



Chakwal Spinning Mills Limited



QUARTERLY REPORT
UN-AUDITED
For the 1st Quarter Ended
September 30, 2016

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Company Information

BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Kaleem	(Executive Director)
Khawaja Mohammad Jawed	(Non-Executive Director)
Khawaja Mohammad Tanveer	(Non-Executive Director)
Khawaja Mohammad Nadeem	(Non-Executive Director)
Mr. Mohammad Naveed	(Non-Executive Director)
Mr. Mohammad Hamza Yousaf	(Non-Executive Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Naveed	(Chairman)
Khawaja Mohammad Javed	(Member)
Mr. Mohammad Hamza Yousaf	(Member)
Mr. Mohammad Tariq Sufi	(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 Metro Bank Limited
 Allied Bank of Pakistan
 MCB Bank Limited
 The Bank of Punjab
 Meezan Bank Limited

AUDITORS

H.A.M.D & Co.
 Chartered Accountants
 Office No. 01, 2nd floor, Diamond Tower,
 Liberty Market, Opposite LDA Parking Plaza,
 Near Capri Cinema, Lahore, Pakistan.

CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore
 Tel : (042) 35717510
 Fax : (042) 35757105

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 : (0494) 540084-86

DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the board of directors of the company, I present before you un-audited condensed interim financial statements for the quarter ended September 30, 2016.

During the quarter under review, the company earned a net loss of Rs.68.799 million compared to a net loss of Rs.39.206 million for the corresponding quarter last year. The increase in loss was mainly due to lower sale which dropped by Rs.178.065 million (43.37%) compared to corresponding quarter last year. The drastic decrease in sales was due to unfavorable export market due to long recession worldwide, supplies at lower rates by exporters of India and sluggish local yarn market as well. Other factors contributed in increasing loss of the company were sever power crises, high tariff energy cost, dumping of Indian yarn at low prices, instable economic policies and business conditions, unfavorable textile policy which severely affected the textile particularly spinning industry resulting the company had to curtail the operation at almost 60% production capacity. However, all other expenses were kept under control and no major deviation has noted.

Spinning industry which is the core industry of the country is striving hard for its survival and due to unfavorable textile policy of the Government is not in a position to compete in international market resulting overall export of the country has declined substantially which consists of major portion of yarn export. We stress that Government must envisage the situation and come forward to save and revive the industry by announcing the relief package for textile as promised.

However, the directors of the company will continue their strenuous efforts by taking each and every necessary step to make the company profitable including fresh injection of funds and hope that they will overcome the current situation shortly.

The board of directors appreciates continued support of its bankers, creditors and stake holders in addition to dedication and hard work of all the employees of the company.

For and on behalf of the Board

Lahore:
December 30, 2016

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2016 کے اختتام شدہ سہ ماہی کی مدت کے لئے کیٹیف شدہ، غیر جانچ شدہ حسابات پیش کرتا ہوں۔

زیر جائزہ سہ ماہی کے دوران کمپنی کو پچھلے سال کے اسی عرصہ کے دوران 39.206 ملین روپے کے نقصان کے مقابلے میں 68.799 ملین روپے کا نقصان ہوا۔ نقصان میں اضافے کی وجہ پچھلے سال اسی سہ ماہی کے مقابلے میں سیلز میں 178.065 ملین روپے (43.37%) کمی بنی۔ سیلز میں شدید کمی کی بنیادی وجہ بین الاقوامی مارکیٹ میں لمبے عرصے سے مراجعت کی وجہ سے غیر موافق برآمدی منڈی، ہندوستانی برآمد کنندگان کی جانب سے سستے ریٹ پر سپلائی کے ساتھ ساتھ دھاگے کی سست و رومقامی منڈی ہے۔ دیگر عوامل جو کمپنی کے نقصان میں اضافے کی وجہ بنے ان میں شدید توانائی بحران، زیادہ قیمت والی توانائی، ہندوستانی دھاگے کی سستے داموں دستیابی، غیر مستحکم معاشی پالیسیاں اور کاروباری حالات، غیر موافق ٹیکسٹائل پالیسی جس نے ٹیکسٹائل بالخصوص سپننگ انڈسٹری کو بری طرح متاثر کیا نتیجے کے طور پر کمپنی کو اپنی پیداواری استعداد 60% تک محدود کرنا پڑا۔ حالانکہ باقی تمام اخراجات مکمل قابو میں رہے اور کوئی بڑا انحراف دیکھنے میں نہیں آیا۔

