

QUARTERLY REPORT

UN-AUDITED
For the 3rd Quarter Ended
March 31, 2016



Chakwal Spinning Mills Limited

Quarterly Report

UN-AUDITED

For the 3rd Quarter Ended
March 31, 2016



Chakwal Spinning Mills Limited

Company Information

BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Jawed	(Director)
Khawaja Mohammad Tanveer	(Director)
Khawaja Mohammad Kaleem	(Director)
Khawaja Mohammad Nadeem	(Director)
Mr. Mohammad Naveed	(Director)
Mr. Mohammad Aman	(Independent Director)
Mr. Mohammad Tariq Sufi	

AUDIT COMMITTEE

Mr. Mohammad Naveed	(Chairman)
Khawaja Mohammad Javed	(Member)
Mr. Mohammad Aman	(Member)

HR & REMUNERATION COMMITTEE

Khawaja Mohammad Javed	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tanveer	(Member)

COMPANY SECRETARY

Mr. Muhammad Ashraf	(FCMA)
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CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(FCMA)
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BANKERS

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

AUDITORS

H.A.M.D & Co.
Chartered Accountants
Office # 1, 2nd Floor,
Diamond Tower,
Liberty Market, 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, Bhair Phero
Tel : (04943) 540083-4

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your company present before you the un-audited condensed interim financial statements for the half period ended March 31, 2016.

During the period under review, the company earned a net loss of Rs.163.675 million compared to a net loss of Rs. 59.924 million for the corresponding period last year. Increase in loss was mainly due to lower sale compared to corresponding period last year. The factors contributed in drastic decrease in sales were, lower export, and severe slump due to matchless yarn prices in the sluggish local yarn market. In addition the company could not achieve the optimum capacity utilization which resulted decline in turnover as compared to corresponding period which also affected the performance of the company due to acute shortage of natural gas supply to textile sector. Heavy losses since last year led to severe financial crunch which put immense pressure in smooth running of operations of the company and pushed the company to cut off its production which remained at 60% capacity. However, as a result of imported RNLG, the government has restored 24 hour supply of natural gas to industrial sector which will lead to decrease cost of production and enable industry specially textile sector to compete international markets.

The directors are fully aware of the affairs of the company and are making strenuous efforts by taking every step necessary to meet the challenges and to improve the financial health of the company except external factors beyond their control.

The directors wish to place on record their appreciation for the true efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. They also thanks their shareholders, customers and banks for their continued support in smooth running of company's operations and are hopeful that their cooperation will be continued with the same spirit in the future also.

For and on behalf of the Board

Lahore
April 29, 2016

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

CONDENSED INTERIM BALANCE SHEET

	Note	March 31, 2016 (Un-audited) Rupees (000)	June 30, 2015 (Audited) Rupees (000)
EQUITY AND LIABILITIES			
Share capital and Reserves			
Authorised Capital			
100,000,000 ordinary Share of Rs 5/- each			
(June 30, 2015: 100,000,000)		500,000	500,000
Issued, subscribed and paid up share capital		200,000	200,000
Accumulated (Loss)/Profit		(81,555)	78,863
Long term financing		271,256	271,256
		389,701	550,119
Surplus on Revaluation of Property, Plant and Equipment		179,361	184,223
Non Current Liabilities			
Liabilities against asset subject to finance lease		1,639	6,097
Deferred liabilities		89,026	84,651
		90,665	90,748
Current Liabilities			
Trade and other payables		610,935	520,504
Accrued interest on loans and borrowings		9,324	8,078
Short term borrowings		385,029	375,665
Current portion of long term financing		6,726	5,728
Provision for taxation		24,468	15,745
		1,036,482	925,720
		1,696,209	1,750,810

The annexed notes form an integral part of these interim condensed financial statements.

