

## Company Information

### BOARD OF DIRECTORS

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

### AUDIT COMMITTEE

Mr. Mohammad Naveed	(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 Ashraf	(FCMA)
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### CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(FCMA)
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### BANKERS

Habib MetroBank Limited  
 Allied Bank of Pakistan  
 MCB Bank Limited  
 The Bank of Punjab  
 Meezan Bank Limited

### AUDITORS

H.A.M.D & Co.  
 Chartered Accountants  
 Office # 1, 2nd Floor,  
 Diamond Tower,  
 Liberty Market, 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, J-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 your company are pleased to present before you the un-audited condensed interim financial statements for the half year ended December 31, 2015.

During the half year under review, the company earned a net loss of Rs.73.848 million compared to a net loss of Rs. 31.016 million for the corresponding period last year. The loss was mainly due to lower sale which dropped by Rs.418.347 million (37%) compared to corresponding period last year. The factors contributed in drastic decrease in sales was lower export due to supplies at lower rates by exporters of India as well as matchless yarn prices in the sluggish local yarn market. Export sale for the period under review was decrease by 74%. Other factors contributed in reducing profitability of the company which pushed the company to cut off its production resulting operations of the company remained at 68% capacity, availability of Indian yarn at cheaper rates in local market, increase in electricity rates in terms of various surcharges, imposition of GIDC in natural gas bills in addition to only six hours supply of natural gas to spinning industry. Prime Minister of Pakistan announced a relief of Rs.3.00/- per unit consumed of electricity w.e.f January 01, 2016 and industry was hopeful for reduction in power cost. However, Ministry of Water & Power issued notification according to which downward FPA will be adjusted from the relief announced by the Prime Minister, hence there is no benefit to the industry in the scenario of continuous decline in oil prices in international market.

Time and again we urged that spinning industry is the core industry of the Pakistan and is striving hard for its survival. Government must envisage the situation, come forward to save the textile industry by giving 24 hours natural gas supply to spinning industry enabling the industry to operate at lower production cost which will ultimately lead to compete in international markets, boost up export and strengthen the economy of the country. The directors of the company are making efforts at their best by taking every step necessary to meet the challenges except external factors and the circumstances beyond control.

The directors wish to place on record their appreciation for the true efforts of the executives, officers, staff members and workers of the company and also thanks their shareholders, customers and banks 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 future also.

For and on behalf of the Board

Lahore:  
February 26, 2016

**(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 (here-in-after called 'the Company') as at 31 December 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred to as "condensed interim financial information"). 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 and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2015 and 31 December 2014 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 31 December 2015.

**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 condensed 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 31 December 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Other matters**

The financial statements of the Company for the year ended June 30, 2015, were audited by another firm of Chartered Accountants who expressed modified opinion in their report dated January 10, 2016.

Lahore:  
February 26, 2016

**H.A.M.D & Co.**  
Chartered Accountants  
Engagement Partner:  
Waseem Ashfaq

## CONDENSED INTERIM BALANCE SHEET

	Note	December 31, 2015 (Un-audited) Rupees (000)	June 30, 2015 (Audited) Rupees (000)
<b>EQUITES AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 100,000,000 ordinary shares of Rs. 5/- each (June 30, 2015: 100,000,000 Rs. 5/each)			
		<b>500,000</b>	500,000
Issued, subscribed and paid up share capital	5	200,000	200,000
Accumulated profit		7,286	78,363
Loan from directors - subordinated	6	271,256	271,256
		<b>478,542</b>	550,119
<b>Surplus on Revaluation of proerty, plant and</b>		<b>180,729</b>	184,223
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against asset subject to finance lease		2,366	6,097
Deferred liabilities		87,485	84,651
		<b>89,851</b>	90,748
<b>CURRENT LIABILITIES</b>			
Trade and other payables		544,719	520,504
Accrued interest on loans and borrowings		6,628	8,078
Short term borrowings	7	389,581	375,665
Current portion of non current liabilities		6,510	5,728
Provision for taxation	8	22,793	15,745
		<b>970,232</b>	925,720
<b>CONTINGENCIES &amp; COMMITMENTS</b>	9	-	-
		<b>1,719,353</b>	1,750,810

The annexed notes 1 to 16 form an integral part of these interim condensed financial statements.

## AS AT DECEMBER 31, 2015

	Note	December 31, 2015 (Un-audited) Rupees (000)	June 30, 2015 (Audited) Rupees (000)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	10	1,091,554	1,126,706
Capital work in progress		802	802
Long term loans		7,129	7,129
Long term deposits		8,297	9,622
		<b>1,107,783</b>	<b>1,144,259</b>
<b>CURRENT ASSETS</b>			
Stores and spares		11,234	11,757
Stock-in-trade	11	308,142	342,924
Trade debts		57,018	54,210
Loan and advances		210,561	187,201
Trade deposits, short term prepayments and other receivables		22,687	6,518
Cash and bank balances		1,929	3,941
		<b>611,570</b>	<b>606,551</b>
		<b>1,719,353</b>	<b>1,750,810</b>

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

	Notes	Half Year Ended		Quarter Ended	
		Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
		(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
Sales		<b>709,037</b>	1,127,384	<b>298,418</b>	419,137
Cost of sale	12	<b>(718,443)</b>	(1,070,664)	<b>(304,829)</b>	(441,790)
<b>Gross (loss) \profit</b>		<b>(9,406)</b>	56,720	<b>(6,411)</b>	(22,653)
Distribution cost		<b>(11,610)</b>	(24,291)	<b>(4,028)</b>	(9,425)
Administrative expenses		<b>(30,463)</b>	(33,121)	<b>(14,403)</b>	(18,786)
Other operating expenses		<b>(411)</b>	(709)	<b>(672)</b>	(1,009)
		<b>(42,484)</b>	(58,121)	<b>(19,103)</b>	(29,220)
<b>Operating (loss)</b>		<b>(51,890)</b>	(1,401)	<b>(25,514)</b>	(51,873)
Finance cost		<b>(16,132)</b>	(21,327)	<b>(7,486)</b>	(10,566)
<b>(Loss) before taxation</b>		<b>(68,023)</b>	(22,728)	<b>(33,000)</b>	(62,440)
Taxation		<b>(5,826)</b>	(8,288)	<b>(2,164)</b>	(1,137)
<b>(Loss) after taxation</b>		<b>(73,848)</b>	(31,016)	<b>(35,164)</b>	(63,577)
<b>(Loss) per share - Basic &amp; diluted (Rupees)</b>	13	<b>(1.85)</b>	(0.78)	<b>(0.88)</b>	(1.59)

The annexed notes 1 to 16 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, 2015**

	Half Year Ended		Quarter Ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
<b>(Loss) after taxation</b>	<b>(73,848)</b>	<b>(31,016)</b>	<b>(35,164)</b>	<b>(63,577)</b>
Other comprehensive income	-	-	-	-
<b>Total Comprehensive Income for the period</b>	<b><u>(73,848)</u></b>	<b><u>(31,016)</u></b>	<b><u>(35,164)</u></b>	<b><u>(63,577)</u></b>

The annexed notes 1 to 16 form an integral part of these interim condensed financial statements.

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

	Half year ended December 31, 2015	Half year ended December 31, 2014
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) after taxation	(68,023)	(22,728)
<b>Adjustments for non cash charges and other items</b>		
Depreciation	35,198	34,921
Provision for gratuity	5,000	3,001
Finance cost	16,132	21,327
	56,330	59,249
<b>Operating (loss)/profit before working capital changes</b>	(11,693)	36,521
<b>Effect on cash flows due to working capital changes</b>		
<b>(Increase)/decrease in current assets</b>		
Stores and spares	523	(16,654)
Stock-in-trade	34,782	(97,025)
Trade debts	(2,806)	1,332
Loan and advances	(18,965)	(28,100)
Trade deposits, short term prepayments and other receivables	(16,170)	(3,030)
<b>Increase in current liabilities</b>		
Trade and other payables	24,455	115,773
	21,817	(27,704)
<b>Cash generated from operations</b>	10,124	8,817
Finance cost paid	(17,582)	(22,267)
Gratuity paid	(2,166)	(3,926)
Income tax paid	(4,681)	(6,413)
<b>Net Cash (used in) operations</b>	(14,304)	(32,606)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(2,525)
Long term loans	-	5,000
Long term deposits	1,325	-
<b>Net Cash from Investing Activities</b>	1,325	2,475
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Liabilities against assets subject to finance lease	(2,949)	(2,588)
Dividend paid	-	(1,321)
Short term borrowing	13,916	22,869
<b>Net cash from Financing Activities</b>	10,967	18,960
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,012)	(7,213)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	3,941	9,554
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	1,929	2,341

The annexed notes 1 to 16 form an integral part of these interim condensed financial statements.

Lahore:  
February 26, 2016

**(Khawaja Mohammad Jahangir)**  
Chief Executive

**(Khawaja Mohammad Kaleem)**  
Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

Particulars	Share Capital	Accumulated Profit	Total
	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)	(Un-audited) Rupees (000)
<b>Balance as at July 1, 2014</b>	<b>200,000</b>	<b>211,166</b>	<b>411,166</b>
(Loss) for the period ended 31 December 2014	-	(31,016)	(31,016)
Transferred from: surplus on revaluation of property, plant and equipment -net of deferred tax		803	803
Dividend for the year ended June 30,2014 @ Rs 0.50 per share	-	(1,376)	(1,376)
Dividend for the period ended September 30,2014 @ Rs 0.25 per share	-	(588)	(688)
<b>Balance as at December 31, 2014</b>	<b>200,000</b>	<b>178,889</b>	<b>378,889</b>
<b>Balance as at July 1, 2015</b>	<b>200,000</b>	<b>78,363</b>	<b>278,363</b>
(Loss) for the period ended 31 December 2015	-	(73,848)	(73,848)
Transferred from surplus on revaluation of property, plant and equipment -net of deferred tax		2,271	2,271
<b>Balance as at December 31, 2015</b>	<b>200,000</b>	<b>5,015</b>	<b>207,286</b>

The annexed notes 1 to 16 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, 2015****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 (now Pakistan Stock Exchange Limited). The registered office of the company is situated at 7-E 3/1 Main Boulevard Gulberg III, Lahore.

The company is principally engaged in the business of manufacturing and selling of yarn.

**2 STATEMENT OF COMPLIANCE**

This condensed interim financial information of the Company for the six month period ended 31 December 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

- 2.1 This condensed interim financial information is un-audited and is being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984

**3 BASIS OF PREPARATION**

- 3.1 This condensed interim financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 30 June 2015.

- 3.2 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, 2015.

There are certain new International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the accounting periods beginning on or after 01 January 2015. These are considered not to be relevant or to have any significant effect on the Company's reporting and operations and are therefore not disclosed in this condensed interim financial information.

- 3.3 The Company has adopted the following amended International Financial Reporting Standards (IFRSs) which became effective during the period:

IFRS 10 – Consolidated Financial Statements  
IFRS 11 – Joint Arrangements  
IFRS 12 – Disclosure of Interests in Other Entities  
IFRS 13 – Fair Value Measurement

The adoption of the above amendments and interpretation did not have any significant impact on this condensed interim financial information.

- 3.4 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on company's operations and are, therefore, not detailed in this condensed interim financial report.

**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 judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. Estimates, assumption and judgments 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, 2015.

- 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, 2015.

December 31 2015 Un-audited Rupees (000)	June 30 2015 Audited Rupees (000)
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**5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

40,000,000 (June 30, 2015: 40,000,000) ordinary shares of Rupees 5/- each (2015 Rupees 5/-each)

200,000

200,000

**6 LOAN FROM DIRECTORS - SUBORDINATED**

These loans are unsecured and interest free provided by the directors and payable at the discretion of the company. These loans are subordinated to Habib Metropolitan Bank Ltd and The Bank of Punjab

**7 SHORT TERM BORROWINGS**

This includes Rs. 62.404 million (June 30, 2015: Rs. 52.006 million) interest free loan from directors to meet working capital requirements.

