

CHAKWAL SPINNING MILLS LIMITED

Half Yearly Report

Un-Audited

For The Period Ended December-2018

CHAKWAL SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Kaleem	(Executive Director)
Khawaja Mohammad Jahangir	(Chief Executive Officer)
Khawaja Mohammad Tanveer	(Non-Executive Director)
Mr. Mohammad Hamza Yousaf	(Non-Executive Director)
Mr. Dasnish Tanveer	(Non-Executive Director)
Mst. Munaza Kaleem	(Non-Executive Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Khawaja Mohammad Jawed	(Member)
Mr. Dansih Tanveer	(Member)
Mr. Mohammad Hamza Yousaf	(Member)

HR & REMUNERATION COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Khawaja Mohammad Jawed	(Member)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tanveer	(Member)

COMPANY SECRETARY

Mr. Nadeem Anwar	(ACA)
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CHIEF FINANCIAL OFFICER

Mr. Abdul Hye Khan Ghouri

BANKERS

Habib Metro Bank Limited
Allied Bank of Pakistan
MCB Bank Limited
The Bank of Punjab
Meezan Bank Limited

AUDITORS

Aslam Malik & Co.
Chartered Accountants
Suit # 18-19, 1st Floor,
Central Plaza, Civic Centre,
New Garden Town,
Lahore, Pakistan.

CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore
Tel : (042) 35717510
Fax : (042) 35755760

SHARE REGISTRARS

Corp link (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel : (042) 35839182
Fax : (042) 35869037

MILLS

49-Kilometer
Multan Road, Bhai Phero
Tel : (04943) 540083-4

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to present their report together with the un-audited condensed interim financial statements for the half-year ended December 31, 2018.

During the period under review, the Company incurred a gross loss of Rs. 12.583 million as compared to gross loss of 31.862 million in the corresponding period. The Company incurred a net loss for the period of Rs. 51.596 million as compares to loss of Rs. 53.516 million during the last half year. The Company has been able to revive its business operations since April 01, 2018 and made sales amounting to Rs. 505.782 millions but high cost of energy and drastic devaluation of Pak Rupee against US \$ spoil management's efforts to achieve operating profitability. The Company is currently producing polyester yarn from polyester fiber which is imported and its price is directly connected with exchange rate. During current period devaluation of Pak Rupee caused increase in polyester raw material prices, which resultantly convert our margin in-to loss.

The Government has taken steps to improve the current state of textile sector by announcing concessionary prices for energy. According the electricity will be provided 7.5 US cents/KWH whereas Sui gas will be provided 6.5 US \$ per MMBTU, as a result of which it is expected that our energy cost will be minimized by 20%.

During current period Director's loan amounting to Rs. 407.881 million has been converted into paid up share capital with the approval of SECP. It will enhance the capital worth of the Company and will facilitate future business prospectus in the form of obtaining fresh working capital facilities from the banks.

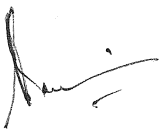
In the latest quarter, the yarn market shows an improvement in the yarn selling prices. The management is hopeful that this condition will be favorable for our Company and we can earn better profit margins and our liquidity position will be improved within the next half-year.

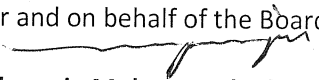
Auditors' have qualified the review report due to non-payment of unclaimed dividends of previous periods. We assure that we shall take measures as provided in the law for treatment of unclaimed dividends before the end of current financial year.

Auditors' observation regarding going concern has been disclosed in note no. 1 of the interim financial statements for the period ended December 31, 2018.

The Board is thankful to the shareholders of the Company for their continued support to the Company and also wishes to express its gratitude to all the employees of the Company for their hard work, loyalty and dedication.

Lahore:
February 28, 2019


(Khawaja Mohammad Jawed)
Chairman

For and on behalf of the Board

(Khawaja Mohammad Jahangir)
Chief Executive Officer

building
better
together.



Aslam Malik & Co.
Chartered Accountants

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New Garden Town, Lahore-Pakistan.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chakwal Spinning Mills Limited

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Chakwal Spinning Mills Limited** as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the three months period ended 31 December 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2018.

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 statements consists 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.