AS AT MARCH 31, 2016 (Un-Audited)

	Note	March 31, 2016 (Un-audited) Rupees (000)	June 30, 2015 (Audited) Rupees (000)
ASSETS			
Non Current Assets			
Property, plant and equipment		1,074,478	1,126,706
Capital Work in Progress		1,260	802
Long term loans		7,012	7,129
Long term deposits		8,297	9,622
		1,091,047	1,144,259
Current Assets			
Stores and spares		11,077	11,757
Stock-in-trade		255,077	342,924
Trade debts		80,337	54,210
Trade deposits, short term prepayments and other receivables		27,208	187,201
		226,279	6,518
Cash and bank balances		5,184	3,941
		605,162	606,551
		1,696,209	1,750,810

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2016**

Note	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015	Quarter Ended March 31, 2016	Quarter Ended March 31, 2015
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
Sales	862,371	1,626,136	153,334	498,752
Cost of Goods Sold	(938,818)	(1,552,980)	(220,375)	(482,316)
Gross (Loss) / Profit	(76,447)	73,156	(67,041)	16,436
Distribution cost	(12,955)	(36,483)	(1,345)	(12,192)
Administrative expenses	(42,067)	(49,328)	(11,604)	(16,207)
	(55,022)	(85,811)	(12,949)	(28,399)
Operating (Loss)	(131,469)	(12,655)	(79,990)	(11,963)
Financing cost	(24,428)	(33,230)	(8,296)	(11,903)
Other Operating expenses	(659)	-	(248)	709
Other Operating income	-	808	-	808
(Loss) before taxation	(156,556)	(45,077)	(88,534)	(22,349)
Taxation	(7,119)	(14,847)	(1,293)	(6,559)
(Loss) after taxation	(163,675)	(59,924)	(89,827)	(28,908)
Earning per Share - Basic	(4.09)	(1.50)	(2.25)	(0.72)

The annexed notes from an integral Part of these interim condensed financial statements.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

	Nine Months Ended		Quarter Ended	
	Mar. 31, 2016	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2015
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
(Loss) after taxation	(163,675)	(59,924)	(89,827)	(28,908)
Total Comprehensive(Loss) for the period	<u>(163,675)</u>	<u>(59,924)</u>	<u>(89,827)</u>	<u>(28,908)</u>

The annexed notes from an integral Part of these interim condensed financial statements.

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(156,557)	(45,077)
Adjustments for:		
Depreciation	52,799	52,673
Gratuity	7,500	4,500
Gain on sale of operating assets	-	(808)
Financial expenses	24,428	33,230
Operating profit before working capital changes	(71,830)	44,518
(Increase)/decrease in current assets		
- Stores and spares	679	(4,303)
- Stock-in-trade	87,847	(63,090)
- Trade debts	(26,127)	(16,884)
- Loan and advances	(33,197)	(25,874)
- Trade deposits, short term prepayments and other receivables	(20,690)	(9,336)
Increase /(decrease) in current liabilities		
- Trade and other payables	90,431	101,697
	98,943	(17,790)
Finance cost paid	(23,182)	(33,931)
Gratuity paid	(3,124)	(5,217)
Income tax paid	(5,764)	(10,348)
Net Cash generated from Operations	(4,957)	(22,768)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(571)	(21,693)
Long term loans	-	(800)
Capital Work In progress	(457)	13,359
Sale proceed of fixed asset	-	1,465
Long term deposits	1,325	500
Net Cash used in Investing Activities	297	(7,169)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	-	(1,857)
Liabilities against asset subject to finance lease	(3,460)	(3,946)
Short term borrowing	9,364	28,310
Net cash generated / (used in) from financing activities	5,904	22,507
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,243	(7,430)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,941	9,554
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	5,184	2,124

The annexed notes from an integral Part of these interim condensed financial statements.

Lahore:
April 29, 2016

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2016**

Particulars	Share Capital	Accumulated (Loss)/ Profit	Total
	Rupees (000)	Rupees (000)	Rupees (000)
Balance as at July 1, 2014	200,000	211,166	411,166
Total comprehensive Profit for the Period ended March 31, 2015	-	(59,924)	(59,924)
Transferred from surplus on revaluation property, Plant and equipment-net of deferred tax		5,676	5,676
Dividend for the year ended June 30, 2014		(1,376)	(1,376)
Dividend for the year ended September 30, 2014		(688)	(688)
Balance as at March 31, 2015	200,000	156,918	354,854
Balance as at July 1, 2015	200,000	78,863	278,863
Total comprehensive Loss for the Period ended March 31, 2016		(163,675)	(163,675)
Transferred from surplus on revaluation property, Plant and equipment-net of deferred tax		3,257	3,257
Balance as at March 31, 2016	200,000	(81,555)	118,445

The annexed notes form an integral part of these interim condensed financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2016**

1 THE COMPANY AND ITS OPERATIONS

Chakwal Spinning Mills Limited was incorporated on January 31, 1988 as a public limited company in Pakistan under Companies Ordinance 1984 and is quoted on Karachi and Lahore Stock Exchange. The registered office of the company is situated at Kashayana -e- Yousaf, Khawaja Street, Chakwal.