سپننگ انڈسٹری جو کہ ملک کی بنیادی انڈسٹری ہے اپنے احياء کے لئے بھرپور کوشش کر رہی ہے اور گورنمنٹ کی غیر موافق ٹیکسٹائل پالیسی کی وجہ سے اس پوزیشن میں نہیں کہ وہ بین الاقوامی منڈی میں مقابلہ کر سکے جس کے نتیجے میں مجموعی ملکی برآمد میں خاصی حد تک کمی واقع ہوئی ہے جس میں زیادہ تر حصہ دھاگے کا ہے۔ ہم حکومت پر زور دیتے ہیں کہ وہ انڈسٹری کو بچانے اور بحالی کے لئے صورت حال کو بھانپنے، آگے بڑھے اور جس مرعاتی چیک کا وعدہ کیا ہوا ہے کا اعلان کرے۔

بہر کیف کمپنی کے ڈائریکٹران کمپنی کو منافع بخش بنانے کے لئے ہر ضروری قدم اٹھاتے ہوئے اپنی سرگرم کوششیں جاری رکھیں گے جس میں مزید سرمائے کا لگانا بھی شامل ہے اور امید کرتے ہیں کہ صورت حال پر جلد قابو پائیں گے۔

بورڈ آف ڈائریکٹرز، بینکرز، قرض خواہوں، دیگر متعلقین کی مزید برآں اپنے ملازمین کی لگن اور محنت کی قدر کرتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

خواجہ محمد جہانگیر

لاہور

چیف ایگزیکٹو

دسمبر 30، 2016

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2016

	UN-AUDITED September 30, 2016	AUDITED June 30, 2016
	Rupees in thousand	
SHARE CAPITAL AND RESERVES		
Authorised Capital		
100,000,000 (June30,2016: 100,000,000 of Rs 5/-each) ordinary shares of Rs.5 each	500,000	500,000
Issued, subscribed and paid up share capital	200,000	200,000
Laon from Directors (subordinated	271,256	271,256
Accumulated Loss	(316,845)	(249,314)
	154,411	221,942
Surplus on revaluation of property, plant and equipment	174,060	175,803
Non Current Liabilities		
Liabilities Against Asset Subject to Finance Lease	-	-
Deferred liabilities	70,159	70,303
	70,159	70,303
Current Liabilities		
Trade and other payables	460,766	529,973
Accrued interest on short term borrowings	11,668	6,240
Short term borrowings	476,417	461,681
Current portion of non current liabilities	5,734	6,800
Provision for taxation	11,589	9,263
	966,174	1,013,957
Contingencies and Commitments		
	-	-
	1,364,804	1,482,005
Non Current Assets		
Property, plant and equipment	1,027,815	1,043,625
Capital work in progress	1,260	1,260
Long term loans	6,085	6,151
Long term deposits	8,297	8,297
	1,043,457	1,059,333
Current Assets		
Stores and spares	9,136	8,477
Stock-in-trade	89,516	133,051
Trade debts	25,628	109,817
Loan and advances	190,472	168,619
Trade deposits, short term prepayments and other receivables	3,940	967
Cash and bank balances	2,655	1,741
	321,347	422,672
	1,364,804	1,482,005

The annexed notes form an integral part of these accounts.

Lahore: (Khawaja Mohammad Jahangir)
December 30, 2016 Chief Executive

(Khawaja Mohammad Kaleem)
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Quarter ended September 30 2016	Quarter ended September 30 2015
	(Rupees in thousand)	
Sales	232,554	410,619
Cost of Sales	(283,788)	(413,614)
Gross Loss	(51,234)	(2,995)
Distribution cost	(53)	(7,582)
Administrative expenses	(9,351)	(16,060)
	(9,404)	(23,642)
Opertaing Loss	(60,638)	(26,637)
Finance cost	(6,310)	(8,646)
Other operating expenses	-	(261)
Loss before taxation	(66,948)	(35,544)
Taxation	(1,851)	(3,662)
Loss after taxation	(68,799)	(39,206)
Earning / (Loss) per share - Basic	(1.72)	(0.98)

The annexed notes form an integral part of these accounts.

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Quarter ended September 30 2016	Quarter ended September 30 2015
	(Rupees in thousand)	
Loss after taxation	(68,799)	(39,206)
Other comprehensive income for the period	-	-
	<u>(68,799)</u>	<u>(39,206)</u>

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	September 30 2016	September 30 2015
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(66,948)	(35,544)
Adjustments for:		
Depreciation	15,832	18,459
Gratuity	1,500	2,500
Finance cost	6,310	8,646
Operating loss before working capital changes	(43,306)	(5,939)
(Increase)/decrease in current assets		
- Stores and spares	(659)	(251)
- Stock-in-trade	43,535	54,224
- Trade debts	84,189	(41,205)
- Loan and advances	(21,658)	10,426
- Trade deposits, short term prepayments and other receivables	(2,973)	(7,945)
Increase/(decrease) in current liabilities		
- Trade and other payables	(69,207)	(9,994)
	33,227	5,255
Cash used in operations	(10,079)	(684)
Finance cost paid	(881)	(10,183)
Gratuity paid	(1,644)	(1,277)
Income tax paid	(195)	(2,568)
Net Cash used in Operating Activities	(12,799)	(14,712)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22)	-
Long term deposit	66	1,325
Net Cash from Investing Activities	44	1,325
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	(1,067)	(1,450)
Short term borrowing	14,736	12,684
Net Cash from Financing Activities	13,669	11,234
Net Increase / (Decrease) in Cash and Cash Equivalent	914	(2,153)
Cash and cash equivalent at the beginning of the period	1,741	3,941
CASH AND CASH EQUIVLANT AT THE END OF THE PERIOD	2,655	1,788

The annexed notes form an integral part of these accounts.