Other Offices at:

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Karachi: 1001-1003 10th Floor, Chapal Plaza, Hasrat Mohani Road, Off I.I Chundrigar Road, Karachi
Tel: + 92-21-32425911-2, Fax: +92-21-32432134

Basis for Qualified Opinion

Unclaimed dividend of Rs. 384,347 (overdue) of previous years has not been deposited into government treasury nor has any notification been issued to shareholders.

Qualified Conclusion

Based on our review except as stated in basis for qualified opinion section of our report, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Material Uncertainty relating to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the interim financial statement which indicates that the company incurred net loss after tax of Rs. 51.596 million (December 31, 2017 Rs. 53.516 million) and at half year end and as of the year end its accumulated loss amounting to Rs. 740.031 million (June 30, 2018: 689.649 million) and its current liabilities exceeds its current assets by Rs. 831.426 (June 30, 2018: Rs 486.529 million). These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

The engagement partner on the audit resulting in this independent auditor's report is **Mohammad Aslam Malik**.

Date : February 28, 2019

Place: Lahore


(Aslam Malik & Co.)
Chartered Accountants



CHAKWAL SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT DECEMBER 31, 2018

		December 31, 2018	June 30, 2018
	Note	(Un-audited) Rupees	(Audited) Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 140,000,000 (2018: 140,000,000) ordinary shares of Rs. 5 each		700,000,000	700,000,000
Issued, subscribed and paid up share capital		607,881,000	200,000,000
Loan from directors	5	42,375,000	450,256,000
Accumulated loss		(740,031,238)	(689,648,887)
Surplus on revaluation of property, plant and equipment		139,584,443	140,797,695
		49,809,205	101,404,808
Non Current Liabilities			
Liabilities against asset subject to finance lease		-	-
Deferred liabilities		31,143,838	31,143,838
Current Liabilities			
Trade and other payables		429,541,498	432,232,519
Unclaimed dividend		384,347	384,347
Accrued mark- up		80,075,045	64,456,647
Short term borrowings		433,901,111	390,593,909
Current portion of non current liabilities		2,366,318	2,366,318
Provision for taxation		14,356,393	8,034,121
		960,624,712	898,067,861
Contingencies and Commitments			
	6	-	-
		1,041,577,755	1,030,616,507

CHAKWAL SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT DECEMBER 31, 2018

	Note	December 31, 2018 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment			
Long term loans	7	878,722,079	905,708,090
Long term deposits		5,824,037	5,065,431
		27,832,744	8,304,191
Current Assets		912,378,860	919,077,712
Stores and spares			
Stock in trade		9,619,306	8,288,944
Trade debts		14,032,715	20,499,748
Loans and advances		16,498,443	16,373,677
Tax refunds due from the government		47,238,225	21,769,816
Trade deposits, prepayments and other receivables		40,831,263	43,100,960
Cash and bank balances		508,772	501,772
		470,171	1,003,878
		129,198,895	111,538,795
		<u>1,041,577,755</u>	<u>1,030,616,507</u>

The annexed notes form an integral part of these condensed interim financial information (Unaudited).


CHIEF EXECUTIVE OFFICER


DIRECTOR

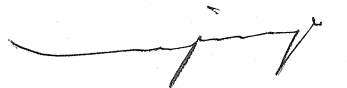

CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

	Half Year Ended		Quarter Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees	Rupees	Rupees	Rupees
Sales	505,781,793	-	270,457,292	-
Cost of sales	(518,364,993)	(31,862,389)	(276,846,633)	(16,298,389)
Gross Loss	(12,583,200)	(31,862,389)	(6,389,341)	(16,298,389)
Distribution cost	(3,267,414)	-	(1,628,927)	-
Administrative expenses	(14,828,301)	(11,281,746)	(6,133,508)	(5,292,746)
	(18,095,715)	(11,281,746)	(7,762,435)	(5,292,746)
Operating Loss	(30,678,915)	(43,144,135)	(14,151,776)	(21,591,135)
Other operating expenses	-	(100,000)	-	(100,000)
Finance cost	(15,797,752)	(14,212,819)	(8,250,964)	(7,109,819)
Other operating income	1,203,336	3,000,000	1,203,336	3,000,000
Loss before Taxation	(45,273,331)	(54,456,954)	(21,199,404)	(25,800,954)
Taxation	(6,322,272)	940,969	(3,380,716)	467,969
Loss for the period	(51,595,603)	(53,515,985)	(24,580,120)	(25,332,985)
Loss per Share - Basic & Diluted	(0.42)	(1.34)	(0.20)	(0.63)