**8 TAXATION**

Opening balance  
Provision for the year  
Prior year adjustment

15,744

7,049

-

22,793

7,119

21,332

371

28,822

(Paid)/(Adjusted) during the year

-

(13,077)

Balance as at end of the year

22,793

15,744

**9 CONTINGENCIES AND COMMITMENTS****Contingencies**

The Company has provided bank guarantee in favor of Sui Northern Gas Pipelines Limited amounting to Rs. 38.522 million (June 30, 2015: 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 December 31, 2015 amounting to Rs. Nil (June 30, 2015: Rs 5.9 million) and letters of credit for raw material amounting to Rs. 45.454 million (June 30, 2015: Rs. 28.80 million)

10 PROPERTY, PLANT AND EQUIPMENT	Half Year Ended	Year Ended		
	December 31 2015 Un-audited Rupees (000)	June 30 2015 Audited Rupees (000)		
<b>Operating assets</b>				
Opening written down value	1,126,751	1,121,980		
Additions during the period	-	69,527		
	<b>1,126,751</b>	<b>1,191,507</b>		
Transfer/Adjustment	-	27,188		
Deletions during the period	-	(22,105)		
	<b>1,126,751</b>	<b>1,196,590</b>		
Depreciation charged during the period	<b>(34,624)</b>	<b>(68,632)</b>		
	<b>1,092,127</b>	<b>1,127,958</b>		
<b>Leased Assets</b>				
Depreciation charged during the period	(573)	(1,207)		
	<b>1,091,554</b>	<b>1,126,751</b>		
<b>11 STOCK IN TRADE</b>				
Raw material	176,439	254,588		
Work in progress	74,002	41,864		
Finished goods	57,701	46,473		
	<b>308,142</b>	<b>342,924</b>		
<b>12 COST OF GOODS SOLD</b>				
Cost of Manufactured	729,672	1,063,207		
Opening stock	46,473	54,097		
Closing Stock	(57,701)	(46,640)		
	<b>718,443</b>	<b>1,070,664</b>		
<b>13 EARNING PER SHARE-BASIC &amp; DILUTED</b>				
	Half year ended		Quarter Ended	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
	Un-audited	Un-audited	Un-audited	Un-audited
	Rupees (000)	Rupees (000)	Rupees (000)	Rupees (000)
(Loss) after taxation	(73,848)	(31,016)	(35,164)	(63,577)
Weighted average number of shares (000)	40,000	40,000	40,000	40,000
<b>Earning per share - basic &amp; diluted</b>	<b>(1.85)</b>	<b>(0.78)</b>	<b>(0.88)</b>	<b>(1.59)</b>

No figure for diluted (loss) per share has been presented as the company has not issued any instrument which would have an impact on (loss) per share when exercised.

**14 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:

The outstanding balances of related parties as mentioned under head 'Loan from directors' are as under:

Party Name	Nature of relationship	Nature of transaction	December 31	June 30
			2015 Un-audited	2015 Audited
Rupees (000)				
Kohinoor spinning mills Ltd	Associated undertaking	Creditor	1,357	1,357
Chakwal Textiles mill's Ltd	Associated undertaking	Creditor	75	112
Khuwaja Muhammad Tanveer	Director	Loan given	56,758	56,758
Khuwaja Muhammad Jahangir	Director	Loan given	39,239	39,239
Khuwaja Muhammad Kaleem	Director	Loan given	63,855	63,855
Khuwaja Muhammad Naveed	Director	Loan given	14,139	14,139
Khuwaja Muhammad Jawad	Director	Loan given	97,262	97,262

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

**Purchase of raw materials:**

Chakwal Textile Mills Limited	5,797	36,078
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**Sales of goods :**

Yousaf Weaving Mills Limited	-	0.579
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<b>Short term funds received from (paid to) directors (net)</b>	14,457	(9,872)
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**15 SEASONALITY EFFECT**

The purchases of the Company are on the higher side in the first half of the financial year due to the fact that cotton is purchased in this part of the year and resultanty this has impact on stocks in trade, trade and other payables and short term borrowings of the Company.

**16 GENERAL**

- 16.1** Figures have been rounded off to the nearest thousand rupees
- 16.2** Taxation are estimated and these are subject to final adjustment in the annual financial statements.
- 16.3** These condensed interim statements are authorized for issue on February 26, 2016 by the Board of Directors of the company.