

CHAKWAL SPINNING MILLS LTD

FOR THE HALF YEARLY

DECEMBER 31, 2020

Director's Report to the Members

The Directors of the company are pleased to present the half early un-audited accounts for the period ended December 20, 2020.

The Directors of the company regret for the late submission of accounts and in order to regularize the compliance requirements of law have decided to submit the account to it members accordingly. The accounts for the subsequent periods up to March 31, 2022 have already been approved by the board and submitted accordingly. The Board has made it compulsory to meet the compliance requirements at every cost without any delay. The board made it confirm that inshallah all accounts will be submitted timely in future.

The financial results merely reflect the transaction have to be accounted for as required by IFRS and the provisions of companies Act 2017. The operation of the company remain suspended during the period and financial results mainly comprises the administrative and financial and depreciation. The directors are working on revival plan to put the company on stream of operation on consistent basis. The management of the company is making every possible effort to resume the operation of the company. The adverse opinion in the auditor's review report is same as given on Auditor's report for the year ended June 30, 2020. The reply to auditor's adverse opinion should be read in conjunction with the financial statements for the year ended June 30, 2021 where it has been adequately explained and replied.

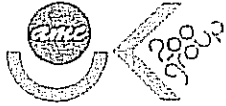
The directors of the company pay special thanks to its members employees and other peoples engaged with the company for their continued support and prayers in the difficult time.

For and on behalf of the Board



Khawaja Mohammad Jawed
Chairman

May 26, 2022



Aslam Malik & Co.
Chartered Accountants
building better together (Est.1971)

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INDEPENDENT REVIEWOR'S 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, 2020 and the related condensed interim statement of profit or loss, the condensed interim statement of 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-months period then ended (here-in-after referred to as the "condensed 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 condensed interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss, the condensed interim statement of other comprehensive income for the quarters ended December, 31 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2020.

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 Reviewer of the Entity". A review of condensed 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 review conducted in accordance with International Standards on Reviewing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an review. Accordingly, we do not express an review opinion.

Basis for Adverse Conclusions

- a) At the reporting date, the Company's accumulated losses stand at RS. 806,417 million (2019: Rs. 784,260 million) and its current liabilities exceed its current assets by Rupees 834,493 million (2019: 833.034 million). This situation may be further deteriorated if the possible effects of matter discussed in paragraph (a) to (d) above all accounted for in the financial statements. The Company has also suspended its operations since March 2020. Further, the financial results show adverse key financial ratios and the company's court cases are decreed in favour of the banking companies, due to its inability to comply with loan agreements. The company is also unable to pay short term financing from banking companies amounting to Rs. 450.957 million and the related finance cost. Liabilities against assets subject to finance lease along with the finance cost, if the execution applications filed by the banking companies are decided by the courts. At present, there is no formal approved business plan for future periods.

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These conditions and events indicate material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. These conditions lead us to believe that the going concern assumption used in preparation of these financial statements is inappropriate; consequently, in our conclusion, the company cannot be considered to be a going concern and thus the preparation of these financial statements on a going concern basis is inappropriate. In our conclusion, the financial statements should reflect adjustments to reduce the value of assets to their recoverable amount and to provide any further liabilities that may arise. These adjustments are likely to be substantial, and in view of further qualifications discussed in paragraphs (b) to (e) above we are unable to determine the quantum of the required adjustments and provisions with a reasonable degree of accuracy.

- b) As set out in note 6 to the financial statements, the company holds property, plant and equipment with reported carrying value of Rs. 778.653 million which is substantial portion of the financial position. These assets are measured at cost less accumulated depreciation and impairment losses.
- c) The company is in litigation with the banking companies. The company had not worked out and provided the amount of mark-up on the short term borrowings in these financial statements for the year ended December 31, 2021. Based on available underlying records, unavailability of facility letter and non-confirmation of mark-up balances from banking companies, we were unable to determine with reasonable accuracy the impact on these financial statements of any disagreement with Banks.
- d) Gratuity payable amounting to Rs. 6,382,803 stated in the financial statements. We had not been provided by the actuarial valuation by the management. Further we have not been provided with sufficient information and explanations to assess whether any actuarial adjustments in value should be recognised in respect of the above-mentioned gratuity amount.
- e) Unclaimed dividend of Rs. 384,347 (overdue) of previous years has not been deposited into the government treasury nor has any notification been issued to shareholders.

