

Company Information

BOARD OF DIRECTORS

Khawaja Mchammad Jahangir	(Chief Executive)
Khawaja Mchammad Jewec	(Director)
Khawaja Mchammad Tanveer	(Director)
Khawaja Mchammad Kaleem	(Director)
Khawaja Mchammad Nadeem	(Director)
Mr. Mohammad Naveed	(Director)
Mr. Mohammad Aman	(Director)
Mr. Mohammad Tariq Sufi	(Independent Director)

AUDIT COMMITTEE

Mr. Mohammad Tariq Sufi	(Chairman)
Khawaja Mohammad Javed	(Member)
Mr. Mohammad Aman	(Member)

HR & REMUNERATION COMMITTEE

Khawaja Mohammad Javed	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tanveer	(Member)

COMPANY SECRETARY

Mr. Muhammad Jahangir Khan jahangir@chakwalgroup.com.pk	BA (LLB), MBA, DTL, ACIS
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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

Aslam Malik & Co
Chartered Accountants
Suite # 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) 640063 4

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of your company are pleased to present before you the un-audited condensed interim financial statements for the half year ended December 31, 2013.

Performance of the company for the half year ended remained progressive. During the half year under review, the company earned gross profit of Rs.149.413 million (10.75% of sales) as compared to gross profit of Rs.151.228 million (12.64%) for the same period last year. Decrease in gross profit was mainly due to drastic increase in electricity and natural gas tariff as well as increase in minimum wage rate resulting increase in cost of production. The other factor which hampered the profitability of the company was acute shortage of natural gas which has crippled the textile sector altogether. The textile industry is forced to consume high tariff electricity. The Government has increased electricity rates almost by 68% from the month of August 2013 which ultimately resulted to increase cost of production. The company posted a net profit of Rs.59.573 million for the half year ended as compared to net profit of Rs.76.205 million for the same period last year.

The management of the company is fully aware of the affairs of the company and is committed to further improve the performance and profitability of the company by taking every necessary step in terms of continuous BMR, optimal production strategies and effective cost controls. In view of this spirit, the company has established a letter of credit for import of a winding machine for Euro 175,000/- of latest model which is expected to reach by the end of March 2014. The induction of this machine will ultimately increase production and improve profitability.

The directors have proposed an Interim dividend of Rs.0.25 (5%) per share for the period ended December 31, 2013. However, directors have foregone their right to receive the dividend.

The directors wish to place on record their appreciation for the true efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. They also thank their shareholders, customers, banks and financial institutions for their continued support in smooth running of company's operations and are hopeful that their cooperation will be continued with the same spirit in the years to come.

For and on behalf of the Board

Lahore:
February 28, 2014

(KHAWAJA MOHAMMAD JAHANGIR)
Chief Executive

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Chakwal Spinning Mills Limited ("The Company") as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the condensed interim financial information (here-in-after referred to as "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit & loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and December 31, 2012 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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 the interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore:
February 28, 2014

Aslam Malik & Co.
Chartered Accountants
Audit Engagement Partner:
Mohammad Aslam Malik

CONDENSED INTERIM BALANCE SHEET

	Note	December 31, 2013 (Un-audited) Rupees (000)	June 30, 2013 (Audited) Rupees (000)
EQUITY AND LIABILITIES			
Share capital and Reserves			
Authorised Capital 50,000,000 (June 30, 2013: 50,000,000) ordinary shares of Rs.5 each		500,000	500,000
Issued, subscribed and paid up capital	5	200,000	200,000
Accumulated Profit		260,177	199,007
		460,177	399,007
Surplus on Revaluation of Property, Plant and Equipment		52,774	54,805
NON CURRENT LIABILITIES			
Long term financing	6	371,256	371,256
Deferred liabilities:		65,674	65,170
		436,930	436,426
CURRENT LIABILITIES			
Trade and other payables		340,444	409,930
Accrued interest on loans and borrowings		9,619	8,998
Short term borrowings		367,368	328,247
Provision for taxation		22,639	16,443
		760,070	763,618
CONTINGENCIES & COMMITMENTS			
	7	-	-
		1,709,951	1,653,856

The annexed notes form an integral part of these interim condensed financial statements.

AS AT DECEMBER 31, 2013

	Note	December 31, 2013 (Un-audited) Rupees (000)	June 30, 2013 (Audited) Rupees (000)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	926,673	936,286
Capital Work In Progress		-	564
Long term loans		5,621	5,425
Long term deposits		8,597	6,357
		940,891	948,632
CURRENT ASSETS			
Stores and spares		17,079	14,612
Stock-in-trade		357,622	367,499
Trade debts		99,296	104,671
Loan and advances		264,969	194,334
Trade deposits, short term prepayments and other receivables		23,181	23,380
Cash and bank balances		6,013	728
		769,060	705,224
		<u>1,709,951</u>	<u>1,653,856</u>

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Notes	Half Year Ended		Quarter Ended	
		Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
		(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
Sales		1,390,468	1,196,699	682,221	658,163
Cost of Sale		(1,241,055)	(1,045,471)	(612,181)	(575,636)
Gross Profit		149,413	151,228	70,040	82,529
Distribution cost		(26,952)	(26,001)	(12,086)	(12,561)
Administrative expenses		(26,720)	(21,642)	(12,385)	(11,148)
		(53,672)	(47,643)	(24,471)	(23,709)
Operating Profit		95,741	103,585	45,569	58,820
Finance cost		(23,069)	(18,203)	(12,308)	(9,035)
Other Operating expenses		(190)	(471)	(490)	(624)
Other Operating income		692	975	692	975
Profit before taxation		73,174	85,886	33,463	50,137
Taxation		(13,601)	(9,681)	(6,450)	(5,712)
Profit after taxation		59,573	76,205	27,013	44,420
Earnings per Share - Basic	9	1.49	1.91	0.68	1.11

The annexed notes form an integral part of these interim condensed financial statements.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Half Year Ended		Quarter Ended	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
Profit after taxation	59,573	76,205	27,013	44,420
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	59,573	76,205	27,013	44,420

The annexed notes form an integral part of these interim condensed financial statements.

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	December 31, 2013 (Un-audited) Rupees (000)	December 31, 2012 (Un-audited) Rupees (000)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	73,174	85,886
Adjustments for:		
Depreciation	28,373	26,819
Provision for Gratuity	2,800	2,760
(Gain) on sale of operating assets	(692)	(975)
Finance cost	23,063	18,202
	53,550	46,806
Operating profit before working capital changes	126,724	132,692
(Increase)/decrease in current assets		
- Stores and spares	(3,366)	(5,408)
- Stock-in-trade	9,877	(2,928)
- Trade debts	5,375	(10,925)
- Loan and advances	(67,289)	(15,967)
- Trade deposits, short term prepayments and other receivables	200	(10,272)
Increase/(decrease) in current liabilities		
- Trade and other payables	(70,179)	12,393
	(125,382)	(31,107)
Cash generated from / used in operations	1,342	99,585
Finance cost paid	(22,448)	(18,830)
Gratuity paid	(2,296)	(1,357)
Income tax paid	(11,185)	(12,750)
Net Cash from / used in) used in Operations	(34,587)	66,648
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,355)	(34,759)
Capital Work in Progress	-	(1,080)
Long term loans	(196)	(871)
Long term Advances	(2,240)	3,000
Proceeds from disposal of property, plant and equipment	850	1,415
Net Cash from / (used In) Investing Activities	(19,941)	(32,295)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	693	-
Short term borrowing	59,120	3,589
Net cash from Financing Activities	59,813	3,589
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	5,285	37,542
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	728	2,632
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	6,013	40,574

The annexed notes form an integral part of these interim condensed financial statements.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

Particulars	Share Capital	Accumulated Profit	Total
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
Balance as at July 1, 2012	400,000	(120,749)	279,251
Reduction of Share Capital	(200,000)	200,000	-
Total comprehensive income for the half year ended December 31, 2012	-	76,205	76,205
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	1,838	1,838
Balance as at December 31, 2012	200,000	157,294	357,294
Balance as at July 1, 2013	200,000	199,007	399,007
Total comprehensive income for the half year ended December 31, 2013	-	59,573	59,573
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	1,597	1,597
Balance as at December 31, 2013	200,000	260,177	460,177

The annexed notes form an integral part of these interim condensed financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

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 Karachi and Lahore Stock Exchange. The registered office of the company is situated at 7-E 3/1 Main Boulevard Gulberg III Lahore.

The company is engaged in the business of textile spinning.

2 BASIS OF PREPARATION

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, 1994. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended June 30, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2013.

4 ACCOUNTING ESTIMATES, JUDGEMENTS & FINANCIAL RISK MANAGEMENT

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, 2013.

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, 2013.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

40,000,000 ordinary shares of Rupees 5/- each
(June 30, 2013: 40,000,000)

December 31 2013 Un-audited Rupees (000)	June 30 2013 Audited Rupees (000)
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200,000	200,000
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5.1 Shares held by related parties are as follows:

Naveed Industries (Pvt) Limited

Percentage of equity held 0.625% (June 30, 2013: 0.625%)

250,000

250,000

6 LONG TERM FINANCING

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

7 CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has provided bank guarantee in favour of Sui Northern Gas Pipelines Limited amounting to Rs.25,592 million (June 2013 : Rs. 25,592 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 December 31, 2013 amounting to Rs 25,452 million (June 30, 2013 : Nil) and letters of credit for raw material amounting to Rs. 38,012 million (June 30, 2013 : Rs. 47,50 million)

8 PROPERTY, PLANT AND EQUIPMENT

Operating assets

Opening written down value

Additions during the period

Deletions during the period

Depreciation charged during the period

Half Year Ended December 31 2013 Un-audited Rupees (000)	Year Ended June 30 2013 Audited Rupees (000)
936,285	874,603
18,919	117,395
955,205	991,908
(1,593)	(720)
955,045	991,188
28,373	54,902
926,673	936,286

9 EARNINGS PER SHARE

	Half year ended		Quarter Ended	
	Dec. 31, 2013 Un-audited Rupees (000)	Dec. 31, 2012 Un-audited Rupees (000)	Dec. 31, 2013 Un-audited Rupees (000)	Dec. 31, 2012 Un-audited Rupees (000)
Basic				
Profit after Taxation	59,573	76,205	27,013	44,420
Weighted average number of shares	40,000,000	40,000,000	40,000,000	40,000,000
Earnings per share - basic	1.49	1.91	0.68	1.11

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:

	December 31 2013 Un-audited	December 31 2012 Un-audited
	Rupees in million	
Purchase of raw materials:		
Chakwal Textile Mills Limited	12,666	11,253
Yousaf Weaving Mills Limited	16,954	-
Sales of goods :		
Yousaf Weaving Mills Limited	2,404	15,760
Short term funds received from directors (net)	0.150	4.960

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, 2013.

There has been no change in Company's sensitivity to these risks since June 30, 2013 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, 2013.

12 INTERIM DIVIDEND

The board of director of the company has declared an interim dividend of Rs.0.25 (5%) for the half year ended 31.12.2013 in their meeting held on February 28, 2014. However the directors have foregone their right to receive the dividend.

13 AUTHORIZATION FOR ISSUE

The condensed interim financial statements are authorized for issue on February 28, 2014 by the Board of Directors of the Company.

14 GENERAL

Figures have been rounded off to the nearest thousand rupees.