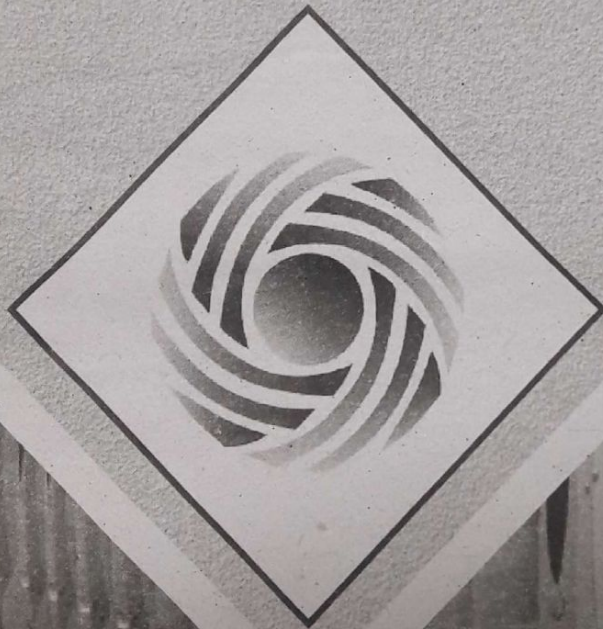


Chakwal Spinning Mills Limited

QUARTERLY REPORT
UN-AUDITED

For the 1st Quarter Ended
March 31, 2017



Quarterly Report

UN-AUDITED

For the 1st Quarter Ended
March 31, 2017



Chakwal Spinning Mills Limited

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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. Muhammad Hamza Yousaf	(Non-Executive Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Naveed	(Chairman)
Khawaja Mohammad Javed	(Member)
Mr. Muhammad 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, I-K, Commercial,
Model Town, Lahore
Tel : (042) 35839182
Fax : (042) 35869037

MILLS

49-Kilometer
Multan Road, Bhai Phero
Tel : (04943) 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 period ended March 31, 2017.

During the period under review, the company earned a net loss of Rs.221.509 million compared to a net loss of Rs.163.675 million for the corresponding period last year. The loss is mainly attributed to the under utilization of production capacity, ever low margins, long recession worldwide and sluggish local yarn market as well. Other factors contributed in increasing loss of the company were, high tariff energy cost, availability of cheaper imported yarn from India and Turkey in local market which put immense pressure on local spinning industry which resulted in closure of many spinning mills particularly in the province of Punjab. In view of the circumstances prevailing in the spinning sector, company had to curtail its operations at almost 53% production capacity which also includes a closure period of 35 days. However, all other expenses were kept under control and substantial reduction has been witnessed.

Spinning industry is the core industry of the country and is striving hard for its survival, has always stressed the Government to envisage the situation and come forward to save and revive the industry by reducing the RLNG tariff equivalent to natural gas tariff enabling the spinning industry to compete in international markets, ban import of yarn, ensure continuous power supply and grant other incentives to spinning industry enabling it to stand on strong footing and again contribute in the economy of the country by exporting their products to boost up export of the country which had considerably been declined.

The directors of the company will continue their strenuous efforts to revive the company by taking each and every necessary step including fresh injection of funds. In the spirit of this commitment, the sponsors have further injected Rs.81.116 million during the period under review with the hope that they will overcome the current situation shortly.

The board of directors appreciates continued support of all the stake holders for their co-operation they extended to the management.

For and behalf of the Board

Lahore
April 29, 2017

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

ڈائریکٹر رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2017 کو اختتام شدہ مدت کے لئے کثیف شدہ، غیر جانچ شدہ حسابات پیش کرتا ہوں۔

زیر جائزہ عرصہ کے دوران کمپنی کو پچھلے سال کے اسی عرصہ کے دوران 163.675 ملین روپے کے نقصان کے مقابلے میں 221.509 ملین روپے کا نقصان ہوا۔ نقصان کا بنیادی موجب پیداواری استعداد کا کم ہونا، منافع کی کم ترین گنجائش، بین الاقوامی مارکیٹ میں لمبے عرصے سے جاری مراجعت اور دھاگے کی مقامی منڈی میں کساد بازاری ہے۔ دیگر عوامل جو کمپنی کے نقصان میں اضافے کی وجہ بنے ان میں زیادہ قیمت والی توانائی، مقامی منڈی میں دستیاب ہندوستان اور ترکی سے درآمد شدہ ستادھاگہ ہے جس نے سپنگ کی صنعت پر بے انتہا دباؤ ڈالا جس کے نتیجے میں خصوصاً صوبہ پنجاب میں بہت سی سپنگ ملیں بند ہو گئیں۔ سپنگ کے شعبے میں جاری حالات کو مد نظر رکھتے ہوئے کمپنی کو اپنی پیداواری استعداد کو 53% تک محدود کرنا پڑا جس میں 35 دن کا بندش کا عرصہ بھی شامل ہے۔ تاہم باقی تمام اخراجات مکمل قابو میں رہے اور اچھی خاصی کمی دیکھنے میں آئی۔

دھاگہ بنانے والی صنعت ملک کی بنیادی صنعت ہے جو کہ اپنی بقا کی جدوجہد کر رہی ہے نے ہمیشہ حکومت پر زور دیا ہے کہ وہ حالات کو بھانپنے اور اس صنعت کو بچانے اور RLNG کے نرخ قدرتی گیس کے برابر کرے، اس کی بجالی کے لئے آگے بڑھے تاکہ دھاگہ سازی کی صنعت بین الاقوامی منڈیوں میں مقابلہ کر سکے، برآمدی دھاگے پر پابندی لگائے، انرجی کی مسلسل سپلائی کو یقینی بنائے اور دوسرے اسباب بہم پہنچائے تاکہ دھاگہ سازی کی صنعت اپنے پاؤں پر کھڑی ہو کر دوبارہ اپنی مصنوعات کو برآمد کرے، برآمد جس میں پہلے ہی خاصی کمی ہوئی ہے کو بڑھا دے اور ملکی معیشت کو مضبوط بنائے۔

کمپنی کے ڈائریکٹر کمپنی کو منافع بخش بنانے کے لئے ہر ضروری قدم اٹھاتے ہوئے اپنی انتھک کوششیں جاری رکھیں گے جس میں فنڈز کا لگانا بھی شامل ہے۔ اپنے اسی جذبے کی پاسداری کرتے ہوئے زیر جائزہ عرصے کے دوران ڈائریکٹرز نے 81.116 ملین روپے کمپنی میں اس امید کے ساتھ لگائے کہ وہ بہت جلد جاری صورت حال پر قابو پالیں گے۔

بورڈ آف ڈائریکٹرز تمام متعلقین کے تعاون جو انہوں نے انتظامیہ کے ساتھ کیا کی قدر کرتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

خواجہ محمد جہانگیر

چیف ایگزیکٹو

لاہور

اپریل 29، 2017

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2017**

	Note	March 31, 2017	June 30 2016
		Un-audited (Rupees in Thousand)	Audited (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	5	200,000	200,000
Loan from Directors (subordinated)	6	271,256	271,256
Accumulated Loss		(456,885)	(249,314)
		14,371	221,942
Surplus on revaluation of property, plant and equipment		170,574	175,803
Non Current Liabilities			
Liabilities Against Asset Subject to Finance Lease		—	—
Deferred liabilities		66,489	70,303
		66,489	70,303
Current Liabilities			
Trade and other payables		423,624	529,973
Accrued interest on short term borrowings		19,167	6,240
Short term borrowings		529,199	461,681
Current portion of non current liabilities		2,366	6,800
Provision for taxation		14,658	9,263
		989,014	1,013,957
Contingencies and Commitments	7	—	—
		1,240,448	1,482,005

The annexed note 1 to 12 from an integral part of these interim condensed financial statements

