



**Interim Financial Report
for the quarter ended
September 30, 2016**

Saritow Spinning Millis Limited

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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. Muhammad Omer Farooq	Chairman/Member
Mr. M. Naseem Saigol	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, I-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 1st Quarter of the financial year 2016-17 ending on September 30, 2016 along with director report thereon.

Financial High Lights	Quarter ending September 30, 2016 <i>Rupees in Million</i>	Quarter ending September 30, 2015 <i>Rupees in Million</i>
Net Sales	784.636	634.476
Gross Profit	39.611	13.096
Profit/(Loss) before taxation	10.544	(15.783)
Profit/(Loss) after taxation	10.544	(22.331)
Gross Profit Ratio	5.05%	2.06%
Net Profit Ratio	1.34%	(3.52%)

Operating Financial Results

Fine count yarn prices improved during the period under review resulted in improved turnover of Rs. 784.636 million as compared to Rs. 634.476 million same period last year and were able to earn Gross Profit of 5.05% as compared to 2.06% during the same period last year.

Textile Industry is facing tough times due to prevailing geo political and economic scenario. Slow down in the industry can mainly be attributed to declining exports, increased input cost and above all import of cheaper Yarn from neighboring countries. Raw material prices have gone up due to declining domestic raw material crop but slight improvement in fine count yarn prices resulted in better financial results for the period under review.

Future Outlook

Prospects for rest of the year are entirely dependent on yarn prices which have improved since the start of this financial year. We hope that this momentum will remain in force for the rest of the year and will result in better financial results.

Acknowledgment

The Directors of your company take this opportunity to thank the entire stakeholders for their continued support. Your directors also placed on record their appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board

Lahore : October 31, 2016

Chief Executive

Condensed Interim Balance Sheet

as at September 30, 2016

	Note	September 30, 2016	June 30, 2016
		Rupees	Rupees
		(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		228,943,496	218,554,426
		527,349,566	516,960,496
Surplus on revaluation of property, plant and equipment		27,716,452	27,561,315
Non-current liabilities			
Loan from directors and family members - <i>unsecured, subordinate</i>		265,884,966	265,884,966
Long term finances - <i>Secured</i>		277,599,176	302,835,465
Liabilities against assets subject to finance lease - <i>Secured</i>		8,235,295	12,352,942
Long term deposits - <i>Unsecured</i>		8,000,000	8,000,000
Employees retirement benefits		52,890,837	51,147,526
Deferred taxation		168,840,139	168,840,139
		781,450,413	809,061,038
Current liabilities			
Trade and other payables		253,369,707	305,471,636
Accrued interest/mark-up		12,205,345	14,639,801
Short term borrowings - <i>Secured</i>		321,605,217	354,758,296
Current portion of non-current liabilities		52,189,314	33,353,025
		639,369,583	708,222,758
Contingencies and commitments	5	-	-
		1,975,886,014	2,061,805,607
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,344,697,138	1,360,930,080
Long term deposits		21,038,886	21,038,886
		1,365,736,024	1,381,968,966
Current assets			
Stores, spares and loose tools		25,917,250	19,998,068
Stock in trade		368,923,694	453,251,090
Trade receivables		49,209,154	58,939,389
Advances, deposits, prepayments and other receivables		78,430,500	68,967,349
Current taxation		70,540,102	66,495,655
Cash and bank balances		17,129,290	12,185,090
		610,149,990	679,836,641
		1,975,886,014	2,061,805,607

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

Condensed Interim Profit and Loss Account (Un-audited)
for the Quarter ended September 30, 2016

	Note	Quarter ended	
		September 30, 2016	September 30, 2015
		Rupees (Un-Audited)	Rupees (Un-Audited)
Turnover - net	7	784,636,579	634,476,168
Cost of sales	8	745,025,447	621,379,773
Gross profit		39,611,132	13,096,395
Selling and distribution expenses		1,917,909	1,865,875
Administrative and general expenses		11,712,232	12,287,217
		13,630,141	14,153,092
		25,980,991	(1,056,697)
Other operating income/(loss)		-	1,177,209
Operating profit		25,980,991	120,512
Finance cost		15,436,784	15,904,094
Other charges		-	-
		15,436,784	15,904,094
Profit/(Loss) before taxation		10,544,207	(15,783,582)
Taxation	9	-	(6,547,555)
Profit/(Loss) after taxation		10,544,207	(22,331,137)
Earnings per share - basic and diluted		0.64	(1.35)

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

Condensed Interim Statement of Comprehensive Income (Un-audited)
for the Quarter ended September 30, 2016

	Quarter ended	
	September 30, 2016	September 30, 2015
	<i>Rupees</i>	<i>Rupees</i>
	(Un-Audited)	(Un-Audited)
Incremental depreciation	(224,836)	719,620
Other comprehensive income before taxation	(224,836)	719,620
Taxation	(69,699)	251,867
Other comprehensive income after taxation	(155,137)	467,753
Profit after taxation	10,544,207	(22,331,137)
Total comprehensive income	10,389,070	(21,863,384)

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

Condensed Interim Cash Flow Statement (Un-audited)

	Quarter ended	
	September 30, 2016	September 30, 2015
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	10,544,207	(15,783,582)
Adjustments for non-cash items	36,998,481	37,639,239
Operating profit before changes in working capital	47,542,688	21,855,657
Changes in working capital	26,573,369	111,234,249
Cash used in operations	74,116,057	133,089,906
Payments for:		
Interest / mark-up	(17,871,240)	(21,402,321)
Employees retirement benefits	(3,207,644)	(2,227,624)
Income tax	(4,044,447)	(1,477,712)
	(25,123,331)	(25,107,657)
Net cash used in operating activities	48,992,726	107,982,249
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(377,800)	(4,178,046)
Proceeds from disposal of assets	-	822,791
Net cash used in investing activities	(377,800)	(3,355,255)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(6,400,000)	(22,713,055)
Liabilities against assets subject to finance lease - Secured	(4,117,647)	(4,117,647)
Net increase in short term borrowings	(33,153,079)	(79,730,069)
Net cash flow from financing activities	(43,670,726)	(106,560,771)
Net (decrease)/increase in cash and cash equivalents	4,944,200	(1,933,777)
Cash and cash equivalents as at beginning of the period	12,185,090	24,542,998
Cash and cash equivalents as at end of the period	17,129,290	22,609,221

