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)

CHIEF FINANCIAL OFFICER

Mr. Abdul Hye Khan Ghouri

BANKERS

Habib Metro Bank Limited Allicd 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 Moĥammad Jawed)

Chairman

For and on behalf of the Board

(Khawaja Mohammad Jahangir)

Chief Executive Officer



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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:

Islamabad: House # 726, Street 34, Margalla Town, off Murree Road, Islamabad.

Phone: +92-51-2374282-3 Fax: +92-51-2374281

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 Asiam Malik.

Date: February 28, 2019

Place: Lahore

(Aslam Malik & Co.) Chartered Accountants

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CHAKWAL SPINNING MILLS LIMITED

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CONDENSED INTERIM STATEMENT OF CHANGES INEQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2018 S 8 8

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i ash.g dwyj 🙀 CHAKWAL SPINNING MILLS LIMITED

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

3.38 %

The Company was incorporated in Pasistan on January 31, 1988 as a Public Limited Company. Its shares are quoted on Pakistan Stock (Schanges Limited. The registered office of the Company is situated at 7/1, E-III, Main Baulavard Company is engaged in the business of textile spinning.

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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 accomplated losses should Rs. 70033 million (June 30, 2018: 689.649 million), its current habilities exceed its current assets by Rs. 831.426 million but June 30, 2018: 48, 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 uncertainly relating to the Company's operation that may cast sufficient tout in the discharge of its liabilities in the purpol 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 this purpose succession of the second secon bas drawn up plans which includes

The Government has announced subsidized energy prices for textile industry Les alconacity will be provided a 7.5.115 Cents per MVH Marcers 6.5 US\$ per MMBTU will be charged for suites consumption. As a result, it is experted the our energy cost will reduced by 20% with aspect to previous period. Reduction in electricity lagiff will, not only assist in fulfilling the working and all requirements but also result to operating profitability of the Company.

The Digretor's loan amounting to its 3607/384 million has been converted into paid up share capital with the approval of The Digretor's loan amounting to its 307,388 million has been converted into pald up share capital your up and of the Company and will radiltate future business prospectus in the top of the company and will radiltate future business prospectus in the top of the company and will radiltate future business prospectus in the top of the company and will radiltate future business prospectus in the top of the company and will radiltate future business prospectus in the top of the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and will radiltate future business prospectus in the company and the company and the company and the company are company and the company and the company and the company are company are company and the company are company and the company are company are company and the company are company and the company are company are company are company and the company are company are company are company are company are company are company and company are company

obtaining fresh working capital facilities from the banks.

The management is getting its efforts on product diversification which will enhance its sales revenue. The management is the facusing to enhance productive efficiency gloss with quality of its products, which will lead to sustainable operating profitability for the Company.

Local yarn market shown positive indicators, i.e. an ippyard trend is reflected in the yarn's selling prices the

management has planned to capture this opportunity by production of high quality van having better margin prospectus. With the improvement in general economic conditions management is optimistic that existing raw material prospectus. With the improvement in general economic conditions management is optimistic that existing raw material prices will be able to account production cost to overcome current deficit.

The management selforts are very povious to make the Company a going concern and in view of the spore the financial statements has been prepared on some concern.

statements has been prepared on going concern. A valahir k

Note 2 Basis of Preparation

Substraint of compliance
These condensed interim thandal statements has been prepared in accordance with the accounting and reporting These condenses applicable in Pakistan for interim financial reporting.

In Pakistan for manimum financial reporting comprise.

In Pakistan for manimum financial reporting comprise.

International Accounting Standard (IAS) 1s, Interim Financial Reporting, Issued by the International Accounting Reporting (IASB) as notified under the Companies Act, 2017; and these concerses anterim maintar acatements the second in and reporting standards as applicable in Pakistandor interim financial reporting, the accounting and reporting standards as applicable in Pakistan for informatinancial reputing Standards (IAS) 34, Interim Financial Reporting, Standards Board (IASB) as notified under the Companies Act, 2017, and Standards Roard (IASB) as notified under the Companies Act, 2017

Standard Board (IASB) as notified unused up.

Provisions of animographies issued under the Companies Acts 2017.

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Notes to and Forming Part of the Financial Statements

Where provisions of and directives assued under the Campanies Act, 2017 differ with the requirements of IAS 34, the si sa ai s

- provisions of and directives issued under the Companies Act, 2017 have been followed.

 2.2 These concensed inform financial statements are unjudited and have been subjected to limited scope review by the auditors as required by Section 237 of the Companies Act, 2017. The lightes for the quarters ended on December 31, 2017 and 2019 presented in the condensed financial statements have not been reviewed by the external auditors. 2017 and wife present to the second to the cial statement. teviewed by American American
 - 2.3 These condensed intering financial statements are presented in Pak represented in Pak presentation currency.

 Appropriate statements and therefore, should be reasonable for the year ended June 30, 2018? figure as statements and therefore, should be read fig-conjunction with the annual fleancial statements of the Company ion with the life of the life

Note 3

The accounting pencies and methods of computation of the interim timestal temperature of the preceding year ended June 30, 2018. The accounting policies and methods of computation of the interim linear alterior mation are the same as those followed in the floancial museum in the second Prepared and the second of the

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Accounting Estimates and Judgment's

The accounting estimates and associated assumptions used in preparation of this condensed interior (mancial information are The accounting estimates and associated assumptions used in preparation of this condensed interim unantial automatical statement of the Company Limited for the year erided June 10:2018.

Note 5. Consistent was a second of the applied in the Parks of the Par

Loan from Directors

Viran Rupos Un-audited Audited Rupees 807/381/<u>000</u> s

The director of the Company had advanced loan in previous years to meet working capital requirements. To keep the Company going person 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 46.5 per share by way of stores. otherwise than right under section 83 of Companies Air, 2017. Buring the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to following the current period shares have been assisted to follow the current period shares have been assisted to follow the current period shares have been assisted to follow the current period shares have been assisted to follow the current period shares have been assisted to follow the current period shares and the current period shares are considered to the current period shares as the current period shares are considered to the current period shares are conside

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There is no other significant change in the contingencies and commitments os statements for the year ended June 36, 2018 There is no other significant change in the contingenties and commitments as reported in the last published audited financial. There is no other statements for the year ended run. 36, 2018.

CHAKWAL SPINNING MILLS LIMITED CHARWAL SPINNING MILLS LIMITED

Notes to and Forming Partief the Financial Statements

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Note 8 111	148° 148 - 141 - 151 - 1				#4 acce	and the second	
Transactions with	Related Parties	Pitaa 🚜	79. N 1. N 1. N 1.				7 / L. T
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Note 8 Transactions with Related Parties

The related parties and associated undertakings complise related group companys, associated companies, directors and key management personnel. Transactions with related parties and aspectated undertakings, other than reininecation and benefits to key makagement gersonnel under the term of their employment are as follows:

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Significant transaction with related parties are as follows: Significant transaction with the second state of the second secon

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The second of th Financial Risk management objectives and policies are consistent with those disclosed in the addited annual time formation and the company's financial risk management objectives and policies are consistent with those disclosed in the addited annual time. The Company's financial fisk maragement objectives and concres are consistent and published financial statements of the Company for the year ended time 20, 2018 financia successiva de la constantia del constantia del constantia del constantia del constantia del constan the year end. Note: 101

General General

Karaka Kaping

10.1 This interim financial information is authorized for issue or february 28. 2019 by the board of three company. information is autoco. Company

10.2 Corresponding figures have been recurrent.

has been made during the period. A Made viu ma

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