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

	Half Year Ended		Quarter Ended	
	December 31, 2018	December 30, 2017	December 31, 2018	December 31, 2017
	Rupees	Rupees		
Loss for the period	(51,595,603)	(53,515,985)	(24,580,120)	(25,332,985)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	<u>(51,595,603)</u>	<u>(53,515,985)</u>	<u>(24,580,120)</u>	<u>(25,332,985)</u>



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half Year Ended	
	December 31, 2018	December 30, 2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(45,273,331)	(54,456,954)
Adjustments for:		
- Depreciation	26,986,011	31,255,651
- Provision for gratuity	-	200,000
- Finance cost	15,797,752	14,212,819
Operating loss before working capital changes	42,783,763	45,668,470
	(2,489,568)	(8,788,484)
(Increase) / decrease in current assets		
- Stores and spares	(1,330,362)	-
- Stock in trade	6,467,033	-
- Trade debts	(124,766)	(68,074)
- Loans and advances	(25,468,409)	(2,653,289)
- Sales tax refundable	3,610,773	-
- Trade deposits, prepayments and other receivables	(7,000)	(3,072,056)
Increase / (decrease) in current liabilities		
- Trade and other payables	(2,691,021)	13,539,425
Cash used in operations	(19,543,752)	7,746,006
	(22,033,320)	(1,042,478)
Finance cost paid	(179,354)	(9,940)
Gratuity paid	-	(3,617,385)
Income tax paid	(1,341,076)	(24,110)
Net cash used in operating activities	(23,553,750)	(4,693,913)
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	(758,606)	190,157
Long term deposits	(19,528,553)	-
Net cash (used in) / generated from investing activities	(20,287,159)	190,157
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	43,307,202	4,342,556
Net Cash generated from financing activities	43,307,202	4,342,556
Net decrease in cash and cash equivalents	(533,707)	(161,200)
Cash and cash equivalents at the beginning of the period	1,003,878	552,044
	470,171	390,844



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Particulars	Share Capital	Accumulated Profit / (Loss)	Loan from Directors	Surplus on revaluation of property, plant & equipment	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2017 (restated)	200,000,000	(599,371,061)	450,256,000	164,208,779	215,093,718
Loss for the period	-	(53,515,985)	-	-	(53,515,985)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	2,923,992	-	-	2,923,992
Balance as at December 31, 2017 (restated)	200,000,000	(649,963,054)	450,256,000	164,208,779	164,501,725
Balance as at July 01, 2018	200,000,000	(689,648,887)	450,256,000	140,797,695	101,404,808
Issuance of shares	(407,881,000)	-	407,881,000	-	-
Loss for the period	-	(51,595,603)	-	-	(51,595,603)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	1,213,252	-	(1,213,252)	-
Balance as at December 31, 2018	(207,881,000)	(740,031,238)	858,137,000	139,584,443	49,809,205



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Note 1

The Company and its Operations

The Company was incorporated in Pakistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on Pakistan Stock Exchanges Limited. The registered office of the Company is situated at 7/1, E-III, Main Boulevard Gulberg III, Lahore, While the production plants of the Company are located at 49-Km, Multan Road, Bhair Phero. The Company is engaged in the business of textile spinning.

