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## Company Information

### BOARD OF DIRECTORS

Khawaja Mohammad Jahangir	(Chief Executive)
Khawaja Mohammad Jawed	(Director)
Khawaja Mohammad Tarveer	(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 Jawed	(Member)
Mr. Mohammad Aman	(Member)

### HR & REMUNERATION COMMITTEE

Khawaja Mohammad Jawed	(Chairman)
Khawaja Mohammad Jahangir	(Member)
Khawaja Mohammad Tarveer	(Member)

### COMPANY SECRETARY

Mr. Muhammad Jahangir Khan jahangir@chakwalgroup.com.pk	BA (LLB), MBA, DTL, ACS
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### CHIEF FINANCIAL OFFICER

Mr. Muhammad Ashraf	(FCMA)
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### BANKERS

Habib MicroBank Limited  
Allied Bank Limited  
MCB Bank Limited  
The Bank of Punjab  
Meexan 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

4S-K Iometer  
Multan Road, Bhai Pheru  
Tel : (04943) 540003-4

**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 quarter ended September 30, 2014.

The performance of the company for the current quarter remained progressive despite stiff operating conditions. During the quarter under review, the company's net sales dropped by Rs.112,379 (15.87%) compared to same quarter last year. The drastic decrease in sales was due to lower export as a result of supplies at lower rate by exporters of India as well as decline in US dollar value compared to Pak Rupee which also severely affected export sale. The company earned net profit of Rs.10.024 million as compared to net profit of Rs.31.950 million during the corresponding quarter last year. Other factors contributed in reducing profitability of the company were decrease in raw material rates which resulted matchless decrease in sale prices, increase in electricity and natural gas tariff in addition to erratic electricity load shedding and cut off of gas supply. However, all other expenses were kept under control and no major deviation has been noted.

Spinning industry is facing acute shortage of gas which has crippled the textile industry altogether. The shortage of natural gas to textile industry is expected to further aggravate during the coming winter season as the Government has fixed least priority of gas supply for textile sector which is the core industry of the country and is playing a pivotal role in strengthening the economy of the country and fetching export targets set by the Government which ultimately shall have bad effect on the economy of the country.

The directors have declared an interim dividend of Rs.0.25 (5%) per share for the quarter ended September 30, 2014. However, directors have foregone their right to receive the dividend.

The directors recognize and appreciate valuable shareholder, bankers, customers and suppliers for their trust, continued support and the confidence that they extended to the company. They also wish to place their deep appreciation for the true efforts of the executives, officers, staff members and workers of the company in achieving the best possible results. The directors are confident that same spirit of allegiance will remain continue in coming future also.

For and on behalf of the Board

Lahore:  
October 31, 2014

**(KHAWAJA MOHAMMAD JAHANGIR)**  
Chief Executive

## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2014

	UN-AUDITED September 30, 2014	AUDITED June 30, 2014
<b>Rupees in thousand</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised Capital 100,000,000 (June 30, 2014: 100,000,000 of Rs. 5/-each) ordinary shares of Rs. 5 each	500,000	500,000
Issued, subscribed and paid up share capital	200,000	200,000
Accumulated profit	222,978	211,166
	422,978	411,166
Surplus on evaluation of property, plant and equipment:	191,105	193,399
<b>Non Current Liabilities</b>		
Long term financing	271,256	271,256
Liabilities Against Assets Subject to Finance Lease	10,375	11,825
Deferred liabilities	83,649	84,504
	365,280	367,585
<b>Current Liabilities</b>		
Trade and other payables	415,619	383,133
Accrued interest on short term borrowings	7,645	9,646
Short term borrowings	331,359	372,264
Current portion of non current liabilities	5,527	5,349
Provision for taxation	10,868	7,119
	771,018	777,511
<b>Contingencies and Commitments</b>		
	-	-
	1,750,381	1,749,661
<b>Non Current Assets</b>		
Property, plant and equipment	1,104,595	1,121,980
Capital work in progress	13,918	13,842
Long term loans	5,512	5,512
Long term deposits	8,297	8,797
	1,132,322	1,150,131
<b>Current Assets</b>		
Stores and spares	32,117	15,661
Stock-in-trade	305,030	294,934
Trade debts	56,812	90,972
Loan and advances	185,138	174,639
Trade deposits, short term prepayments and other receivables	35,754	13,770
Cash and bank balances	3,208	9,554
	618,059	599,530
	1,750,381	1,749,661

The annexed notes form an integral part of these accounts.