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

**CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2017**

	Note	March 31, 2017	June 30 2016
		Un-audited (Rupees in Thousand)	Audited (Rupees in thousand)
ASSETS			
Non Current Assets			
Property, plant and equipment	8	982,091	1,043,625
Capital work in progress		1,260	1,260
Long term loans		5,193	6,151
Long term deposits		8,297	8,297
		996,841	1,059,333
Current Assets			
Stores and spares		7,386	8,477
Stock-in-trade		66,497	133,051
Trade debts		49,099	109,817
Loan and advances		117,586	168,619
Trade deposits, short term prepayments and other receivables		1,668	967
Cash and bank balances		1,371	1,741
		243,607	422,672
		1,240,448	1,482,005

The annexed note 1 to 12 from an integral part of these interim condensed financial statements

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017**

	Note	Period Ended		Quarter Ended	
		Mar. 31, 2017 (Un-Audited)	Mar. 31, 2016 (Un-Audited)	Mar. 31, 2017 (Un-Audited)	Mar. 31, 2016 (Un-Audited)
		(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
Sales		537,788	862,371	189,636	153,334
Cost of Sales		(688,778)	(938,818)	(240,117)	(220,375)
Gross Loss		(150,990)	(76,447)	(50,481)	(67,041)
Distribution cost		(281)	(12,955)	(52)	(1,345)
Administrative expenses		(28,426)	(42,067)	(9,177)	(11,604)
		(28,707)	(55,022)	(9,229)	(12,949)
Operating Loss		(179,697)	(131,469)	(59,710)	(79,990)
Finance cost		(19,157)	(24,428)	(5,660)	(8,296)
Other operating expenses		(9,397)	(659)	—	(248)
Other operating Income		846	—	743	—
Loss before taxation		(207,405)	(156,556)	(64,627)	(88,534)
Taxation		(4,104)	(7,119)	(1,821)	(1,293)
Loss after taxation		(211,509)	(163,675)	(66,448)	(89,827)
Earning / (Loss) per share - Basic	9	(5.29)	(4.09)	(1.66)	(2.25)

The annexed note 1 to 12 from an integral part of these interim condensed financial statements

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2017

	Note	Period Ended		Quarter Ended	
		Mar. 31, 2017 (Un-Audited)	Mar. 31, 2016 (Un-Audited)	Mar. 31, 2017 (Un-Audited)	Mar. 31, 2016 (Un-Audited)
		(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
(Loss) after taxation		(211,509)	(163,675)	(75,845)	(89,827)
Other comprehensive income for the period		—	—	—	—
		<u>(211,509)</u>	<u>(163,675)</u>	<u>(75,845)</u>	<u>(89,827)</u>

The annexed note 1 to 12 from an integral part of these interim condensed financial statements

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

	Period Ended March 31 2017 Un-Audit (Rupees in thousand)	Period Ended March 31 2016 Un-Audit (Rupees in thousand)
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(207,405)	(156,557)
Adjustments for non cash charges and other items		
Depreciation	47,154	52,799
Provision ofr gratuity	3,000	7,500
Loss on disposal of property, plant & equipment	8,551	-
Finance cost	19,157	24,428
	77,862	84,727
Operating loss before working capital changes	(129,543)	(71,830)
(Increase)/decrease in current assets		
- Stores and spares	1,091	679
- Stock-in-trade	66,554	87,847
- Trade debts	60,718	(26,127)
- Loan and advances	51,602	(33,197)
- Trade deposits, short term prepayments and other receivables	(701)	(20,690)
Increase /(decrease) in current liabilities		
- Trade and other payables	(106,348)	90,431
	72,916	98,943
Cash (used in) / generated from operations	(56,627)	27,113
Finance cost paid	(6,230)	(23,182)
Gratuity paid	(6,814)	(3,124)
Income tax paid	(569)	(5,764)
Net Cash used in Operating Activities	(70,240)	(4,957)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,022)	(571)
Long term loans	958	-
Capital Work In progress	-	(457)
Long term deposit	-	1,325
Proceeds from disposal of property, plant and equipment	7,850	-
Net Cash from Investing Activities	6,786	297
CASH FLOW FROM FINANCING ACTIVITIES		
Liabilities against assets subject to finance lease	(4,434)	(3,460)
Short term borrowing	67,518	9,364
Net Cash from Finacing Activities	63,084	5,904
Net Increase / (Decrease) in Cash and Cash equivilant	(370)	1,243
Cash and cash equivilant at the beginning of the period	1,741	3,941
CASH AND CASH EQUIVLANT AT THE END OF THE PERIOD	1,371	5,184

