

CHAKWAL SPINNING MILLS LIMITED

Condensed Interim Financial Statement

For The Period Ended December 31, 2023



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DIRECTOR'S REPORT TO THE MEMBERS OF THE COMPANY

The Directors of the Company are very much pleased to present their Report together with their un-audited condensed Interim Financial Statements for the half year ended December 31, 2023.

We are thankful to the Almighty Allah that the effort of the Management of the Company after all proves fruitful as the Company has been able to resume its operations. Since March 2020 after the outbreak of Covid-19 we have to close operation but we were commitment to revamp the operation of the Company with improved operating performance. We have left behind the dark days now are going toward the better business opportunities and avenues in future.

The Company has signed MOU to join hands with a renowned IT company which has global presence and diversification to the Company's operational face, providing much needed liquidity. The Company with this strategic partnership aims to positively give improved performance to the satisfaction of all stake holders. This reshaping towards diversification shall enable to navigate the challenges and capitalize on future opportunities.

The management of the Company in order to achieve better performance has made effort to supplement its machinery with efficient results. This will lead to better quality and higher production efficiency which shall have impact on the financial performance of the Company, subject to the availability of requisite funding.

We have started a voyage to normalize our banking relations with restructuring and rescheduling of outstanding liabilities on terms best suited to the Company.

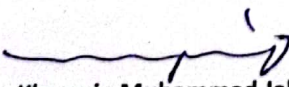
M/s Aslam Malik and Company Chartered Accountant resigned and to fill the vacant post M/s H.A.M.D and Co., Chartered Accountants were appointed to conduct the limited review of half year ended December 31, 2023 and audit of the Annual Accounts for the year ended June 30, 2024.


The Auditors in his review report has given unqualified opinion on going concern assumptions which have been disclosed in note#1.1 of the interim financial statements.

We belief that the management of the Company faced the challenges with great deal and now have put the Company on the path of operating performance which shall synergize with the infusion of joining hands with the IT Company, which we are shall hopeful to be materialized, subject to completion of necessary corporate and regulatory formalities.

The Board is highly gratitude to the member of the Company, lenders, employees, regulators and all stakeholders for the patience they showed during the difficult period faced by the Company. We are also are thankful to the banks for all their support during the tough times.

For and behalf of the board


Khawaja Muhammad Jahangir
Chief Executive Officer


Khawaja Muhammad Kaleem
Chairman

Lahore
February 28, 2024



H.A.M.D & Co.
CHARTERED ACCOUNTANTS



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Chakwal Spinning Mills Limited
Report on review of Interim Financial Statements

Introduction

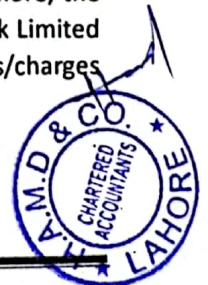
We have reviewed the accompanying condensed interim statement of financial position of Chakwal Spinning Mills Limited as at December 31, 2022 and the related condensed interim statement of profit or loss, the condensed interim statement of other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed 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 condensed 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 2023 and December 31, 2022 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2023.

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

Emphasis of matter - material uncertainty related to Going Concern assumption

We draw attention to note # 1.1 in the accompanying condensed interim financial statements, which states that the Company incurred loss during the current reporting period, contributing to accumulation of losses, which mainly pertains to depreciation and other costs incurred for the maintenance of the Company due to suspension of its operations since March 2020. The Directors of the Company are committed to fund these maintenance charges till the time a viable business plan, as given in the note, is in full effect. Despite current liabilities surpassing current assets at the reporting date, the negative equity of the Company has turned into positive equity of Rs. 1,447.553 million after accounting for surplus on the revaluation of property, plant & equipment recorded in the current reporting period. Furthermore, the Company is addressing recovery suits filed by The Bank of Punjab and Habib Metropolitan Bank Limited related to their outstanding balances against short-term borrowings and associated finance costs/charges for settlement/restructuring.



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Chartered Accountants

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While these circumstances raise concerns about the Company's ability to continue as a going concern in the foreseeable future and meet its obligations in the normal course of business, the Directors and Management have developed plan of actions for revival/revamping the operations of the Company, including a merger with another company in the technology sector for business diversification, as detailed in the above-mentioned note. The directors have also confirmed to provide financial support to the Company in order to bridge any financing requirements should need arises. Consequently, the management of the Company has prepared the accompanying condensed interim financial statements on going concern basis of accounting. Our review report/opinion is un-qualified in respect of going concern assumption.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The condensed interim financial statements for the half year ended December 31, 2022 and the financial statements for the year ended June 30, 2023 were reviewed/audited by another firm of Chartered Accountants, who vide their Review Report dated 28 February 2023 and Audit Opinion dated 06 November 2023, respectively, have expressed modified report/opinion.

The engagement partner on the review resulting in this independent auditor's review report is Waseem Ashfaq.



H.A.M.D & CO.

Chartered Accountants

Lahore:

Date: 28 February 2024


UDIN: RR202310040Y5LsOad90



CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	December 31, 2023	June 30, 2023
Note	(Un-audited) Rupees	(Audited) Rupees
CAPITAL AND LIABILITIES		
Share Capital and Reserves		
Authorized share capital 140,000,000 (2023: 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	118,776,547	42,375,000
Accumulated loss	(909,828,964)	(893,697,878)
Surplus on revaluation of property, plant & equipment	1,630,724,887	118,116,081
	1,447,553,470	(125,325,797)
Non Current Liabilities		
Deferred liabilities	-	-
Current Liabilities		
Trade and other payables	314,833,012	317,924,292
Accrued mark- up	67,778,697	67,778,697
Short term borrowings	388,368,984	466,060,342
Unclaimed dividend	384,347	384,347
Provision for taxation	10,232,349	10,232,194
	781,597,389	862,379,872
Contingencies and Commitments	5	-
	2,229,150,859	737,054,076
ASSETS		
Non Current Assets		
Property, plant and equipment	2,169,517,757	672,820,222
Long term loans	712,766	712,766
Long term deposits	27,839,744	27,839,744
	2,198,070,267	701,372,732
Current Assets		
Stores and spares	-	-
Stock in trade	-	-
Trade debts	324,607	324,607
Loans and advances	4,316,292	8,493,899
Tax refunds due from the government	23,880,927	23,880,927
Trade deposits, prepayments and other receivables	2,500,000	2,929,716
Cash and bank balances	58,766	52,195
	31,080,592	35,681,344
	2,229,150,859	737,054,076

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR



CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2023 (Un-audited)

	Half Year Ended		Quarter Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	Rupees	Rupees	Rupees	Rupees
Sales	-	-	-	-
Cost of sales	(18,344,917)	(19,736,226)	(9,172,459)	(9,868,103)
Gross Loss	(18,344,917)	(19,736,226)	(9,172,459)	(9,868,103)
Distribution cost	-	-	-	-
Administrative expenses	(2,229,360)	(1,532,720)	(1,520,730)	(930,415)
Operating Loss	(20,574,277)	(21,268,946)	(10,693,189)	(10,798,518)
Finance cost	(1,048,381)	(440)	(1,047,940)	(153)
Other Income	2,920,546	10,099,030	2,920,546	4,550,105
Loss before Taxation	(18,702,112)	(11,170,356)	(8,820,583)	(6,248,566)
Taxation	-	-	-	-
Net loss for the period	(18,702,112)	(11,170,356)	(8,820,583)	(6,248,566)
Loss per Share - Basic & Diluted	(0.15)	(0.09)	(0.07)	(0.05)

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2023 (Un-audited)

	Half Year Ended		Quarter Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	Rupees	Rupees	Rupees	Rupees
Net loss for the period	(18,702,112)	(11,170,356)	(8,820,583)	(6,248,566)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	<u>(18,702,112)</u>	<u>(11,170,356)</u>	<u>(8,820,583)</u>	<u>(6,248,566)</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


 CHIEF EXECUTIVE OFFICER

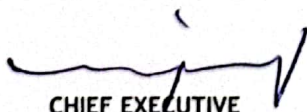

 DIRECTOR


 CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED DECEMBER 31, 2023 (Un-audited)

	Half Year Ended	
	December 31, 2023	December 31, 2022
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(18,702,112)	(11,170,356)
Adjustments for:		
- Depreciation	18,482,297	19,901,569
- Finance cost	1,048,381	306
Operating profit before working capital changes	<u>19,530,678</u>	<u>19,901,875</u>
	828,566	8,731,519
(Increase) / decrease in current assets		
- Loans and advances	4,177,607	-
- Trade deposits, prepayments and other receivables	429,716	-
Increase / (decrease) in current liabilities		
- Trade and other payables	(3,091,280)	(263,280)
Cash generated from operations	<u>1,516,043</u>	<u>(263,280)</u>
	2,344,609	8,498,239
Finance cost paid	(1,048,381)	-
Income tax	154	-
Net cash generated from operating activities	<u>1,296,382</u>	<u>8,498,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term loans	-	-
Net Cash generated from investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - net	(1,289,811)	(8,493,552)
Net Cash used in financing activities	<u>(1,289,811)</u>	<u>(8,493,552)</u>
Net increase in cash and cash equivalents	6,571	4,687
Cash and cash equivalents at the beginning of the period	52,195	47,985
	<u>58,766</u>	<u>52,672</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2023 (Un-audited)

Particulars	Share Capital	Accumulated Loss	Loan from Directors	Surplus on revaluation of property, plant & equipment	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01, 2022	607,881,000	(866,848,717)	42,375,000	122,069,853	(94,522,864)
Net loss for the period	-	(11,170,356)	-	-	(11,170,356)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	2,167,026	-	(2,167,026)	-
Balance as at December 31, 2022	607,881,000	(875,852,047)	42,375,000	119,902,827	(105,693,220)
Net loss for the period	-	(19,632,577)	-	-	(19,632,577)
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	1,786,746	-	(1,786,746)	-
Balance as at June 30, 2023	607,881,000	(893,697,878)	42,375,000	118,116,081	(125,325,797)
Net loss for the period	-	(18,702,112)	-	-	(18,702,112)
Reclassification of Directors' Loan from Short term	-	-	76,401,547	-	76,401,547
Impact of revaluation	-	-	-	1,515,179,832	1,515,179,832
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of deferred tax	-	2,571,026	-	(2,571,026)	-
Balance as at December 31, 2023	607,881,000	(909,828,964)	118,776,547	1,630,724,887	1,447,553,470

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

CHAKWAL SPINNING MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2023 (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-Km, Multan Road, Bhai Phero The Company is engaged in the business of textile spinning.

- 1.1 During the period the Company has incurred loss after tax and at period end its current liabilities exceed its current assets, 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:-
- a) The directors of the Company are fully committed to injecting fresh capital into the business to stabilize our financial position. This capital infusion underscores directors' confidence in the Company's long-term prospects and their unwavering commitment to creating value for our stakeholders. The additional capital will provide us with the necessary resources to navigate through current challenges and capitalize on future opportunities.
 - b) The Company has signed a Memorandum of Understanding (MoU) with renowned IT Company having its presence over the globe. This strategic partnership involves a significant investment from the said Company, which will inject much-needed funds into our organization. The infusion of capital will not only bolster our financial health but also enhance liquidity and support our growth initiatives.
 - c) In line with our commitment to operational excellence and efficiency, the Company has entered into an agreement to purchase new plant and machinery. This strategic investment is aimed at revamping our production facilities, enhancing productivity, and ensuring that we remain competitive in the market. The modernization of our infrastructure underscores our dedication to innovation and quality excellence.
 - d) The management is actively engaged in negotiations with our banking partners to restructure our outstanding liabilities. Our objective is to normalize our banking relationships, alleviate financial pressure, and establish a sustainable repayment framework. The restructuring efforts demonstrate our proactive approach to addressing financial challenges and strengthening our financial footing.
 - e) The management has initiated a thorough review of our operational expenses and processes to identify opportunities for cost optimization and efficiency improvement. By streamlining our operations and eliminating unnecessary expenditures, we aim to enhance our profitability and preserve financial resources.
 - f) The management believes that with the improvement in current political scenario, our economy will also ameliorate, which will ultimately assist the local industry to cope with on-going financial crisis and to achieve economic stability in long run.
 - g) The management has successfully completed all proceedings to resume production activities and is delighted to announce that commercial production will be started very soon. The management has diligently undertaken necessary measures to ensure a smooth transition and successful restart of operations. These measures include assessing machinery, regulatory compliance, financial planning, supply chain management, marketing and human resources management initiatives.

In view of the above, these financial statements have been prepared on going concern assumption.

Note 2
Basis of Preparation

2.1 Statement of compliance

These condensed interim financial statements have 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 comprises of:

- 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 the 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.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These 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, 2023. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Company.

2.2 The financial statements have been prepared under the historical cost basis modified by:

- revaluation of certain plant and machinery; and
- obligation under retirement benefit obligation at net present value.

2.3 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.


2.4 These condensed interim financial statements are unaudited. However, a limited scope review of these condensed interim financial statements has been performed by the external auditors of the Company in accordance with the requirements of Section 237 of Companies Act, 2017 and they have issued their review report thereon. These condensed interim financial statements are submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

Note 3
Significant Accounting Policies

3.1 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, 2023.

3.2 The preparation of these condensed interim financial statements require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

3.3 In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies, the key source of estimation and uncertainty were the same as those that applied to the financial statements of the Company for the year ended June 30, 2023.



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, 2023.

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, 2023, except that the Company is in negotiation with Habib Metropolitan Bank Limited and Bank of Punjab to reschedule its short term loans which are under litigation due to default in repayments since Sep-2016 and June-2016, respectively. The Company has already accounted for the mark-up of Habib Metropolitan Bank Limited and Bank of Punjab up to June-2017 & June-2018, respectively. Any mark-up or cost of funds, as may be applicable or decided can not be determined at this stage which shall be accounted for, if applicable or allowed at the time of rescheduling/restructuring of loans accordingly.

Note 6
Property, Plant and Equipment

	Half year Ended Dec 31, 2023 (Un-audited) Rupees	Year Ended June 30, 2023 (Audited) Rupees
Operating fixed assets	2,169,517,757	672,820,222
Opening written down value	672,820,222	712,623,708
Addition during the period / year (at cost)	.	.
Revaluation adjustment	1,515,179,832	.
Disposal during the period / year (written down value)	.	.
Depreciation charge for the period / year	2,188,000,054	712,623,708
Closing written down value	(18,482,297)	(39,803,486)
	2,169,517,757	672,820,222

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, 2023 (Un-audited) Rs. In '000'	Dec 31, 2022 (Un-audited) Rs. In '000'
Significant transaction with related parties are as follows:		
- Loan repaid to directors - net	(1,908)	820

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, 2023.

Note 9
Fair value of financial assets and liabilities

9.1 Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the condensed interim financial statements approximate their fair values.

9.2 Fair value estimation

The Company discloses the financial instruments measured in the condensed interim statement of financial position at fair value in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active mar
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are n

There were no transfers between Level 1 and 2 dur

9.3 There are no assets or liabilities to classify under above levels except the Company's plant and machinery which are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's plant and machinery carried out as at December 31, 2023, were performed by M/s Diamond Surveyors Pakistan, an independent valuer not related to the Company, using depreciated replacement cost method. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery Value determined by independent valuer is classified as Level 3 in the fair value hierarchy.

Note 10
Recoverable amounts and impairment

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these interim financial statements.

Note 11
Events after the reporting period

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these interim financial statements.

Note 12
General

Corresponding figures have been re-arranged wherever necessary to facilitate comparison. Following rearrangements / reclassifications have been made in these financial statements for better presentation:

<u>Nature</u>	<u>From</u>	<u>To</u>	<u>Amount (Rupees)</u>
a. Directors' short-term loan	S.T Borrowings	Loan from Directors (equity)	76,401,547
b. Gratuity payable	Current portion of	Trade and other payables	6,382,803
c. Advance from customers	non current	Trade and other payables	28,993,671
d. Lease liability	liabilities	Short term borrowings	2,366,318

Note 13
Date of authorization for issue

This interim financial information is authorized for issue on February 28, 2024 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER