



CHAKWAL SPINNING MILLS LTD.



ISO 9001:2000
CERTIFIED

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February 22, 2021

Mr. Hafiz Maqsood Munshi
Manager
Companies & Securities Compliance – RAD
Pakistan Stock Exchange Limited

Sub: Reply to PSX Notice Gen-242 regarding Independent Auditor's Report

Dear Sir,

With reference to your letter # PSX/Gen-242 dated February 08, 2021 regarding independent auditors report on the financial statement for the year ended June 30, 2020, we would like to submit that textile industry was passing through crisis like situation due to high cost to do business particularly energy cost. The high energy cost made the textile uncompetitive in the international market. The industry accumulated huge losses and our company did not also have any exception and faced the same dilemma. The company accounted for huge losses which affected its cash flow and working capital capacity to run the business. However, the directors of the company made every possible effort to continue operation but the outcome of covid-19 marred very efforts of the company and management to sustain its business operations. In post covid-19 environment we have to face lock down which closed business operations and shut down the production.

The directors of the company did not lose the heart and its efforts, in the existence of prevailing circumstance to continue the operation with limitation of liquidity and cash flow constraints. In this period of compulsory lock down we have to close the financial year on June 30, 2020. In these misery circumstances the audit of the account was conducted by the auditors of the company and drawn their adverse opinion as it was likely regarding going concern on apparent condition prevailing at the time and moment.

The directors did have realization its impact on the fate and future of the company. The directors have more than 80% equity contribution and has sole ambition and desire to resume its operation to safe guard their interest and the mainly the interest of shareholders, lenders, suppliers, buyers and worker and employees of the company. The directors of the company are mitigating the uncertainties to resume the operation by consolidating its sources and are expected to mature in future with optimum results.

24/2/21



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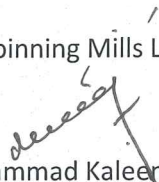
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The other matters on which the auditors have given modified opinion particularly verification of bank outstanding balance confirmation. It is worth to mention that company has limitation in this respect as we have litigation with bank and we could write to the banks through auditors as we did. However, it is significant that the company has accounted for all due liabilities of the banks which correspond with the amount provided in the suits filed by the banks and the same has been provided to the auditors. It is augmented that this matter look unwanted and undesirable since it is verifiable.

Similarly the other matters does have certain conditions of subjectivity, however the management is committed to address these matters giving rise to the modification of auditors opinion to the satisfaction of the auditors.

We are of the view that we have adequately replied however if you need any further information we shall be pleased to provide the same.

For Chakwal Spinning Mills Limited


Khawaja Mohammad Kaleem
Director