The company is engaged in the business of textile spinning.

2 BASIS OF PREPARATION

Statement of compliance

This interim condensed financial information is un-audited and have been prepared in accordance with the requirements of International Accounting standard, IAS 34" Interim Financial Reporting". This Interim Condensed Financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the 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 published financial statements of the company for the year ended June 30, 2015.

ACCOUNTING ESTIMATES, JUDGEMENTS & FINANCIAL RISK MANAGEMENT

3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use of judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumption and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2015.

3.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2015.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

40,000,000 ordinary shares of Rupees 5/- each
(June 30, 2015 : 40,000,000)

March 31 2016 Un-audited Rupees (000)	June 30 2015 Audited Rupees (000)
<u>200,000</u>	<u>200,000</u>

5 LONG TERM FINANCING

These loans are unsecured and interest free provided by the directors. These loans are subordinated to Habib Metrobank Ltd. and The Bank of Punjab. These loans are repayable after payment of liabilities of the bank or improvement in financial position of the company which ever is earlier.

6 CONTINGENCIES AND COMMITMENTS**Contingencies**

The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines limited amounting to Rs. 38.522 million ((June 30, 2015 : Rs. 38.522 million) on account of payment of dues against consumption of natural gas.

Commitments

Commitments in respect of letter of credit for capital expenditures as at March 31, 2015 amounting to Rs Nil (June 30, 2015: Rs Nil) and letters of credit for raw material amounting to Rs. 38.675 million (June 30, 2015 : Rs. 34.700 million)

7 PROPERTY, PLANT AND EQUIPMENT

	Period Ended	Year Ended
	March 31	June 30
	2016	2015
	Un-audited	Audited
	Rupees (000)	Rupees (000)
Operating assets		
Opening written down value	1,126,706	1,121,980
Additions during the period	571	69,527
Transfer during the period	-	27,188
	1,127,277	1,218,695
Deletions during the period	-	(22,105)
	1,127,277	1,196,590
Depreciation charged during the period	(51,939)	(68,677)
	1,075,338	1,127,913
Leased assets		
Opening written down value	-	-
Additions/transfer during the period	-	-
	-	-
Amortization charges during the period	(860)	(1,207)
	(860)	(1,207)
	1,074,478	1,126,706

8 EARNING PER SHARE

	Period Ended		Quarter Ended	
	March. 31, 2016	March. 31, 2015	March. 31, 2016	March. 31, 2015
	Un-audited	Un-audited	Un-audited	Un-audited
	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)
Basic				
Loss/Profit after Taxation	(163,675)	(59,924)	(89,827)	(28,908)
Weighted average number of shares	40,000,000	40,000,000	40,000,000	40,000,000
Earning per share - basic	(4.09)	(1.50)	(2.25)	(0.72)

No figure for diluted(loss)/ profit per share has been presented as the company has not issued any instrument which would have an impact on profit per share when exercised.

9 TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties under taken during the period were as follows:

	March 31 2016 Un-audited Rupees (000)	March 31 2015 Un-audited Rupees (000)
Purchase of materials and services:		
Chakwal Textile Mills Limited	5,797	53,390
Sales of goods and services:		
Yousaf Weaving Mills Limited	-	579
Short term funds (received) / paid to directors (net)	(14,511)	20,767

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

10 Financial Risk Management

The company's activities expose it to a variety of financial risk: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the audited annual financial statements and should be read in conjunction with the audited annual financial statement for the year ended June 30, 2015.

There has been no change in Company's sensitivity to these risks since June 30, 2015 except for general exposure to fluctuations in foreign currency and interest rates. There have been no change in the risk management policies during the period.

There have been no significant changes in the business or economic circumstances during the period that would have affected the fair values of the financial assets of the company. Further, no re-classifications in the categories of financial assets have been made since June 30, 2015.

11 General

- 11.1** The interim financial information is authorized for issue on April 29, 2016 by the Board of Directors of the company.
- 11.2** Figures have been rounded off to the nearest thousand Rupees; and
- 11.3** Corresponding figures have been re-arranged wherever necessary to facilitate comparison. No material rearrangement has been made during the period.

Book Post
Printed Matter

If undelivered please return to:

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