,070
Accumulated Profit		<b>230,354,510</b>	218,554,426
<b>TOTAL EQUITY</b>		<b>528,760,580</b>	516,960,496
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		<b>28,010,987</b>	27,561,315
<b>NON-CURRENT LIABILITIES</b>			
Loan from directors and family members - <i>unsecured, subordinate</i>	6	<b>265,884,966</b>	265,884,966
Long term finances - <i>Secured</i>		<b>252,362,887</b>	302,835,465
Liabilities against assets subject to finance lease		<b>4,117,648</b>	12,352,942
Long term deposits - <i>Unsecured</i>		<b>8,000,000</b>	8,000,000
Employees retirement benefits		<b>54,555,597</b>	51,147,526
Deferred taxation		<b>168,840,139</b>	168,840,139
		<b>753,761,237</b>	809,061,038
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>328,588,101</b>	305,471,636
Accrued interest/mark-up		<b>15,108,552</b>	14,639,801
Short term borrowings - <i>Secured</i>		<b>676,105,644</b>	354,758,296
Current portion of non-current liabilities		<b>71,060,812</b>	33,353,025
		<b>1,090,863,109</b>	708,222,758
<b>TOTAL LIABILITIES</b>		<b>1,844,624,346</b>	1,517,283,796
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	<b>2,401,395,913</b>	2,061,805,607
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<b>1,328,808,445</b>	1,360,930,080
Long term deposits		<b>21,062,056</b>	21,038,886
		<b>1,349,870,501</b>	1,381,968,966
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<b>24,323,205</b>	19,998,068
Stock in trade		<b>801,207,317</b>	453,251,090
Trade receivables - <i>Unsecured, considered good</i>		<b>42,220,429</b>	58,939,389
Advances, deposits, prepayments and other receivables		<b>87,423,507</b>	68,967,349
Current taxation		<b>76,432,747</b>	66,495,655
Cash and bank balances		<b>19,918,207</b>	12,185,090
		<b>1,051,525,412</b>	679,836,641
<b>TOTAL ASSETS</b>		<b>2,401,395,913</b>	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 six months ended December 31, 2016

	Note	Six months ended		Three months ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Rupees	Rupees	Rupees	Rupees
<b>Sales - net</b>	9	<b>1,493,189,983</b>	1,206,258,552	<b>708,553,404</b>	571,782,384
Cost of sales	10	<b>(1,420,807,116)</b>	(1,201,561,367)	<b>(675,781,669)</b>	(580,181,594)
<b>Gross profit</b>		<b>72,382,867</b>	4,697,185	<b>32,771,735</b>	(8,399,210)
Selling and distribution expenses		<b>(3,072,501)</b>	(2,679,008)	<b>(1,154,592)</b>	(813,133)
Administrative and general expenses		<b>(23,599,661)</b>	(25,930,530)	<b>(11,887,429)</b>	(13,643,313)
		<b>(26,672,162)</b>	(28,609,538)	<b>(13,042,021)</b>	(14,456,446)
Other operating expenses		<b>45,710,705</b>	(23,912,353)	<b>19,729,714</b>	(22,855,656)
		<b>-</b>	(2,613,995)	<b>-</b>	(3,791,204)
<b>Operating profit/(loss)</b>		<b>45,710,705</b>	(26,526,348)	<b>19,729,714</b>	(26,646,860)
Finance cost		<b>(33,460,949)</b>	(32,865,557)	<b>(18,024,165)</b>	(16,961,463)
<b>Profit/(loss) before taxation</b>		<b>12,249,756</b>	(59,391,905)	<b>1,705,549</b>	(43,608,323)
Provision for taxation	11	<b>-</b>	-	<b>-</b>	-
<b>Profit/(loss) before taxation</b>		<b>12,249,756</b>	(59,391,905)	<b>1,705,549</b>	(43,608,323)
<b>Earnings/(loss) per share - basic and diluted</b>		<b>0.41</b>	(1.99)	<b>0.06</b>	(1.46)

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 six months ended December 31, 2016***

	Six months ended		Three months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	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	(449,672)	932,005	(224,836)	467,190
Other comprehensive (loss)/income before taxation	(449,672)	932,005	(224,836)	467,190
Profit/(Loss) after taxation	12,249,756	(59,391,905)	1,705,549	(43,608,323)
Total comprehensive profit/(loss)	11,800,084	(58,459,900)	1,480,713	(43,141,133)

