

**QUARTERLY REPORT**  
UN-AUDITED  
For the 3rd Quarter Ended  
**March 31, 2019**



**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)
Sheikh Maqbool Ahmed	(Independent 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)

### 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 nine months ended March 31, 2019.

During the period under review, the Company incurred a gross loss of Rs. 26.951 million as compared to gross loss of 47.300 million in the corresponding period. The Company incurred a net loss for the period of Rs. 88.084 million as compares to loss of Rs. 73.467 million during the last period. The Company has been able to revive its business operations since April 01, 2018 and made sales amounting to Rs. 786.837 million but high cost of energy and drastic devaluation of Pak Rupee against US \$ spoil management's efforts to achieve operating profitability.

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, not only the capital worth of the Company but also strengthen the confidence to creditors, shareholders and other stakeholders of the Company.

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 in the up-coming period.

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.

For and on behalf of the Board of Directors

Lahore  
April 30, 2019

(Khawaja Mohammad Jawed)  
Chairman

(Khawaja Mohammad Jahangir)  
Chief Executive Officer

## ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 مارچ 2019 پر اختتام شدہ، نومبر کی رپورٹ بشمول کثیف عبوری غیر جانچ شدہ حسابات پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔

زیر جائزہ مدت کے دوران کمپنی کو پچھلے سال اسی عرصے کے 47.300 ملین روپے مجموعی خسارے کے مقابلے میں اس سال 26.951 ملین روپے مجموعی خسارہ ہوا ہے۔ کمپنی کو پچھلے سال کے اسی دورانے کے 73.467 ملین روپے خالص خسارے کے مقابلے میں اس سال کے نومبر کے دوران 88.084 ملین روپے خالص خسارہ ہوا ہے۔ کمپنی اپنے کاروبار کو 1 اپریل 2018 سے دوبارہ شروع کرنے کے قابل ہو چکی ہے اور اس نے 786.837 ملین روپے کی فروخت کی ہے مگر توانائی کی زیادہ لاگت اور یو ایس ڈالر کے مقابلے میں روپے کی خاطر خواہ کی منتظمتیں کی منافع دلانے کی تمام کوششوں کو ڈائل کر دیا ہے۔

گورنمنٹ نے ٹیکسٹائل کے شعبے کی موجودہ صورت حال کو بہتر کرنے کے لیے اقدامات اٹھائے ہیں اور توانائی کی رعایتی قیمتوں کا اعلان کیا ہے۔ اس سلسلے میں بجلی 7.5 یو ایس سینٹ فی KWH کے حساب سے اور سوئی گیس 6.5 یو ایس ڈالر فی MMBTU کے حساب سے دی جائے گی جس سے ہماری لاگت میں 20 فیصد کمی آنے کی توقع ہے۔

موجودہ دورانیے میں 407.881 ملین روپے کے ڈائریکٹرز کے قرضے کو SECP کی اجازت سے پیڈ اپ کیٹیبل میں بدلا گیا ہے۔ اس سے کمپنی کی نہ صرف مالی وقعت بڑھے گی بلکہ اس سے قرض خواہوں، حصہ داران اور دوسرے متعلقہ لوگوں کا کمپنی پر اعتبار بھی بڑھے گا۔

گذشتہ سہ ماہی میں دھماگے کی منڈی میں قیمت فروخت میں بہتری دیکھنے میں آئی ہے۔ کمپنی کے منتظمتیں پر امید ہیں کہ یہ صورت حال کمپنی کے لئے فائدہ مند ہوگی اور ہمارا منافع اور مالی بہاؤ کی صورت حال آنے والے دورانیے میں بہتر ہو جائے گی۔

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

بورڈ آف ڈائریکٹرز کی طرف سے

خواجہ محمد جہانگیر  
چیف ایگزیکٹو آفیسر

خواجہ محمد جاوید  
چیمبر مین

لاہور

تاریخ: 30 اپریل 2019

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)  
AS AT MARCH 31, 2019**

	Notes	March 31, 2019 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized share capital 140,000,000 (2018: 140,000,000) ordinary shares of Rs. 5 each		<u>700,000,000</u>	<u>700,000,000</u>
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		(775,912,587)	(689,648,887)
Surplus on revaluation of property, plant and equipment		138,977,817	140,797,695
		13,321,230	101,404,808
<b>Non Current Liabilities</b>			
Liabilities against asset subject to finance lease		-	-
Deferred liabilities		31,143,838	31,143,838
<b>Current Liabilities</b>			
Trade and other payables		438,482,734	432,232,519
Unclaimed dividend		384,347	384,347
Accrued mark- up		90,995,812	64,456,647
Short term borrowings		439,945,772	390,593,909
Current portion of non current liabilities		2,366,318	2,366,318
Provision for taxation		17,869,581	8,034,121
		990,044,564	898,067,861
Contingencies and Commitments	6	-	-
		<u>1,034,509,632</u>	<u>1,030,616,507</u>

