



Chakwal Spinning Mills Limited



QUARTERLY REPORT
UN-AUDITED
For the 1st Quarter Ended
September 30, 2018

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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. DASNISH 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 1st quarter ended September 30, 2018.

The company has been able to maintain sustainable operations since April 01, 2018 in post lease scenario despite difficult business conditions and recorded sales of Rs. 235.324 million in the period as compared to Rs. nil in the corresponding period last year due to close of business operation. The company incurred a gross loss of Rs. 6.194 million as compared to Rs. 15.564 million in the same period. The company incurred a net loss of Rs. 27.015 million as compared to Rs. 28.183 in the same period last year. The company is managing its operation in production and sale of polyester yarn. The raw material polyester staple fiber is purchased locally and is dependent on local player. The unprecedented Rupee devaluation against US \$ with resulting increase in the price of raw material, increase in the cost of inputs, volatile energy cost and low price of yarn offered in the market are factors behind losses suffered by the company.

The helms of affairs in the textile industry are firm that the energy cost is determinant for the revival of the textile industry. The new elected Government has announced a package for the ailing industry but is still in doldrums as the benefit is not yet passed on to the end users. The Government should make speedy action to save the industry from further collapse.

The management is making all efforts to improve the operating performance of the company and believe in the coming period will come out of whims.

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

For and on behalf of the Board

Lahore:
November 29, 2018

(Khawaja Mohammad Jawed)
Chairman

(Khawaja Mohammad Jahangir)
Chief Executive Officer

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز کی جانب سے 30 ستمبر 2018 پر اختتام شدہ سہ ماہی کے لئے غیر جانچ اور کثیف شدہ حسابات بشمول اپنی رپورٹ پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

کمپنی لیز کی منسوخی کے بعد 1 اپریل 2018 سے اپنی پیداواری سرگرمیاں جاری رکھے ہوئے ہے باوجود خراب کاروباری حالات کے اور اس نے کاروبار بند ہونے کی وجہ سے پچھلے سال Nil روپے فروخت کے مقابلے میں اس سال 235.324 ملین روپے فروخت کی ہے۔ کمپنی کو پچھلے سال کے 15.564 ملین روپے کے مجموعی خسارے کے مقابلے میں اس سال 194.6 ملین روپے مجموعی خسارہ ہوا ہے۔ کمپنی کو پچھلے سال کے 28.183 ملین روپے کے خالص خسارے کے مقابلے میں اس سال 27.015 ملین روپے خالص خسارہ ہوا ہے۔ کمپنی پولیسٹر کے دھاگے کی پیداوار اور فروخت کر رہی ہے۔ پولیسٹر سٹپیل فائبر کا خام مال مقامی طور پر خریدا جاتا ہے اور مقامی فراہم کنندگان من مانی قیمت وصول کر رہے ہیں۔ یو ایس ڈالر کے مقابلے میں روپے کی قدر میں کمی جس کی وجہ سے خام مال کی قیمتوں میں اضافہ ہوا ہے، غیر یقینی توانائی کی لاگت اور منڈی میں دھاگے کی قیمت میں کمی کمپنی کو ہونے والے خسارے کی وجہ بنتے ہیں۔

توانائی کی لاگت ٹیکسٹائل کی صنعت کی تشکیل نو میں رکاوٹ کا باعث ہے۔ نئی منتخب گورنمنٹ نے تباہ حال صنعت کے لئے پیسج کا اعلان کیا ہے مگر ابھی تک اس میں مایوسی کے علاوہ کچھ نہیں کیونکہ صنعت کو اس کا کوئی فائدہ نہیں پہنچا۔ گورنمنٹ کو جلد اقدامات اٹھانے کی ضرورت ہے صنعت کو مزید نقصان سے بچانے کے لئے۔

منتظمین کمپنی کی عملی کارکردگی کو بہتر کرنے کی تمام تر کوششیں کر رہے ہیں اور یقین رکھتے ہیں کہ کمپنی آنے والے وقتوں میں خراب حالات سے نکل جائے گی۔

بورڈ حصہ داران کے کمپنی پر مسلسل اعتماد کا شکر گزار ہے اور ساتھ ہی ساتھ ملازمین کا ان کی محنت، وفاداری اور جذبے کی وجہ سے بھی ممنون ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

خواجہ محمد جہانگیر
چیف ایگزیکٹو آفیسر

خواجہ محمد جاوید
چیرمین

لاہور

تاریخ: 29 نومبر 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	UN-AUDITED September 30, 2018 Rupees	AUDITED June 30, 2018 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		(716,057,744)	(689,648,887)
Surplus on revaluation of property, plant and equipment		140,191,069	140,797,695
		74,389,325	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		412,928,112	432,232,519
Unclaimed dividend		384,347	384,347
Accrued mark- up		71,867,960	64,456,647
Short term borrowings		427,973,482	390,593,909
Current portion of non current liabilities		2,366,318	2,366,318
Provision for taxation		10,975,677	8,034,121
		926,495,896	898,067,861
Contingencies and Commitments	6	-	-
		1,032,029,059	1,030,616,507

Lahore:

November 29, 2018

Chief Executive Officer

Director

Chief Financial Officer

AS AT SEPTEMBER 30, 2018

	Note	UN-AUDITED September 30, 2018 Rupees	AUDITED June 30, 2018 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	7	892,215,084	905,708,090
Long term loans		5,242,533	5,065,431
Long term deposits		27,832,744	8,304,191
		925,290,361	919,077,712
Current Assets			
Stores and spares		9,065,721	8,288,944
Stock in trade		11,835,976	20,499,748
Trade debts		16,401,066	16,373,677
Loans and advances		15,044,728	21,769,816
Tax refunds due from the government		41,753,047	43,100,960
Trade deposits, prepayments and other receivables		508,772	501,772
Cash and bank balances		12,129,388	1,003,878
		106,738,698	111,538,795
		<u>1,032,029,059</u>	<u>1,030,616,507</u>

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

Lahore:

Novemehr 29, 2018

Chief Executive Officer

Director

Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

	Quarter ended September 30 2018	Quarter ended September 30 2017
	(Rupees)	(Rupees)
Sales	235,324,501	-
Cost of sales	(241,518,360)	(15,564,000)
Gross Loss	(6,193,859)	(15,564,000)
Distribution cost	(1,638,487)	-
Administrative expenses	(8,694,793)	(5,989,000)
	(10,333,280)	(5,989,000)
Operating Loss	(16,527,139)	(21,553,000)
Finance cost	(7,546,788)	(7,103,000)
Loss before Taxation	(24,073,927)	(28,656,000)
Taxation	(2,941,556)	473,000
Net loss for the period	(27,015,483)	(28,183,000)
Loss per Share - Basic & Diluted	(0.22)	(0.70)

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

	Quarter ended September 30 2018	Quarter ended September 30 2017
	(Rupees)	(Rupees)
Net loss for the period	(27,015,483)	(28,183,000)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	<u>(27,015,483)</u>	<u>(28,183,000)</u>

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

CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended September 30 2018	Quarter ended September 30 2017
	(Rupees)	(Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(24,073,927)	(28,656,000)
Adjustments for:		
- Depreciation	13,493,006	14,856,000
- Provision for gratuity	-	100,000
- Gain on disposal of property, plant and equipment	-	-
- Interest income	-	-
- Finance cost	7,546,788	7,103,000
	21,039,794	22,059,000
Operating profit / (loss) before working capital changes	(3,034,133)	(6,597,000)
(Increase) / decrease in current assets		
- Stores and spares	(776,777)	-
- Stock in trade	8,663,772	-
- Trade debts	(27,389)	-
- Loans and advances	6,725,088	22,273,000
- Tax refunds due from the government	1,347,913	-
- Trade deposits, prepayments and other receivables	(7,000)	(72,000)
Increase / (decrease) in current liabilities		
- Trade and other payables	(19,304,407)	(12,773,000)
	(3,378,800)	9,428,000
Cash (used in) / generated from operations	(6,412,933)	2,831,000
Finance cost paid	(135,475)	(6,000)
Gratuity paid	-	(2,848,000)
Long term advance	-	389,000
Income tax paid	-	(14,000)
Net cash (used in) / generated from operating activities	(6,548,408)	352,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	-
Long term loans	(177,102)	-
Long term deposits	(19,528,553)	-
Proceeds from disposal of property, plant and equipment	-	-
Interest Received	-	-
Net Cash used in investing activities	(19,705,655)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	37,379,573	2,212,000
Net Cash generated from financing activities	37,379,573	2,212,000
Net increase in cash and cash equivalents	11,125,510	2,564,000
Cash and cash equivalents at the beginning of the period	1,003,878	552,000
	12,129,388	3,116,000

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

Lahore:

Novemehr 29, 2018

Chief Executive Officer

Director

Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 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	200,000,000	(599,371,061)	450,256,000	168,073,740	218,958,679
Net loss for the period	-	(28,183,000)			(28,183,000)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	1,303,000			1,303,000
Balance as at September 30, 2017	200,000,000	(626,251,061)	450,256,000	168,073,740	192,078,679
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)		-
Net loss for the period		(27,015,483)			(27,015,483)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	606,626		(606,626)	-
Balance as at September 30, 2018	607,881,000	(716,057,744)	42,375,000	140,191,069	74,389,325

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

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 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, Bhai Phero The Company is engaged in the business of textile spinning.

Note 2

Basis of Preparation

2.1 Statement of compliance

These condensed interim financial information have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standard (IFRS) 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. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.
- The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 June, 2018.
- This condensed interim financial information is presented in Pak rupees, which is the Company's functional and presentational currency. The financial statements have been prepared under the historical cost convention. Figures have been rounded off to the nearest thousand rupee, unless stated otherwise.

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

	September 30, 2018	June 30, 2018
	Rupees	Rupees
	<u>42,375,000</u>	<u>450,256,000</u>

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;

i)	Khawaja Mohammad Jawed	24,841,000	shares
ii)	Khawaja Mohammad Kaleem	53,135,200	shares
iii)	Khawaja Mohammad Jahangir	3,600,000	shares
		<u>81,576,200</u>	shares

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

	Quarter Ended Sep 30, 2018	Year Ended June 30, 2018
	(Un-audited)	(Audited)
	Rupees	Rupees
Operating fixed assets	<u>892,215,084</u>	<u>905,708,090</u>
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)
	<u>905,708,090</u>	<u>963,999,981</u>
Depreciation charge for the period / year	<u>(13,493,006)</u>	<u>(58,291,891)</u>
Closing written down value	<u>892,215,084</u>	<u>905,708,090</u>

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:

	Quarter Ended	
	Sep 30, 2018	Sep 30, 2017
	(Un-audited)	(Un-audited)
	Rs. In '000'	Rs. In '000'
Significant transaction with related parties are as follows:		
- Loan repaid to directors - net	(1,521)	(2,212)

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 November 29, 2018 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.

Lahore:

Novemembr 29, 2018

Chief Executive Officer

Director

Chief Financial Officer

Book Post

Printed Matter

If undelivered please return to:

Chakwal Spinning Mills Limited

Corporate & Shares Department

7/1-E-3 Main Boulevard Gulberg III, Lahore.

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