Lahore: (Khawaja Mohammad Jahangir)
December 30, 2016 Chief Executive

(Khawaja Mohammad Kaleem)
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Share Capital Paid up	Accumulated (Loss) / Profit	Loan From Directors	Total
(Rupees in thousand)				
Restated Balance as at July 01, 2015	200,000	78,862	271,256	550,118
Total comprehensive income for the Quarter ended Sep 30, 2015		(39,206)		(39,206)
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to Current period - net of deferred tax		746		746
Balance as at September 30, 2015	200,000	40,402	271,256	511,658
Total comprehensive income for the Nine months ended June 30, 2016		(295,018)		(295,018)
Remeasurment of net defined benefit liability		(511)		(511)
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to Current period - net of deferred tax		5,813		5,813
Balance as at July 01, 2016	200,000	(249,314)	271,256	221,942
Total comprehensive income for the Quarter ended Sep 30, 2016		(68,799)		(68,799)
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to Current period - net of deferred tax		1,268		1,268
Balance as at September 30, 2016	200,000	(316,845)	271,256	154,411

The annexed notes form an integral part of these accounts.

Lahore:
December 30, 2016

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 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 Pakistan Stock Exchange. The Company is engaged in the business of textile spinning. Corporate and Registered office of the company is situated at 7/1 E III, Main Boulevard, Gulberg III, Lahore.

2 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standard. IAS 34 "Interim Financial Reporting". These Financial Statement are unaudited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

3 Significant Accounting Policies

The accounting policies and methods of computation of the interim financial statements are the same as those followed in the preparation of annual financial statements for the year ended, June 30, 2016.

4 Issued, Subscribed and Paid up Capital

40,000,000 (June 30, 2016: 40,000,000) ordinary shares of Rupees 5/- each.

Sep. 30, 2016 Un-audited (Rupees in thousand)	June 30, 2016 Audited
200,000	200,000

5 Long Term Loans

These loans are unsecured and interest free provided by the directors. These loans are subordinated to Habib Metropolitan Bank Ltd and The Bank of Punjab.

6 Contingencies and commitments

Contingencies

There is no material change in the status of contingencies in the financial statements for the preceding financial year ended June 30, 2016.

Commitments

Commitments in respect of letter of credit for raw materials amounting to Rs Nil (June 30, 2016 : Rs Nil).

7 Property, Plant and Equipment

	Sep. 30, 2016 Un-audited (Rupees in thousand)	June 30, 2016 Audited
Operating assets		
Opening written down value	1,043,625	1,126,706
Addition during the period	22	571
	<u>1,043,647</u>	<u>1,127,277</u>
Transfer/Adjustment	-	-
Deletion during the period	-	(13,805)
	<u>1,043,647</u>	<u>1,113,472</u>
Transfer/Adjustment		-
Depreciation charged during the period	(15,560)	(68,700)
	<u>1,028,087</u>	<u>1,044,772</u>
Leased Assets		
Depreciation charged during the period	(272)	(1,147)
	<u>1,027,815</u>	<u>1,043,625</u>

8 Capital Work in Progress-Building

	Sep. 30, 2016 Un-audited (Rupees in thousand)	June 30, 2016 Audited
Opening balance	1,260	802
Addition during the period	-	458
Less Transfer	-	-
	<u>1,260</u>	<u>1,260</u>

9 Earning per Share

	Sep. 30, 2016 Un-audited (Rupees in thousand)	Sep. 30, 2015 Un-audited
Basic		
Loss after Taxation	(68,799)	(39,206)
Weighted average number of shares	40,000,000	40,000,000
Earning / (Loss) per share - basic	(1.72)	(0.98)

No figure for diluted 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.

10 Transactions with related parties

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

	Sep. 30, 2016 Un-audited	June 30, 2016 Audited
	(Rupees in thousand)	
Purchase of raw materials from associates		
Chakwal Textile Mills Limited	14,888	28,470
Kohinoor Spinning Mills Limited	-	741
Sales of goods to associates		
Chakwal Textile Mills Limited	-	4,635
Short term funds repaid to / (received from) directors	(5,692)	(42,714)

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

11 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, 2016.

There has been no change in Company's sensitivity to these risks since June 30, 2016 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, 2016.

12 General

Figures have been rounded off to the nearest thousand rupees. The financial statements were authorized for issue on December 30, 2016.

Lahore:
December 30, 2016

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director