As per ISRE as applicable in Pakistan, there is an indication of Impairment. Because the company has not determined the recoverable amount of the relevant assets, we are unable to determine whether the carrying value of these assets should be reduced and a corresponding impairment expense recognised. Consequently, in the absence of recoverable amount of property plant and equipment at the reporting date we were unable to quantify the impact with reasonable accuracy on these financial statements.

Adverse Conclusions

Our review indicates that, because of the significance of the matters discussed in the basis of adverse section of our review report (a) to (e), this interim financial information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017).

The engagement partner on the review resulting in this independent review' report is Haliz Muhammad Ahmad Saleem.



(Aslam Malik & Co.)
Chartered Accountants

Place: Lahore
Date: April 18, 2022



CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	December 31, 2020 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
CAPITAL AND LIABILITIES		
Share Capital and Reserves		
Authorized share capital 140,000,000 (2020: 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	607,881,000
Loan from directors	42,375,000	42,375,000
Accumulated loss	(806,216,750)	(784,259,887)
Surplus on revaluation of property, plant & equipment	128,873,853	131,310,019
	(27,086,897)	(2,693,868)
Non Current Liabilities		
Deferred liabilities		
Current Liabilities		
Trade and other payables	288,818,170	329,412,646
Accrued mark- up	67,778,697	67,778,697
Short term borrowings	467,262,577	426,043,089
Current portion of non current liabilities	37,742,792	37,742,792
Unclaimed dividend	384,347	384,347
Provision for taxation	10,232,349	10,232,349
	872,218,932	871,593,920
Contingencies and Commitments	5	-
	845,132,035	868,900,052
ASSETS		
Non Current Assets		
Property, plant and equipment	778,653,441	801,787,161
Long term loans	712,766	712,766
Long term deposits	27,839,744	27,839,744
	807,205,951	830,339,671
Current Assets		
Stores and spares	-	-
Stock in trade	-	-
Trade debts	324,607	933,497
Loans and advances	4,346,292	4,346,292
Tax refunds due from the government	23,880,927	23,880,927
Trade deposits, prepayments and other receivables	9,322,935	9,357,935
Cash and bank balances	51,323	41,730
	37,926,084	38,560,381
	845,132,035	868,900,052

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 AND LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (Un-audited)

	Half Year Ended		Quarter Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees	Rupees	Rupees	Rupees
Sales	-	149,535,879	-	76,901,086
Cost of sales	(22,892,128)	(236,311,309)	(11,446,064)	(149,971,004)
Gross Loss	(22,892,128)	(86,775,430)	(11,446,064)	(73,069,918)
Distribution cost	-	(1,954,118)	-	(850,634)
Administrative expenses	(1,490,659)	(24,572,051)	(494,707)	(8,694,922)
	(1,490,659)	(26,526,169)	(494,707)	(9,545,556)
Operating Loss	(24,382,787)	(113,301,599)	(11,940,771)	(82,615,474)
Finance cost	(10,242)	(2,116,009)	(2,367)	(1,045,920)
Loss before Taxation	(24,393,029)	(115,417,608)	(11,943,138)	(83,661,394)
Taxation	-	(2,210,021)	-	(1,120,499)
Net loss for the period	(24,393,029)	(117,627,629)	(11,943,138)	(84,781,893)
Loss per Share - Basic & Diluted	(0.20)	(0.27)	(0.07)	(0.27)

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

CHIEF EXECUTIVE OFFICER

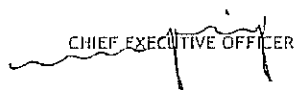
DIRECTOR

CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (Un-audited)

	Half Year Ended		Quarter Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees	Rupees	Rupees	Rupees
Net loss for the period	(24,393,029)	(117,627,629)	(11,943,138)	(84,781,893)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(24,393,029)	(117,627,629)	(11,943,138)	(84,781,893)