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

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

for the six months ended December 31, 2016

	Six months ended	
	December 31, 2016	December 31, 2015
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	12,249,756	(59,391,905)
<b>Adjustments for non-cash items</b>		
Depreciation	33,146,420	34,234,162
Provision for employees retirement benefits	9,901,911	9,268,710
Gain on disposal of property, plant and equipment	-	(3,640,792)
Interest/markup on borrowings	33,460,949	32,865,557
	76,509,280	72,727,637
<b>Operating profit before changes in working capital</b>	88,759,036	13,335,732
<b>Changes in working capital</b>		
Stores, spares and loose tools	(4,325,137)	(8,475,385)
Stock in trade	(347,956,227)	(215,593,849)
Trade debts	16,718,960	7,999,918
Advances, deposits, prepayments and other receivables	(18,456,162)	(11,398,583)
Trade and other payables	23,116,465	57,231,100
	(330,902,101)	(170,236,799)
<b>Net cash used in from operations</b>	(242,143,065)	(156,901,067)
Payments for:		
Interest/markup on borrowings	(32,992,198)	(37,576,971)
Income tax	(9,937,092)	(20,292,059)
Employees retirement benefits	(6,493,840)	(5,477,764)
<b>Net cash used in operating activities</b>	(291,566,195)	(220,247,861)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,450,911)	(12,912,837)
Proceeds from disposal of property, plant and equipment	1,426,130	13,796,504
<b>Net cash (used in)/generated from investing activities</b>	(1,024,781)	883,667
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(21,000,085)	(53,661,403)
Increase in long term deposits	(23,170)	-
Net increase in short term borrowings	321,347,348	270,082,145
<b>Net cash generated from financing activities</b>	300,324,093	216,420,742
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,733,117	(2,943,452)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	12,185,090	24,542,998
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	19,918,207	21,599,546

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 six months ended December 31, 2016*

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>Balance as at June 30, 2015 - Audited</b>	298,406,070	279,019,563	577,425,633
<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>Balance as at December 31, 2015 - Un-audited</b>	<u>298,406,070</u>	<u>220,559,663</u>	<u>518,965,733</u>
<b>Balance as at January 01, 2016 - Un-audited</b>	298,406,070	220,559,663	518,965,733
<b>Comprehensive loss</b>			
Loss after taxation	-	(6,764,070)	(6,764,070)
Other comprehensive income	-	4,758,833	4,758,833
<b>Total comprehensive loss</b>	-	(2,005,237)	(2,005,237)
<b>Transaction with owners</b>	-	-	-
<b>Balance as at June 30, 2016 - Audited</b>	<u>298,406,070</u>	<u>218,554,426</u>	<u>516,960,496</u>
<b>Balance as at July 01, 2016 - Audited</b>	298,406,070	218,554,426	516,960,496
<b>Comprehensive income</b>			
Profit after taxation	-	12,249,756	12,249,756
Other comprehensive loss	-	(449,672)	(449,672)
<b>Total comprehensive income</b>	-	11,800,084	11,800,084
<b>Transaction with owners</b>	-	-	-
<b>Balance as at December 31, 2016 - Un-audited</b>	<u>298,406,070</u>	<u>230,354,510</u>	<u>528,760,580</u>

*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 six months ended December 31, 2016*

### 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 December 31, 2015 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of comprehensive income for the quarters ended December 31, 2016 and December 31, 2015 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.

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).

## Notes to the Condensed Interim Financial Information (Un-audited) for the six months ended December 31, 2016

### 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.

	<b>Effective date (annual periods beginning on or after)</b>
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
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

## Notes to the Condensed Interim Financial Information (Un-audited) for the six months ended December 31, 2016

	Effective date (annual periods beginning on or after)
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 Concideration	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 Concideration

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

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

## Notes to the Condensed Interim Financial Information (Un-audited) for the six months ended December 31, 2016

### 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."

Upto June 30, 2015, the loan was interest free which, due to measurement at amortised cost, resulted in unamortised notional interest amounting to Rs. 37.185 million as at June 30, 2015. On June 30, 2015, the terms of this loan was revised. Under the revised terms, the loan carries interest at one year KIBOR plus 2.5% per annum payable on maturity. The revision resulted in derecognition of unamortised notional interest of Rs. 37.185 million on June 30, 2015.

### 7 CONTINGENCIES AND COMMITMENTS

#### 7.1 Contingencies

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

	<i>Note</i>	<b>December 31, 2016</b>	June 30, 2016
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
<b>7.2 Commitments</b>			
Commitments under irrevocable letters of credit for import of:			
- purchase of raw material		<b>118,187,770</b>	71,228,417
- purchase of stores, spare and loose tools		<b>16,772,244</b>	2,448,145
		<b>134,960,014</b>	73,676,562
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	<i>8.1</i>	<b>1,321,971,294</b>	1,356,543,840
Capital work in progress		<b>6,837,151</b>	4,386,240
		<b>1,328,808,445</b>	1,360,930,080
<b>8.1 Operating fixed assets</b>			
Assets owned by the Company	<i>8.1.1</i>	<b>1,273,221,294</b>	1,306,543,840
Assets subject to finance lease	<i>8.1.2</i>	<b>48,750,000</b>	50,000,000
		<b>1,321,971,294</b>	1,356,543,840
<b>8.1.1 Assets owned by the Company</b>			
Net book value at the beginning of the period/year		<b>1,306,543,840</b>	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		<b>(1,426,130)</b>	(60,257,527)
Depreciation for the period/year		<b>(31,896,416)</b>	(66,373,630)
Net book value at the end of the period/year		<b>1,273,221,294</b>	1,306,543,840