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, 2016***

	Issued subscribed and paid-up capital	Accumulated (losses)/profit	Total
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
As at July 1, 2015	298,406,070	279,019,563	577,425,633
Profit after taxation for the year ended 30 June, 2016	-	(66,155,975)	(66,155,975)
Other comprehensive income for the year ended 30 June, 2016	-	5,690,838	5,690,838
As at June 30, 2016	<u>298,406,070</u>	<u>218,554,426</u>	<u>516,960,496</u>
Profit / (Loss) for the Quarter ended September 30, 2016	-	10,544,207	10,544,207
Other comprehensive income for the Quarter ended September 30, 2016	-	(155,137)	(155,137)
As at September 30, 2016	<u><u>298,406,070</u></u>	<u><u>228,943,496</u></u>	<u><u>527,349,566</u></u>

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

Notes to the Condensed Interim Financial Information (Un-audited) for the Quarter ended September 30, 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 Pakistan Stock Exchange 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, 2016.

2.1 Statement of compliance

This condensed interim financial report of the Company for the Quarter ended September 30, 2016 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, 2016.

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, 2016	June 30, 2016
	<i>Rupees</i>	<i>Rupees</i>
4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each:		
13,275,000 (June 30, 2016: 13,275,000) ordinary shares issued for cash	132,750,000	132,750,000
16,565,607 (June 30, 2016: 16,565,607) ordinary shares issued as consideration on merger	165,656,070	165,656,070
	298,406,070	298,406,070

5 CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitments

Payments under irrevocable letters of credit for import of:

Stores and spare	5,541,231	2,448,145
Raw material	77,312,830	71,228,417
	82,854,061	73,676,562

Notes to the Condensed Interim Financial Information (Un-audited) for the Quarter ended September 30, 2016

	Note	September 30, 2016 Rupees	June 30, 2016 Rupees
6 PROPERTY, PLANT AND EQUIPMENT			
Net book value as at beginning of the period		1,356,543,840	1,390,430,013
Additions during the period	6.1	-	105,359,494
Net book value of assets disposed during the period	6.1	-	(69,741,311)
Depreciation charged during the period		(16,610,742)	(69,504,356)
Operating fixed assets at the end of the period		1,339,933,098	1,356,543,840
Capital work in progress			
Book value as at beginning of the period		4,386,240	41,620,457
Additions during the period		377,800	62,393,951
Transfer during the year		-	(99,628,168)
Book value at the end of the period		4,764,040	4,386,240
		<u>1,344,697,138</u>	<u>1,360,930,080</u>

6.1 Additions and disposals

	September 30, 2016		June 30, 2016	
	Additions	Disposals	Additions	Disposals
	Rupees	Rupees	Rupees	Rupees
Freehold land	-	-	768,125	-
Building on freehold land	-	-	42,663,490	-
Plant and machinery	-	-	57,164,209	(59,366,751)
Assets subject to finance lease (Plant and machinery)	-	-	-	(9,483,784)
Arms and ammunitions	-	-	48,670	(11,269)
Vehicles	-	-	4,715,000	(879,507)
	-	-	105,359,494	(69,741,311)

	Quarter ended	
	September 30, 2016	September 30, 2015
	Rupees (Un-Audited)	Rupees (Un-Audited)
7 TURNOVER - NET		
Yarn	776,848,994	650,859,092
Waste	7,787,585	6,586,443
	784,636,579	657,445,535
Sales tax	-	(22,969,367)
	<u>784,636,579</u>	<u>634,476,168</u>

**Notes to the Condensed Interim Financial Information (Un-audited)
for the Quarter ended September 30, 2016**

	Quarter ended	
	September 30, 2016	September 30, 2015
	Rupees	Rupees
	(Un-Audited)	(Un-Audited)
8 COST OF SALES		
Raw material consumed	495,756,329	428,866,726
Stores, spares and loose tools consumed	17,877,773	15,805,064
Power and fuel	96,826,354	96,770,104
Salaries, wages and benefits	72,476,603	74,227,475
Insurance	732,524	761,988
Repair and maintenance	3,795,739	2,815,487
Depreciation	16,610,742	17,100,791
Vehicle running and maintenance	414,259	289,340
Other manufacturing overheads	411,908	400,073
	704,902,231	637,037,048
Work in process		
Opening stock	28,898,614	27,347,422
Closing stock	(31,112,294)	(29,776,025)
	(2,213,680)	(2,428,603)
Cost of goods manufactured	702,688,551	634,608,445
Finished goods		
Opening stock	136,780,349	101,544,768
Closing stock	(94,443,453)	(114,773,440)
	42,336,896	(13,228,672)
	745,025,447	621,379,773

9 TAXATION

9.1 Provision for taxation has been made under section 113 (2014: section 113) of the Income Tax Ordinance, 2001 ("the Ordinance"). Due to availability of tax credits in access of provision, the provision for current tax amounting to Rs. 7.846 million has been reduced to nil.

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.

11 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on October 31, 2016 by the Board of Directors of the Company.

12 GENERAL

Figures have been rounded off to the nearest rupee.

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17-Aziz Avenue, Canal Bank, Gulberg - V, Lahore.
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