The annexed note 1 to 12 from an integral part of these interim condensed financial statements

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017

Particulars	Share Capital	Accumulated Profit / (Loss)	Loan From Directors	Total
	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
Balance as at July 01, 2015	200,000	78,863	271,256	550,119
Total comprehensive income for the period ended March 31, 2016		(163,675)		(163,675)
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to Current period - net of deferred tax		3,257		3,257
Balance as at March 31, 2016	200,000	(81,555)	271,256	389,701
Balance as at July 01, 2016	200,000	(249,314)	271,256	221,942
Total comprehensive income for the period ended March 31, 2017		(211,509)		(211,509)
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to Current period - net of deferred tax		3,938		3,938
Balance as at March 31, 2017	200,000	(456,885)	271,256	14,371

The annexed note 1 to 12 from an integral part of these interim condensed financial statements

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

**NOTES TO THE CONDENSED INTERM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2017**

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

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

3 Statement of compliance

This interim condensed financial information is un-audited and have been prepared in accordance with the requirements of International Accounting standard, IAS 34 "Interim Financial Reporting". This Interim Condensed Financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

4 ACCOUNTING ESTIMATES, JUDGEMENTS & FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use of judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumption and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2016.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2016.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

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

March 31 2017 Un-audited Rupees (000)	June 30 2016 Audited Rupees (000)
200,000	200,000

6 LONG TERM FINANCING

These loans are unsecured and interest free provided by the directors. These loans are subordinated to Habib Metrobank Ltd. and The Bank of Punjab. These loans are repayable after payment of liabilities of the banks or improvement in financial position of the company which ever is earlier.

7 CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines limited amounting to Rs.38.522 million (2016 : Rs. 38.522 million) on account of payment of dues against consumption of natural gas.

Commitments

Commitments in respect of letter of credit for capital expenditures as at March 31, 2017 amounting to Rs Nil (June 30, 2016: Rs Nil) and letters of credit for raw material amounting to Rs. Nil (June 30, 2016 : Rs. Nil)

8 PROPERTY, PLANT AND EQUIPMENT

	Period Ended March 31 2017 Un-audited Rupees (000)	Year Ended June 30 2016 Audited Rupees (000)
Operating assets		
Opening written down value	1,043,625	1,126,706
Additions during the period	2,022	571
	1,045,647	1,127,277
Deletions during the period	(16,401)	(13,805)
	1,029,246	1,113,472
Depreciation charged during the period	(46,337)	(68,700)
	982,909	1,044,772
Leased assets		
Depreciation charged during the period	(817)	(1,147)
	982,092	1,043,625

9 EARNING PER SHARE

Basic

	Period Ended		Quarter Ended	
	March. 31, 2017 Un-audited Rupees (000)	March. 31, 2016 Un-audited Rupees (000)	March. 31, 2017 Un-audited Rupees (000)	March. 31, 2016 Un-audited Rupees (000)
Profit after Taxation	(211,509)	(163,675)	(66,448)	(89,827)
Weighted average number of shares	40,000,000	40,000,000	40,000,000	40,000,000
Earning (loss) per share - basic	(5.29)	(4.09)	(1.66)	(2.25)

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. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Transactions with related parties under taken during the period were as follows:

	March 31, 2017 Un-audited Rupees (000)	March 31, 2016 Un-audited Rupees (000)
Purchase of materials and services:		
Chakwal Textile Mills Limited	15,794	5,797
Yousaf Weaving Mills Limited	61	—
Short term funds received /paid to directors (net)	(81,116)	(14,511)

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

- 12.1 The interim financial information is authorized for issue on April 29, 2017 by the Board of Directors of the company.
- 12.2 Figures have been rounded off to the nearest thousand Rupees; and
- 12.3 Corresponding figures have been re-arranged where ever necessary to facilitate comparison. No material rearrangement has been made during the period.

Lahore:
April 29, 2017

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director