

Interim Financial Report | quarter ended September 30, 2013
(Un-audited)



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Company Information

BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chief Executive
Mr. M. Azam Saigol	
Mr. M. Zeid Yousuf Saigol	
Mr. Muhammad Athar Rafiq	
Mr. Muhammad Omer Farooq	
Mr. Samir Iqbal Saigol	
Mr. Syed Haroon Rashid	NIT Nominee

AUDIT COMMITTEE

Mr. M. Naseem Saigol	Chairman/Member
Mr. Muhammad Omer Farooq	Member
Mr. Muhammad Athar Rafiq	Member

HR & REMUNERATION COMMITTEE

Mr. M. Zeid Yousuf Saigol	Chairman/Member
Mr. Samir Iqbal Saigol	Member
Mr. Muhammad Omer Farooq	Member

COMPANY SECRETARY

Mr. Anees-ur-Rehman

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shamil, FCA

AUDITORS

Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS

Bank Alfalah Limited
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
The Bank of Punjab
Summit Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited

SHARES REGISTRAR

M/s. CORPLINK (PVT) LTD.
Wings Arcade, 1-K Commercial, Model Town, Lahore.
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037

REGISTERED OFFICE

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35717364-65, 35718274-75
Fax: 042-35715105
E-mail: shares@saigols.com

MILLS

51-KM, Multan Road,
Phool Nagar, District Kasur.

Directors' Report

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the First Quarter ended September 30, 2013 along with director report thereon.

Financial High Lights	Quarter ended September 30, 2013 <i>Rupees in Million</i>	Quarter ended September 30, 2012 <i>Rupees in Million</i>
Net Sales	687.665	546.062
Gross Profit	97.520	74.324
Pre Tax Profit / (Loss)	54.603	38.940
After Tax Profit / (Loss)	47.716	33.480
Gross Profit Ratio to Sales	14.18%	13.61%
After Tax Profit Ratio to Sales	6.94%	6.13%

Operating Financial Results

During the period under review our Company was able to achieve turnover of Rs 687.665 million as compared to Rs 546.062 million during same period last year and was able to earn Gross Profit of Rs 97.520 million as compared to Rs 74.324 million during the same period last year. Our Company was able to earn after tax Profit of Rs 47.716 million during the Quarter under review against Rs 33.480 million same period last year.

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

Future Outlook

The Federal Government have raised electricity tariff by almost 70 % and the Natural Gas prices have also gone up by 17.5% effective September 2013 which will affect the future profitability of the Company.

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

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

For and on behalf of the Board

Lahore : October 31, 2013

Chief Executive

Condensed Interim Balance Sheet

as at September 30, 2013

	<i>Note</i>	September 30, 2013	June 30, 2013
		<i>Rupees</i>	<i>Rupees</i>
		(Un-Audited)	(Audited)
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	4	298,406,070	298,406,070
Accumulated Profit		349,173,562	300,966,595
		647,579,632	599,372,665
Surplus on revaluation of property, plant and equipment		76,024,858	76,515,348
Loan from sponsors - Unsecured, Subordinate		179,629,780	173,170,520
Non-current liabilities			
Long term finances -Secured		50,691,395	57,091,395
Liabilities against assets subject to finance lease - Secured		57,647,059	61,764,706
Long term deposits -Unsecured		8,000,000	8,000,000
Employees retirement benefits		29,182,989	29,399,306
Deferred taxation		223,050,095	223,050,095
		368,571,538	379,305,502
Current liabilities			
Trade and other payables		173,914,997	174,702,605
Accrued interest/mark-up		13,642,094	16,353,300
Short term borrowings -Secured		44,851,066	110,722,646
Current tax liability		20,161,084	18,833,829
Current portion of non-current liabilities		44,826,337	48,543,523
		297,395,577	369,155,903
Contingencies and commitments	5	-	-
		<u>1,569,201,385</u>	<u>1,597,519,938</u>
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,058,442,864	1,074,622,209
Long term deposits		16,084,886	15,989,766
		1,074,527,750	1,090,611,975
Current assets			
Stores, spares and loose tools		19,957,559	19,459,940
Stock in trade		333,493,080	369,678,225
Trade receivables		37,602,895	22,256,811
Advances, deposits, prepayments and other receivables		83,890,964	74,869,488
Cash and bank balances		19,729,137	20,643,499
		494,673,635	506,907,963
		<u>1,569,201,385</u>	<u>1,597,519,938</u>

The annexed notes 1 to 12 form an integral part of this interim financial information.