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)  
AS AT MARCH 31, 2019**

	Note	March 31, 2019 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	7	865,229,073	905,708,090
Long term loans		5,844,037	5,065,431
Long term deposits		27,832,744	8,304,191
		898,905,854	919,077,712
<b>Current Assets</b>			
Stores and spares		8,620,771	8,288,944
Stock in trade		15,810,896	20,499,748
Trade debts		21,288,770	16,373,677
Loans and advances		47,746,656	21,769,816
Tax refunds due from the government		38,772,984	43,100,960
Trade deposits, prepayments and other receivables		508,772	501,772
Cash and bank balances		2,854,929	1,003,878
		135,603,778	111,538,795
		<u>1,034,509,632</u>	<u>1,030,616,507</u>

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

Lahore  
April 30, 2019

(Khawaja Mohammad Jahangir)  
Chief Executive Officer

(Khawaja Mohammad Kaleem)  
Director

(Abdul Hye Khan Ghouri)  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine Months Ended March 31, 2019	Nine Months Ended March 31, 2018	Quarter Ended March 31, 2019	Quarter Ended March 31, 2018
	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees
Sales	786,836,812	-	281,055,019	-
Cost of sales	(813,787,623)	(47,300,107)	(295,422,630)	(15,438,107)
Gross Loss	(26,950,811)	(47,300,107)	(14,367,611)	(15,438,107)
Distribution cost	(4,754,077)	-	(1,486,663)	-
Administrative expenses	(21,571,723)	(13,908,466)	(6,743,422)	(2,626,466)
Operating Loss	(26,325,800)	(13,908,466)	(8,230,085)	(2,626,466)
	(53,276,611)	(61,208,573)	(22,597,696)	(18,064,573)
Other operating expenses	-	(100,000)	-	-
Finance cost	(26,754,275)	(21,070,327)	(10,956,523)	(6,857,327)
Other operating income	1,782,768	7,500,000	579,432	4,500,000
Loss before Taxation	(78,248,118)	(74,878,900)	(32,974,787)	(20,421,900)
Taxation	(9,835,460)	1,411,500	(3,513,188)	470,500
Loss for the period	(88,083,578)	(73,467,400)	(36,487,975)	(19,951,400)
Loss per Share - Basic & Diluted	(0.72)	(1.47)	(0.30)	(0.40)

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

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine Months Ended		Quarter Ended	
	Mar. 31, 2019	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2018
	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees	(Un-audited) Rupees
Loss for the period	(88,083,578)	(73,467,400)	(36,487,975)	(19,951,400)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	<u>(88,083,578)</u>	<u>(73,467,400)</u>	<u>(36,487,975)</u>	<u>(19,951,400)</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 NINE MONTHS ENDED MARCH 31, 2019**

	Nine Months Ended March 31, 2019	Nine Months Ended March 31, 2018
	(Un-audited) Rupees	(Un-audited) Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(78,248,118)	(74,878,900)
Adjustments for:		
- Depreciation	40,479,017	46,786,296
- Provision for gratuity	-	200,000
- Finance cost	26,754,275	21,070,327
	<u>67,233,292</u>	<u>68,056,623</u>
Operating loss before working capital changes	(11,014,826)	(6,822,277)
(Increase) / decrease in current assets		
- Stores and spares	(331,827)	-
- Stock in trade	4,688,852	(8,115,252)
- Trade debts	(4,915,093)	(68,074)
- Loans and advances	(25,976,840)	(93,909)
- Sales tax refundable	5,823,541	-
- Trade deposits, prepayments and other receivables	(7,000)	(7,572,056)
Increase in current liabilities		
- Trade and other payables	6,250,215	22,039,617
	<u>(14,468,152)</u>	<u>6,190,326</u>
Cash used in operations	(25,482,978)	(631,951)
Finance cost paid	(215,110)	(13,482)
Gratuity paid	-	(3,817,384)
Income tax paid	(1,495,565)	(38,372)
Net cash used in operating activities	<u>(27,193,653)</u>	<u>(4,501,189)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Long term loans	(778,606)	(229,843)
Long term deposits	(19,528,553)	-
Net cash used in investing activities	<u>(20,307,159)</u>	<u>(229,843)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings - net	49,351,863	4,557,634
Net Cash generated from financing activities	<u>49,351,863</u>	<u>4,557,634</u>
Net increase / (decrease) in cash and cash equivalents	1,851,051	(173,398)
Cash and cash equivalents at the beginning of the period	1,003,878	552,044
	<u>2,854,929</u>	<u>378,646</u>