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Quarter ended September 30 2014	Quarter ended September 30 2013
	<b>(Rupees in thousand)</b>	
Sales	595,868	706,247
Cost of Sales	(543,728)	(628,874)
<b>Gross Profit</b>	<b>52,140</b>	<b>79,373</b>
Distribution cost	(11,893)	(14,866)
Administrative expenses	(13,991)	(14,335)
	<b>(25,884)</b>	<b>(29,201)</b>
Operating profit	<b>26,256</b>	50,172
Financing cost	(10,256)	(10,751)
Other Operating expenses	(416)	(300)
<b>Profit before taxation</b>	<b>15,584</b>	39,111
Taxation	(5,560)	(7,151)
<b>Profit after taxation</b>	<b>10,024</b>	31,960
<b>Earning per Share - Basic</b>	<b>0.25</b>	0.80

The annexed notes form an integral part of these accounts.

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Quarter ended September 30 2014	Quarter ended September 30 2013
	(Rupees in thousand)	
Profit after taxation	10,024	31,960
Other comprehensive income for the period	-	-
	<u>10,024</u>	<u>31,960</u>

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	September 30 2014	September 30 2013
	<b>(Rupees in thousand)</b>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	15,584	39,111
<b>Adjustments for:</b>		
Depreciation	17,384	13,983
Gratuity	1,500	1,600
Financial expenses	10,256	10,761
<b>Operating profit before working capital changes</b>	44,724	65,455
<b>(Increase)/decrease in current assets</b>		
- Stores and spares	(16,457)	(1,417)
- Stock-in-trade	(10,097)	59,845
- Trade debts	34,160	(81,003)
- Loan and advances	(33,281)	59,877
- Trade deposits, short term prepayments and other receivables	(21,984)	(43,879)
Increase / (decrease) in current liabilities		
- Trade and other payables	55,987	(31,463)
	8,328	(38,037)
<b>Cash generated from operations</b>	53,052	27,418
Finance cost paid	(12,257)	(11,649)
Gratuity paid	(2,354)	(1,052)
Income tax paid	(3,035)	(5,053)
<b>Net cash from operating activities</b>	35,406	9,664
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-	(2,574)
Capital work in progress	(75)	(991)
Long term loans	-	(196)
Long term deposit	500	(1,940)
<b>Net Cash Generated / (used in) investing Activities</b>	425	(5,701)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Liabilities against asset subject to finance lease	(1,272)	-
Dividend Paid	-	693
Short term borrowing	(40,904)	(1,384)
<b>Net Cash (used in) from Financing Activities</b>	(42,176)	(691)
<b>Net Increase / (decrease) in Cash and Cash equivalent</b>	(6,345)	3,272
<b>Cash and cash equivalent at the beginning of the period</b>	9,553	728
<b>CASH AND CASH EQUIVLANT AT THE END OF THE PERIOD</b>	3,208	4,000