Condensed Interim Profit and Loss Account
for the quarter ended September 30, 2013

	<i>Note</i>	Quarter ended September 30, 2013	Quarter ended September 30, 2012
		<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)
Turnover - net	7	687,665,067	546,061,665
Cost of sales	8	590,144,888	471,737,296
Gross profit		97,520,179	74,324,369
Selling and distribution expenses		480,650	1,052,449
Administrative and general expenses		13,617,315	12,933,741
		14,097,965	13,986,190
		83,422,214	60,338,179
Other operating income		344,898	75,000
Operating profit		83,767,112	60,413,179
Finance cost		18,430,489	12,733,050
Other charges		4,274,357	3,119,260
		22,704,846	15,852,310
		61,062,266	44,560,869
Notional interest income		-	-
Amortize cost on Notional interest income		(6,459,260)	(5,620,658)
		(6,459,260)	(5,620,658)
Profit before taxation		54,603,006	38,940,211
Taxation	9	(6,886,529)	(5,460,613)
Profit after taxation		47,716,477	33,479,598
Earnings per share - basic and diluted		1.60	1.12

The annexed notes 1 to 12 form an integral part of this interim financial information.

***Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the quarter ended September 30, 2013***

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)
Incremental depreciation	<u>754,600</u>	<u>791,418</u>
Other comprehensive income before taxation	754,600	791,418
Taxation	<u>264,110</u>	<u>276,996</u>
Other comprehensive income after taxation	490,490	514,422
Profit after taxation	<u>47,716,477</u>	<u>33,479,598</u>
Total comprehensive income	<u><u>48,206,967</u></u>	<u><u>33,994,020</u></u>

The annexed notes 1 to 12 form an integral part of this interim financial information.

Condensed Interim Cash Flow Statement
for the quarter ended September 30, 2013

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	54,603,006	38,940,211
Adjustments for non-cash items	44,585,821	35,301,579
Operating profit before changes in working capital	99,188,827	74,241,790
Changes in working capital	15,471,916	35,066,976
Cash used in operations	114,660,743	109,308,766
Payments for:		
Interest / mark-up	(21,141,695)	(15,540,815)
Employees retirement benefits	(2,213,342)	(1,625,929)
Income tax	(5,559,274)	(2,351,213)
Net cash used in operating activities	85,746,432	(19,517,957)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(624,905)
Security deposit	(95,120)	-
Net cash used in investing activities	(95,120)	(624,905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(10,117,186)	(13,050,000)
Liabilities against assets subject to finance lease - Secured	(4,117,647)	-
Amortize cost on Notional interest income	(6,459,260)	(5,620,658)
Net increase in short term borrowings	(65,871,580)	(48,918,252)
Net cash flow from financing activities	(86,565,674)	(67,588,910)
Net (decrease)/increase in cash and cash equivalents	(914,362)	21,576,994
Cash and cash equivalents as at beginning of the period	20,643,499	16,255,668
Cash and cash equivalents as at end of the period	19,729,137	37,832,662

The annexed notes 1 to 12 form an integral part of this interim financial information.

***Condensed Interim Statement of Changes in Equity
for the quarter ended September 30, 2013***

	Issued subscribed and paid-up capital <i>Rupees</i>	Accumulated profit <i>Rupees</i>	Total <i>Rupees</i>
As at July 1, 2012	298,406,070	178,451,690	476,857,760
Profit after taxation for the year ended 30 June, 2013	-	120,600,376	120,600,376
Other comprehensive income for the year ended 30 June, 2013	-	1,914,529	1,914,529
As at June 30, 2013	<u>298,406,070</u>	<u>300,966,595</u>	<u>599,372,665</u>
Profit / (Loss) for the Quarter ended September 30, 2013	-	47,716,477	47,716,477
Other comprehensive income for the Quarter ended September 30, 2013	-	490,490	490,490
As at September 30, 2013	<u><u>298,406,070</u></u>	<u><u>349,173,562</u></u>	<u><u>647,579,632</u></u>

The annexed notes 1 to 12 form an integral part of this interim financial information.

Notes to and forming part of Condensed Interim Financial Information for the quarter ended September 30, 2013

1 REPORTING ENTITY

Saritow Spinning Mills Limited ("the Company") was incorporated in Pakistan on March 10, 1987 as Public Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at 17- Aziz Avenue, Canal Bank Gulberg - V, Lahore. The Company is listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The principal activity of the Company is manufacturing and sale of yarn. The Mill is located at Bhai Pheru, District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

The interim financial information report 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 report should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2013.

2.1 Statement of compliance

This condensed interim financial report of the Company for the Quarter ended September 30, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of or directives issued under the Companies Ordinance, 1984.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value or 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 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 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2013.

3.2 Corresponding figures have been re-arranged/re-classified where necessary to facilitate comparison. Appropriate disclosure has been given in the relevant note in case of any material re-arrangement/re-classification.