- During the half year ended December 31, 2018, Company has incurred loss after tax of Rs. 51.596 million (December 31, 2017: Rs. 53.516 million) and at half year end and as of the year end, its accumulated losses stood at Rs. 740.031 million (June 30, 2018: 689.649 million), its current liabilities exceed its current assets by Rs. 831.426 million (at June 30, 2018: Rs. 486.529 million). The Company in order to carry on its business and to meet its current obligation requires generating sufficient cash flows. Accordingly there is a material uncertainty relating to the Company's operation that may cast sufficient doubt on the discharge of its liabilities in the normal course of business. Continuation of the Company as a going concern is dependent on improved cash flows. For this purpose the management of the Company has drawn up plans which include:-
- The Government has announced subsidized energy prices for textile industry i.e.; electricity will be provided @ 7.5 US Cents per KWH, whereas 6.5 US\$ per MMBTU will be charged for sui gas consumption. As a result, it is expected the our energy cost will reduced by 20% with respect to previous period. Reduction in electricity tariff will, not only assist in fulfilling the working capital requirements but also result in operating profitability of the Company.
- The Director's loan amounting to Rs. 407.881 million has been converted into paid up share capital with the approval of SECP. It will enhance the capital worth of the Company and will facilitate future business prospectus in the form of obtaining fresh working capital facilities from the banks.
- The management is putting its efforts on product diversification which will enhance its sales revenue. The management is also focusing to enhance productive efficiency along with quality of its products, which will lead to sustainable operating profitability for the Company.
- Local yarn market shown positive indicators, i.e. an upward trend is reflected in the yarn's selling prices, the management has planned to capture this opportunity by production of high quality yarn having better margin prospectus. With the improvement in general economic conditions management is optimistic that existing raw material prices will drop down during the next half year and the management will be able to cut down production cost to overcome current deficit.
- The management's efforts are very obvious to make the Company a going concern and in view of the above the financial statements has been prepared on going concern.

Note 2

Basis of Preparation

2.1 Statement of compliance

These condensed interim financial statements has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Note 2 - Basis of Preparation - Continued...

- Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- 2.2 These condensed interim financial statements are unaudited and have been subjected to limited scope review by the auditors as required by Section 237 of the Companies Act, 2017. The figures for the quarters ended on December 31, 2017 and 2018 presented in the condensed financial statements have not been reviewed by the external auditors.
- 2.3 These condensed interim financial statements are presented in Pak rupees, which is the Company's functional and presentation currency. These condensed financial statements do not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.

Note 3

Significant Accounting Policies

The accounting policies and methods of computation of the interim financial information are the same as those followed in the preparation of annual financial information for the preceding year ended June 30, 2018.

Note 4

Accounting Estimates and Judgments

The accounting estimates and associated assumptions used in preparation of this condensed interim financial information are consistent with those applied in the preparation of annual financial statement of the Company Limited for the year ended June 30, 2018.

Note 5

Loan from Directors

	December 31, 2018	June 30, 2018
	Un-audited Rupees	Audited Rupees
	607,881,000	450,256,000

The director of the Company had advanced loan in previous years to meet working capital requirements. To keep the Company going special resolution was passed by the shareholders of the Company in its Extra Ordinary General Meeting held on May 31, 2018 to convert the directors' loan of Rs. 407,881,000 into 81,576,200 Ordinary Shares at Rs. 5 per share by way of shares otherwise than right under Section 83 of Companies Act, 2017. During the current period shares have been issued to following directors;

	No. of Shares
i) Khawaja Mohammad Jawed	24,841,000
ii) Khawaja Mohammad Kaleem	53,135,200
iii) Khawaja Mohammad Jahangir	3,600,000
	81,576,200

Note 6

Contingencies and Commitments

There is no other significant change in the contingencies and commitments as reported in the last published audited financial statements for the year ended June 30, 2018.

Note 7

Property, Plant and Equipment

	Half Year Ended Dec 31, 2018	Year Ended June 30, 2018
	(Un-audited)	(Audited)
	Rupees	Rupees
Opening written down value	905,708,090	984,231,480
Addition during the period / year (at cost)	-	4,900,000
Revaluation adjustment	-	(24,293,246)
Disposal during the period / year (written down value)	-	(838,253)
	905,708,090	963,999,981
Depreciation charge for the period / year	(26,986,011)	(58,291,891)
Closing written down value	878,722,079	905,708,090

Note 8

Transactions with Related Parties

The related parties and associated undertakings comprise related group companies, associated companies, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	Half Year Ended	
	Dec 31, 2018	Dec 31, 2017
	(Un-audited)	(Un-audited)
	Rs. In '000'	Rs. In '000'
Significant transaction with related parties are as follows:		
- Loan received from directors - net	13,593	3,562
- Lease income from Yousaf Weaving Mills Limited	-	3,000

Note 9

Financial Risk Management

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual published financial statements of the Company for the year ended June 30, 2018.

Note 10

General

10.1 This interim financial information is authorized for issue on February 28, 2019 by the Board of Directors of the Company.

10.2 Corresponding figures have been re-arranged wherever necessary to facilitate comparison. No material rearrangement has been made during the period.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER