



**Interim Financial Report
for the half year ended
December 31, 2017**



Saritow Spinning Mills Limited

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Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman
Mr. Samir Iqbal Saigol	Chief Executive Officer
Mr. M. Murad Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Omer Farooq	
Mr. Muhammad Athar Rafiq	
Syed Haroon Rashid	NIT Nominnee

AUDIT COMMITTEE

Syed Haroon Rashid	Chairman/Member
Mr. M. Zeid Yousuf Saigol	Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Syed Haroon Rashid	Chairman/Member
Mr. M. Zeid Yousuf Saigol	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

SHARE REGISTRAR

M/s Corplink (Pvt.) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel: 042-35916714-19, 35839182
Fax: 042-35869037
E-mail: shares@corplink.com.pk

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, 2017 along with director report thereon.

Operational Results

During the period under review our Company was able to achieve turnover of Rs. 1,429.372 million as compared to Rs. 1,493.190 million during the same period last year and was able to earn net profit of Rs. 0.232 million as compared to profit of Rs. 12.250 million during the same period last year.

Textile industry is facing Raw material shortage for last few years. This year production of 12 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 better.

Future Outlook

During last few months 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 26, 2018

Chief Executive

ڈائریکٹرز رپورٹ

سارینڈسٹنگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے آدھے سال کے مالیاتی نتائج پیش کرتے ہیں جو کہ 31 دسمبر، 2017 کو مکمل ہو رہے ہیں

آپریٹل نتائج

زیر نظر مدت کے دوران ہماری کمپنی نے 1,429.372 ملین کی خالص سیل کی جو کہ پچھلے سال اسی عرصے کے دوران 1,493.190 ملین تھی۔ ہماری کمپنی نے پچھلے سال زیر نظر عرصے میں 12.250 ملین منافع کے مقابلے میں اس سال 0.232 ملین کا خالص نفع کمایا۔

ٹیکسٹائل انڈسٹری کو پچھلے کچھ سالوں سے فصل کی خرابی کی وجہ سے خام مال کی کمی کا سامنا کرنا پڑ رہا ہے زیر نظر سال میں گُل 12 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 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 کسٹمز حضرات اور ہمیں 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

چیف ایگزیکٹو

لاہور: 26 فروری، 2018

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, 2017 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, 2017 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 RAHMAN MALIK

Lahore: February 26, 2018

Condensed Interim Balance Sheet

as at December 31, 2017

	Note	December 31, 2017 Rupees (Un-Audited)	June 30, 2017 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
35,000,000 (June 30, 2017: 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>212,987,871</u>	<u>231,050,224</u>
		<u>511,393,941</u>	<u>529,456,294</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		28,438,170	28,010,984
NON-CURRENT LIABILITIES			
Loan from directors and family members - <i>Unsecured, subordinate</i>	7	265,884,966	265,884,966
Long term finances - <i>Secured</i>	6	248,871,823	201,890,309
Liabilities against assets subject to finance lease		4,272,775	5,388,691
Long term deposits - <i>Unsecured</i>		8,000,000	8,000,000
Employees retirement benefits		60,076,136	59,307,597
Deferred taxation		<u>152,949,760</u>	<u>152,949,760</u>
		<u>740,055,460</u>	<u>693,421,323</u>
CURRENT LIABILITIES			
Trade and other payables		278,771,948	265,130,765
Short term borrowings - <i>Secured</i>		711,346,893	528,125,313
Accrued interest/markup		16,750,238	15,689,287
Current portion of non-current liabilities		<u>35,022,468</u>	<u>115,368,415</u>
		<u>1,041,891,547</u>	<u>924,313,780</u>
TOTAL LIABILITIES		<u>1,781,947,007</u>	<u>1,617,735,103</u>
CONTINGENCIES AND COMMITMENTS	8		
		<u>2,321,779,118</u>	<u>2,175,202,381</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,285,000,679	1,315,578,169
Long term deposits		<u>22,674,506</u>	<u>22,674,506</u>
		<u>1,307,675,185</u>	<u>1,338,252,675</u>
CURRENT ASSETS			
Stores, spares and loose tools		22,360,852	19,540,628
Stock in trade		801,673,971	547,688,255
Trade receivables		43,765,798	98,890,257
Advances, deposits, prepayments and other receivables		67,098,956	83,354,832
Current tax assets		55,996,047	63,946,040
Cash and bank balances		<u>23,208,309</u>	<u>23,529,694</u>
		<u>1,014,103,933</u>	<u>836,949,706</u>
TOTAL ASSETS		<u>2,321,779,118</u>	<u>2,175,202,381</u>

The annexed notes 1 to 19 form an integral part of this interim financial information.

Condensed Interim Profit and Loss Account (Un-audited)
for the six months period ended December 31, 2017

	Note	Six months ended		Three months ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Rupees	Rupees	Rupees	Rupees
Sales - net	10	1,429,372,434	1,493,189,983	755,992,387	708,553,404
Cost of sales	11	(1,368,629,465)	(1,420,807,116)	(727,882,485)	(675,781,669)
Gross profit		60,742,969	72,382,867	28,109,902	32,771,735
Selling and distribution expenses		(1,685,906)	(3,072,501)	(1,030,107)	(1,154,592)
Administrative and general expenses		(22,535,959)	(23,599,661)	(9,121,306)	(11,887,429)
		(24,221,865)	(26,672,162)	(10,151,413)	(13,042,021)
Operating profit		36,521,104	45,710,705	17,958,489	19,729,714
Finance cost		(36,289,116)	(33,460,949)	(18,532,015)	(18,024,165)
Profit/(loss) before taxation		231,988	12,249,756	(573,526)	1,705,549
Provision for taxation	12	(17,867,155)	-	(17,867,155)	-
(Loss)/profit after taxation		(17,635,167)	12,249,756	(18,440,681)	1,705,549
(Loss)/earning per share - basic and diluted		(0.59)	0.41	(0.62)	0.06

The annexed notes 1 to 19 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 period ended December 31, 2017***

	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees	Rupees	Rupees	Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
<i>Items that may not be reclassified to profit or loss</i>				
Decremental depreciation	(427,186)	(449,672)	(640,778)	(224,836)
Other comprehensive loss	(427,186)	(449,672)	(640,778)	(224,836)
(Loss)/profit after taxation	(17,635,167)	12,249,756	(18,440,681)	1,705,549
Total comprehensive (loss)/income	(18,062,353)	11,800,084	(19,081,459)	1,480,713

The annexed notes 1 to 19 form an integral part of this interim financial information.

Condensed Interim Cash Flow Statement (Un-audited)

for the six months period ended December 31, 2017

	December 31, 2017	December 31, 2016
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	231,988	12,249,756
Adjustments for non-cash items		
Depreciation	31,798,790	33,146,420
Provision for employees retirement benefits	10,426,188	9,901,911
Interest/markup on borrowings	36,289,116	33,460,949
	78,514,094	76,509,280
Operating profit before changes in working capital	78,746,082	88,759,036
Changes in working capital		
Stores, spares and loose tools	(2,820,224)	(4,325,137)
Stock in trade	(253,985,716)	(347,956,227)
Trade debts	55,124,459	16,718,960
Advances, deposits, prepayments and other receivables	16,255,876	(18,456,162)
Trade and other payables	13,641,183	23,116,465
	(171,784,422)	(330,902,101)
Net cash used in from operations	(93,038,340)	(242,143,065)
Payments for:		
Interest/markup on borrowings	(35,228,165)	(32,992,198)
Income tax	(9,917,162)	(9,937,092)
Employees retirement benefits	(9,657,649)	(6,493,840)
Net cash used in operating activities	(147,841,316)	(291,566,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,221,300)	(2,450,911)
Proceeds from disposal of property, plant and equipment	-	1,426,130
Net cash generated used in investing activities	(1,221,300)	(1,024,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(34,480,349)	(21,000,085)
Increase in long term deposits	-	(23,170)
Net increase in short term borrowings	183,221,580	321,347,348
Net cash generated from financing activities	148,741,231	300,324,093
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(321,385)	7,733,117
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23,529,694	12,185,090
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	23,208,309	19,918,207

The annexed notes 1 to 19 form an integral part of this interim financial information.

Condensed Interim Statement of Changes in Equity (Un-audited)
for the six months period ended December 31, 2017

	Issued subscribed and paid-up capital <i>Rupees</i>	Accumulated profit <i>Rupees</i>	Total <i>Rupees</i>
Balance as at July 01, 2016	298,406,070	218,554,426	516,960,496
Comprehensive income			
Profit after taxation	-	12,249,756	12,249,756
Other comprehensive income	-	(449,672)	(449,672)
Total comprehensive income	-	11,800,084	11,800,084
Transaction with owners	-	-	-
Balance as at December 31, 2016	<u>298,406,070</u>	<u>230,354,510</u>	<u>528,760,580</u>
Balance as at January 01, 2017	298,406,070	230,354,510	528,760,580
Comprehensive income			
Profit after taxation	-	1,529,578	1,529,578
Other comprehensive loss	-	(833,864)	(833,864)
Total comprehensive income	-	695,714	695,714
Transaction with owners	-	-	-
Balance as at June 30, 2017	<u>298,406,070</u>	<u>231,050,224</u>	<u>529,456,294</u>
Balance as at July 01, 2017	298,406,070	231,050,224	529,456,294
Comprehensive loss			
Loss after taxation	-	(17,635,167)	(17,635,167)
Other comprehensive loss	-	(427,186)	(427,186)
Total comprehensive loss	-	(18,062,353)	(18,062,353)
Transaction with owners	-	-	-
Balance as at December 31, 2017	<u>298,406,070</u>	<u>212,987,871</u>	<u>511,393,941</u>

The annexed notes 1 to 19 form an integral part of this interim financial information.

Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended December 31, 2017

1 REPORTING ENTITY

Saritow Spinning Mills Limited (‘the Company’) was incorporated in Pakistan on March 10, 1987 as Public Limited Company under the repealed 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, 2017

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, 2017 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 six months period ended December 31, 2016 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 three months period ended December 31, 2017 and December 31, 2016 are neither audited nor reviewed.

2.1 Statement of compliance

The Companies Act 2017 (‘the Act’) has been enacted on May 30, 2017, however, Securities and Exchange Commission of Pakistan vide its circular no. 23 of 2017 dated October 04, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements including the interim in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the repealed 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 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.

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

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

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference 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 law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)

IAS 7 - Statement of Cash Flows have been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended December 31, 2017

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12 - Disclosure of Interests in Other Entities)

IFRS 12 - Disclosure of Interests in Other Entities have been amended to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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

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

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
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 - Insurance Contracts)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40)	January 01, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 01, 2019
Companies Act, 2017	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 repealed 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.

Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended December 31, 2017

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.

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, 2017.

6 LONG TERM FINANCES - SECURED

	<i>Note</i>	December 31, 2017	June 30, 2017
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	<i>6.1</i>	277,599,176	302,835,465
Current maturity presented under current liabilities		(28,727,353)	(100,945,156)
		248,871,823	201,890,309

6.1 The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries markup at three months KIBOR plus 2.5% per annum (June 30, 2017: three months KIBOR plus 2.5% per annum) payable quarterly. The finance was originally repayable in twelve equal quarterly installments with first installment due in July 2017. During the period, the finance has been rescheduled and is repayable in twenty eight unequal installments with the first installment due on January 2018.

7 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE

This represents loan obtained from directors of the Company and their family members. The loan is unsecured.

The loan is subordinate to long term finances and short term borrowings of the Company. Accordingly the loan matures on March 31, 2021 being the date before which the lenders cannot demand repayment of this loan under the subordination agreement.

The loan carries interest at one year KIBOR plus 2.5% per annum payable on maturity.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no change in status and amount of contingencies since June 30, 2017.

8.2 Commitments

	December 31, 2017	June 30, 2017
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
8.2.1 Commitments under irrevocable letters of credit for import of:		
Purchase of raw material	100,154,387	47,923,004
Purchase of stores, spare and loose tools	4,395,781	469,875
	104,550,168	48,392,879

8.2.2 Commitments under operating leases:

The Company has rented office premises under operating lease arrangements. Lease agreement covers a period of three years and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

Notes to the Condensed Interim Financial Information (Un-audited)
for the six months period ended December 31, 2017

Note	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees	Rupees	Rupees	Rupees
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
11 COST OF GOODS SOLD				
Raw material consumed	1,000,986,538	994,048,121	502,917,331	498,291,792
Stores, spares and loose tools consumed	48,012,029	38,175,034	26,632,599	20,297,261
Salaries, wages and benefits	146,771,714	139,719,508	72,764,874	67,242,905
Insurance	1,511,158	1,408,646	733,854	676,122
Repair and maintenance	7,745,750	7,588,276	5,038,705	3,792,537
Depreciation	31,798,790	33,146,420	15,929,928	16,535,678
Other manufacturing overheads	180,286,294	199,337,030	92,881,371	101,684,509
	1,417,112,273	1,413,423,035	716,898,662	708,520,804
Work in process				
as at beginning of the period	38,534,085	28,898,614	31,824,012	31,112,294
as at end of the period	(33,782,031)	(30,035,311)	(33,782,031)	(30,035,311)
	4,752,054	(1,136,697)	(1,958,019)	1,076,983
Cost of goods manufactured	1,421,864,327	1,412,286,338	714,940,643	709,597,787
Finished goods				
as at beginning of the period	63,355,593	136,780,349	129,532,297	94,443,453
as at end of the period	(116,590,455)	(128,259,571)	(116,590,455)	(128,259,571)
	(53,234,862)	8,520,778	12,941,842	(33,816,118)
	1,368,629,465	1,420,807,116	727,882,485	675,781,669

12 TAXATION

Provision for taxation				
Current taxation	12.1	17,867,155	-	17,867,155
Deferred taxation	12.2	-	-	-
		17,867,155	-	17,867,155

12.1 Provision for current tax has been made in accordance with the requirements of 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 company, key management personnel and sponsors, directors and their family members. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term and post employment benefits. Transactions with sponsors and their family members are limited to provision long term and temporary short term 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 are as follows:

	Six months ended	
	December 31, 2017	December 31, 2016
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
13.1 Transactions with related parties		
Nature of relationship	Nature of transaction	
Key management personnel	Short term employee benefits	10,606,150
	Post employment benefits	1,824,425
Associated company	Generator rent	6,000,000
		9,730,350
		1,621,725
		-

Notes to the Condensed Interim Financial Information (Un-audited)
for the six months period ended December 31, 2017

		December 31, 2017	June 30, 2017
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
13.2	Balances with related parties		
	Nature of relationship		
	Nature of balance		
	Directors and their family members	265,884,966	265,884,966
	Associated company	472,929	-
14	FINANCIAL INSTRUMENTS		
	The carrying amounts of the Company's financial instruments by class and category are as follows:		
14.1	Financial assets		
	<i>Cash in hand</i>	1,738,701	1,211,222
	<i>Loans and receivables</i>		
	Long term deposits	22,674,506	22,674,506
	Trade receivables	43,765,798	98,890,257
	Security deposits	6,000	40,670
	Bank balances	21,469,608	22,318,472
		<u>89,654,613</u>	<u>145,135,127</u>
14.2	Financial liabilities		
	<i>Financial liabilities at amortized cost</i>		
	Loan from directors and family members	265,884,966	265,884,966
	Long term finances	277,599,176	302,835,465
	Liabilities against assets subject to finance lease	10,567,890	19,811,950
	Long term deposits	8,000,000	8,000,000
	Short term borrowings	711,346,893	528,125,313
	Accrued interest/mark-up	16,750,238	15,689,287
	Trade creditors	124,434,973	114,748,222
	Accrued liabilities	100,038,143	103,319,414
	Bills payable	1,972	26,618,114
	Unclaimed dividend	485,351	485,351
		<u>1,515,109,602</u>	<u>1,385,518,082</u>
15	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:		
15.1	Financial instruments measured at fair value		
15.1.1	Recurring fair value measurements		
	There are no recurring fair value measurements as at the reporting date.		

Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended December 31, 2017

15.1.2 Non-recurring fair value measurements

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

15.2 Financial instruments not measured at fair value

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

15.3 Assets and liabilities other than financial instruments.

15.3.1 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, 2017	June 30, 2017
				<i>Rupees</i>	<i>Rupees</i>
				<i>(Un-Audited)</i>	<i>(Audited)</i>
Freehold land	-	99,418,125	-	99,418,125	99,418,125
Buildings	-	166,325,705	-	166,325,705	166,325,704
Plant and machinery	-	975,536,550	-	975,536,550	1,029,803,486

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

	Valuation technique	Significant inputs	Sensitivity
Freehold land	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. 4.97 million (June 30, 2017: Rs. 4.97 million).
Buildings	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 a increase in fair value of buildings by Rs. 8.11 million (June 30, 2017: Rs. 8.32 million).
Plant and machinery	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. 47.49 million (June 30, 2017: Rs. 51.49 million).

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

15.3.2 Non-recurring fair value measurements

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

16 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.

17 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.

***Notes to the Condensed Interim Financial Information (Un-audited)
for the six months period ended December 31, 2017***

18 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 26, 2018.

19 GENERAL

- 19.1** There are no other significant activities since June 30, 2017 affecting the interim financial information.
- 19.2** Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 19.3** 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.
- 19.4** Figures have been rounded off to the nearest Rupee.

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