	September 30, 2013	June 30, 2013
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-audited)</i>	<i>(Audited)</i>
4 ISSUED,SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each:		
29,840,607 (June 30, 2013: 29,840,607) shares issued for cash	<u>298,406,070</u>	<u>298,406,070</u>

Notes to and forming part of Condensed Interim Financial Information for the quarter ended September 30, 2013

- 4.1 Pursuant to the amalgamation of Azam Textile Mills Limited into Saritow Spinning Mills Limited, the Company has issued and allotted 16,565,607 ordinary shares of Rs. 10 each to the ex-shareholders of Azam Textile Mills Limited in lieu of transfer of the entire undertaking including assets, properties, rights, privileges, benefits, sanctions, licences and obligations to Saritow Spinning Mills Limited. The merger was approved on December 23, 2011 with effect from July 01, 2010 and the allotment of shares was made on February 13, 2012.

5 CONTINGENCIES AND COMMITMENTS

Contingencies

There is no change in status and amount of contingencies since June 30, 2013.

	<i>Note</i>	September 30, 2013	June 30, 2013
		<i>Rupees</i> <i>(Un-audited)</i>	<i>Rupees</i> <i>(Audited)</i>
Commitments			
Payments under irrevocable letters of credit for import of:			
Machinery		313,965,400	-
Raw material		-	60,145,164
		<u>313,965,400</u>	<u>60,145,164</u>

6 PROPERTY, PLANT AND EQUIPMENT

Net book value as at beginning of the period		1,074,622,209	1,006,093,165
Additions during the period	<i>6.1</i>	-	124,985,113
Revaluation surplus arising during the period		-	-
Net book value of assets disposed during the period	<i>6.1</i>	(3,501,102)	(7,804,395)
Depreciation charged during the period		(12,678,243)	(48,651,674)
Net book value as at end of the period		<u>1,058,442,864</u>	<u>1,074,622,209</u>

6.1 Additions and disposals

	September 30, 2013		June 30, 2013	
	Additions <i>Rupees</i>	Disposals <i>Rupees</i>	Additions <i>Rupees</i>	Disposals <i>Rupees</i>
Building on freehold land	-	-	3,423,866	-
Plant and machinery	-	-	43,220,251	(7,394,112)
Assets subject to finance lease (Plant and machinery)	-	-	70,000,000	-
Services and other equipment	-	-	525,755	-
Furniture and fixtures	-	-	-	-
Office equipment	-	-	-	-
Vehicles	-	(3,501,102)	7,815,241	(410,283)
	<u>-</u>	<u>(3,501,102)</u>	<u>124,985,113</u>	<u>(7,804,395)</u>

**Notes to and forming part of Condensed Interim Financial Information
for the quarter ended September 30, 2013**

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
	<i>Rupees</i> (Un-Audited)	<i>Rupees</i> (Un-Audited)
7 TURNOVER - NET		
Yarn	675,907,094	539,527,545
Waste	11,757,973	6,534,120
	<u>687,665,067</u>	<u>546,061,665</u>
8 COST OF SALES		
Raw material consumed	384,535,633	324,011,080
Stores, spares and loose tools consumed	12,618,100	12,954,819
Power and fuel	102,059,020	77,558,135
Salaries, wages and benefits	49,826,952	35,822,833
Insurance	377,488	382,909
Repair and maintenance	2,728,971	1,992,640
Depreciation	12,678,243	11,831,588
Vehicle running and maintenance	377,658	794,579
Other manufacturing overheads	419,038	529,899
	<u>565,621,103</u>	<u>465,878,482</u>
Work in process		
Opening stock	27,865,678	29,803,133
Closing stock	(35,065,432)	(28,233,435)
	<u>(7,199,754)</u>	<u>1,569,698</u>
Cost of goods manufactured	<u>558,421,349</u>	<u>467,448,180</u>
Finished goods		
Opening stock	67,682,609	40,186,448
Closing stock	(35,959,070)	(35,897,332)
	<u>31,723,539</u>	<u>4,289,116</u>
	<u>590,144,888</u>	<u>471,737,296</u>
9 TAXATION		
9.1	Provision for current tax has been in accordance with section 113 of the Income Tax Ordinance, 2001.	
9.2	No provision for deferred tax has been made as the impact of the same is considered immaterial.	
10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES		
Related parties from the Company's perspective comprise sponsor directors and their family members, 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 sponsor directors and their family members are limited provision of interest free loans to the Company. Transactions with associated companies are limited to rental income only.		

*Notes to and forming part of Condensed Interim Financial Information
for the quarter ended September 30, 2013*

11 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 31, 2013 by the Board of Directors of the Company.

12 GENERAL

Figures have been rounded off to the nearest rupee.

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SARITOW SPINNING MILLS LIMITED
17-Aziz Avenue, Canal Bank, Gulberg - V, Lahore.
Tel: 042 - 35717364-65