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

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	164,208,779	215,093,718
Loss for the period	-	(73,467,400)	-	-	(73,467,400)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	4,386,000	-	-	4,386,000
<b>Balance as at March 31, 2018</b>	<b>200,000,000</b>	<b>(668,452,461)</b>	<b>450,256,000</b>	<b>164,208,779</b>	<b>146,012,318</b>
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	-	-
Loss for the period	-	(88,083,578)	-	-	(88,083,578)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	1,819,878	-	(1,819,878)	-
<b>Balance as at March 31, 2019</b>	<b>(207,881,000)</b>	<b>(775,912,587)</b>	<b>858,137,000</b>	<b>138,977,817</b>	<b>13,321,230</b>

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 NINE MONTHS ENDED MARCH 31, 2019**

## 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.

- During the nine months ended March 31, 2019, Company has incurred loss after tax of Rs. 88.084 million (March 31, 2018: Rs. 73.467 million) and at nine months end and as of the year end, its accumulated losses stood at Rs. 775.913 million (June 30, 2018: 689.649 million), its current liabilities exceed its current assets by Rs. 854.441 million (at June 30, 2018: Rs. 786.529 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 uncertainty relating to the Company's operation that may cast sufficient doubt on the discharge of its liabilities in the normal 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 has drawn up plans which include:-
- The Government has announced subsidized energy prices for textile industry i.e.; electricity will be provided @ 7.5 US Cents per KWH, whereas 6.5 US\$ per MMBTU will be charged for sui gas consumption. As a result, it is expected the our energy cost will reduced by 20% with respect to previous period. Reduction in electricity tariff will, not only assist in fulfilling the working capital requirements but also result in operating profitability of the Company.
- The 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.
- The management is putting its efforts on product diversification which will enhance its sales revenue. The management is also focusing to enhance productive efficiency along with quality of its products, which will lead to sustainable operating profitability for the Company.
- Local yarn market shown positive indicators, i.e. an upward trend is reflected in the yarn's selling prices, the management has planned to capture this opportunity by production of high quality yarn having better margin prospectus. With the improvement in general economic conditions management is optimistic that existing raw material prices will drop down during the next period and the management will be able to cut down production cost to overcome current deficit.
- The management's efforts are very obvious to make the Company a going concern and in view of the above the financial statements has been prepared on going concern.

## Note 2

Basis of Preparation

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## 2.1 Statement of compliance

These condensed interim financial statements has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2 These condensed interim financial statements are presented in Pak rupees, which is the Company's functional and presentation currency. These condensed financial statements do not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.

## Note 3

Significant Accounting Policies

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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

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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

March 31, 2019	June 30, 2018
Un-audited Rupees	Audited 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:

	No. of Shares
i) Khawaja Mohammad Jawed	24,841,000
ii) Khawaja Mohammad Kaleem	53,135,200
iii) Khawaja Mohammad Jahangir	3,600,000
	<u>81,576,200</u>

## 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

	Nine Month Ended	Year Ended
	Mar 31, 2019	June 30, 2018
	(Un-audited)	(Audited)
	Rupees	Rupees
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>(40,479,017)</u>	<u>(58,291,891)</u>
Closing written down value	<u>865,229,073</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:

	Nine Month Ended	
	Mar 31, 2019 (Un-audited) Rupees "000"	Mar 31, 2018 (Un-audited) Rupees "000"
Significant transaction with related parties are as follows:		
- Purchase of materials from Yousaf Weaving Mills Limited	-	2,712
- Loan received from directors - net	11,762	4,305
- Lease income from Yousaf Weaving Mills Limited	-	7,500

## 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 April 30, 2019 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.

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Printed Matter

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**Chakwal Spinning Mills Limited**

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