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


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

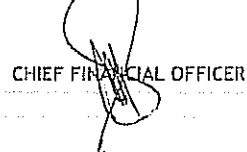
CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (Un-audited)

	Half Year ended	
	December 31, 2020	December 31, 2019
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(24,393,029)	(115,417,608)
Adjustments for:		
- Depreciation	23,133,720	24,974,451
- Provision for gratuity	-	1,075,210
- Finance cost	10,242	2,116,009
	<u>23,143,962</u>	<u>28,165,670</u>
Operating loss before working capital changes	(1,249,067)	(87,251,938)
(Increase) / decrease in current assets		
- Stores and spares	-	36,141
- Stock in trade	-	(120,899,628)
- Trade debts	608,890	6,567,322
- Loans and advances	-	(296,764)
- Tax refunds due from the government	-	(40,917,301)
- Trade deposits, prepayments and other receivables	35,000	-
Increase / (decrease) in current liabilities		
- Trade and other payables	(40,594,629)	246,012,357
	<u>(39,950,739)</u>	<u>90,502,127</u>
Cash used in operations	(41,199,806)	3,250,189
Finance cost paid	(10,089)	(66,502)
Income tax paid	-	(18,365)
Net cash used in operating activities	(41,209,895)	3,165,322
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	-	-
Net Cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	41,219,488	(2,434,254)
Net Cash generated from financing activities	41,219,488	(2,434,254)
Net (decrease) / increase in cash and cash equivalents	9,593	731,068
Cash and cash equivalents at the beginning of the period	41,730	377,030
	<u>51,323</u>	<u>1,108,098</u>

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

CHIEF EXECUTIVE

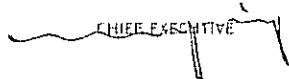

DIRECTOR


CHIEF FINANCIAL OFFICER


CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (Un-audited)

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, 2019	607,881,000	(739,172,120)	42,375,000	136,695,748	47,779,628
Net loss for the period	-	(32,845,736)	-	-	(32,845,736)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	942,503	-	(942,503)	-
Balance as at december 31, 2019	<u>607,881,000</u>	<u>(771,075,353)</u>	<u>42,375,000</u>	<u>135,753,245</u>	<u>14,933,892</u>
Balance as at July 01, 2020	607,881,000	(784,259,887)	42,375,000	131,110,019	(2,693,868)
Net loss for the period	-	(24,393,029)	-	-	(24,393,029)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	2,436,166	-	(2,436,166)	-
Balance as at December 31, 2020	<u>607,881,000</u>	<u>(806,216,750)</u>	<u>42,375,000</u>	<u>128,673,853</u>	<u>(27,086,897)</u>

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

CHIEF EXECUTIVE


CHIEF DIRECTOR


CHIEF FINANCIAL OFFICER


CHAKWAL SPINNING MILLS LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED DECEMBER 31, 2020 (Un-audited)

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-Kin, Multan Road, Bhal 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, 2020.
- 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, 2020.

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, 2020.

Note 5**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, 2020.

Note 6 Property, Plant and Equipment	Half year Ended Dec 31, 2020 (Un-audited) Rupees	Year Ended June 30, 2020 (Audited) Rupees
	Operating fixed assets	778,653,441
Opening written down value	801,787,161	851,736,064
Addition during the period / year (at cost)	-	-
Revaluation adjustment	-	-
Disposal during the period / year (written down value)	-	-
Depreciation charge for the period / year	801,787,161	851,736,064
Closing written down value	(23,133,720)	(49,948,903)
	778,653,441	801,787,161

Note 7
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, 2020 (Un-audited) Rs. In '000'	Dec 31, 2019 (Un-audited) Rs. In '000'
Significant transaction with related parties are as follows:		
• Loan repaid to directors - net	41,219	(822)

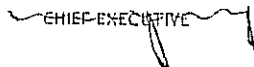
Note 8
Financial Risk Management

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, 2020.

Note 9
General

10.1 This interim financial information is authorized for issue on May 26, 2022 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


DIRECTOR


CHIEF FINANCIAL OFFICER