**Notes to the Condensed Interim Financial Information (Un-audited)**  
for the six months ended December 31, 2016

	Note	December 31, 2016	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(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		(1,250,000)	(3,130,726)
Net book value at the end of the period/year		<u>48,750,000</u>	<u>50,000,000</u>

	Six months ended		Three months ended	
	December 31 2016	December 31 2015	December 31 2016	December 31 2015
	Rupees	Rupees	Rupees	Rupees
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
9 SALES - NET				
Yarn	1,471,053,419	1,191,840,365	694,204,425	563,753,047
Waste	22,136,564	14,418,187	14,348,979	8,029,337
	<u>1,493,189,983</u>	<u>1,206,258,552</u>	<u>708,553,404</u>	<u>571,782,384</u>

**10 COST OF GOODS SOLD**

Raw material consumed	994,048,121	819,707,703	498,291,792	390,840,977
Stores, spares and loose tools consumed	38,175,034	34,340,307	20,297,261	18,535,243
Salaries, wages and benefits	139,719,508	142,559,698	67,242,905	68,332,223
Insurance	1,408,646	1,418,674	676,122	656,686
Repair and maintenance	7,588,276	10,445,800	3,792,537	7,630,313
Depreciation	33,146,420	31,582,481	16,535,678	14,481,690
Other manufacturing overheads	199,337,030	197,846,956	101,684,509	100,387,439
	<u>1,413,423,035</u>	<u>1,237,901,619</u>	<u>708,520,804</u>	<u>600,864,571</u>
Work in process				
as at beginning of the period	28,898,614	27,347,422	31,112,294	29,776,025
as at end of the period	(30,035,311)	(28,812,990)	(30,035,311)	(28,812,990)
	<u>(1,136,697)</u>	<u>(1,465,568)</u>	<u>1,076,983</u>	<u>963,035</u>
Cost of goods manufactured	<u>1,412,286,338</u>	<u>1,236,436,051</u>	<u>709,597,787</u>	<u>601,827,606</u>
Finished goods				
as at beginning of the period	136,780,349	101,544,768	94,443,453	114,773,440
as at end of the period	(128,259,571)	(136,419,452)	(128,259,571)	(136,419,452)
	<u>8,520,778</u>	<u>(34,874,684)</u>	<u>(33,816,118)</u>	<u>(21,646,012)</u>
	<u>1,420,807,116</u>	<u>1,201,561,367</u>	<u>675,781,669</u>	<u>580,181,594</u>

**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. 14.932 million (2015 : Rs.12.032 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.

## Notes to the Condensed Interim Financial Information (Un-audited) for the six months ended December 31, 2016

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.

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

		December 31 2016	December 31 2015
		Rupees	Rupees
<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	9,730,350	10,827,150
	Post employment benefits	1,621,725	1,804,525

		December 31, 2016	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
<b>12.2 Balances with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of balance</b>		
Sponsors and their family members	Interest free loan	265,884,966	265,884,966

### 13 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

		December 31, 2016	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
<b>13.1 Financial assets</b>			
<i>Cash in hand</i>		3,602,000	1,937,388
<i>Loans and receivables</i>			
Long term deposits		21,062,056	21,038,886
Trade receivables		42,220,429	58,939,389
Security deposits		40,670	40,670
Bank balances		16,316,207	10,247,702
		<b>83,241,362</b>	<b>92,204,035</b>
<b>13.2 Financial liabilities</b>			
<i>Financial liabilities at amortized cost</i>			
Loan from directors and family members		265,884,966	265,884,966
Long term finances		252,362,887	315,600,255
Liabilities against assets subject to finance lease - Secured		4,117,648	32,941,177
Long term deposits		8,000,000	8,000,000
Short term borrowings		676,105,644	354,758,296
Accrued interest/markup		15,108,552	14,639,801
Trade creditors		138,604,991	96,892,274
Accrued liabilities		109,536,180	94,074,591
Bills payable		20,982,898	22,887,772
Unclaimed dividend		485,351	485,351
		<b>1,491,189,117</b>	<b>1,206,164,483</b>

## Notes to the Condensed Interim Financial Information (Un-audited) for the six months ended December 31, 2016

### 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.

#### 14.3 Assets and liabilities other than financial instruments.

##### 14.3.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	December 31, 2016 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
Freehold land	-	99,418,125	-	99,418,125	99,418,125
Buildings	-	-	164,811,075	164,811,075	169,037,000
Plant and machinery	-	-	1,035,138,000	1,035,138,000	1,061,680,000

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
<b>Freehold land</b>	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 4.971 million (June 31, 2016: Rs. 4.971 million).
<b>Buildings</b>	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in an increase in fair value of buildings by Rs. 8.24 million (June 30, 2016: Rs. 8.45 million).
<b>Plant and machinery</b>	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in an increase in fair value of plant and machinery by Rs. 51.76 million (June 30, 2016: Rs. 53.08 million).

There were no transfers between fair value hierarchies during the period/year.

##### 14.3.2 Non-recurring fair value measurements

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

***Notes to the Condensed Interim Financial Information (Un-audited)  
for the six months ended December 31, 2016***

**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 February 28, 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.

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