The annexed notes form an integral part of these accounts.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Share Capital Paid up	Accumulated (Loss) / Profit	Total
	<b>(Rupees in thousand)</b>		
<b>Restated Balance as at June 30, 2013</b>	200,000	188,876	388,876
Total comprehensive income for the Three month ended Sep 30, 2013		31,960	31,960
Dividend			
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to			
- Current year - net of deferred tax		798	798
<b>Restated Balance as at September 30, 2013</b>	200,000	221,634	421,634
Total comprehensive income for the Nine month ended June 30, 2014		14,540	14,540
Interim Dividend		(1,285)	(1,285)
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to			
- Current year - net of deferred tax		2,620	2,620
Adjustment of Revaluation of Property, Plant & Equipment		(26,342)	(26,342)
<b>Balance as at July 01, 2014</b>	200,000	211,166	411,166
Total comprehensive income for the Quarter ended Sep 30, 2014		10,024	10,024
Transfer from surplus on revaluation of Property, Plant & Equipment in respect of incremental depreciation charged to			
Current period - net of deferred tax		1,788	1,788
<b>Balance as at September 30, 2014</b>	<b>200,000</b>	<b>222,978</b>	<b>422,978</b>

The annexed notes form an integral part of these accounts.



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

**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 Exchanges. The Company is engaged in the business of textile spinning. Registered office of the company is situated at 7/1 E III, Main Boulevard, Gulberg III, Lahore.

**2 Basis of preparation**

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standard, IAS 34 "Interim Financial Reporting". These Financial Statement are unaudited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

**3 Significant Accounting Policies**

The accounting policies and methods of computation of the interim financial statements are the same as those followed in the preparation of annual financial statements for the year ended, June 30, 2014.

**4 Issued, Subscribed and Paid up Capital**

40,000,000 (June 30, 2014: 40,000,000) ordinary shares of Rupees 5/- each.

Sep. 30, 2014 Un-audited (Rupees in thousand)	June 30, 2014 Audited
<b>200,000</b>	200,000

**5 Long Term Loans**

These loans are unsecured and interest free provided by the directors. These loans are subordinated to Metro Bank Ltd and The Bank of Punjab.

**6 Contingencies and commitments**

**Contingencies**

There is no material change in the status of contingencies in the financial statements for the preceding financial year ended June 30, 2014.

**Commitments**

Commitments in respect of letter of credit for raw materials amounting to Rs 44.00 million (June 30, 2014 : Rs 43.300 million)

**7 Property, Plant and Equipment**

	Sep. 30, 2014 Un-audited	June 30, 2014 Audited
	(Rupees in thousand)	
<b>Operating assets</b>		
Opening written down value	1,097,830	936,286
Addition during the period	-	106,057
Revaluation	-	193,399
	<b>1,097,830</b>	<b>1,235,742</b>
Transfer/Adjustment		(201,651)
Deletion during the period	-	(7,837)
	<b>1,097,830</b>	<b>1,026,254</b>
Transfer/Adjustment		6,473
Revaluation		124,560
Depreciation charged during the period	(17,083)	(59,457)
	<b>1,080,747</b>	<b>1,097,830</b>
<b>Assets Subject to Finance Lease</b>		
Plant & Machinery	24,150	24,352
Depreciation charged during the period	(302)	(203)
	<b>1,104,595</b>	<b>1,121,979</b>

**8 Capital Work in Progress**

Opening balance	13,843	13,843
Addition during the period	75	-
	<b>13,918</b>	<b>13,843</b>
	<b>13,918</b>	<b>13,843</b>

**9 Earning per Share****Basic**

Profit after Taxation	10,024	31,960
Weighted average number of shares	40,000,000	40,000,000
<b>Earning per share - basic</b>	<b>0.25</b>	<b>0.80</b>

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

	Sep. 30, 2014 Un-audited	June 30, 2014 Audited
	(Rupees in thousand)	
<b>Purchase of raw materials from associates</b>		
Chakwal Textile Mills Limited	33,971	54,151
Yousaf Weaving Mills Limited	-	32,929
Kohinoor Spinning Mills Limited		2,674
<b>Sales of goods to associates</b>		
Yousaf Weaving Mills Limited	-	2,873
<b>Short term funds repaid directors</b>	5,012	31,605

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, 2014.

There has been no change in Company's sensitivity to these risks since June 30, 2014 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, 2014.

## 12 General

Figures have been rounded off to the nearest thousand rupees. The Financial statements were authorized for issue on October 31, 2014.