

CHAKWAL SPINNING MILLS LTD

**FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

AUDITOR'S 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

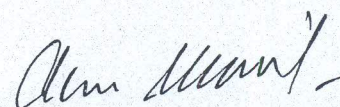
We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of the interim financial information consists of making inquiries, primarily of persons responsible for 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.

Place: Lahore

Dated: **28 FEB 2014**



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

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CHAKWAL SPINNING MILLS LIMITED
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 behalf of the Board



(KHAWAJA MOHAMMAD JAHANGIR)

Chief Executive

Lahore
February 28, 2014

CHAKWAL SPINNING MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2013

| | Note | | Note | |
|---|--|---|--|---|
| | Un-audited December 31 2013 Rupees (000) | Audited June 30 2013 Rupees (000) | Un-audited December 31 2013 Rupees (000) | Audited June 30 2013 Rupees (000) |
| EQUITY AND LIABILITIES | | | | |
| Share capital and Reserves | | | | |
| Authorised Capital | | | | |
| 100,000,000 (June 30, 2013: 100,000,000) ordinary shares of Rs.5 each | 500,000 | 500,000 | | |
| Issued, subscribed and paid up capital | 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 | 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 | 387,368 | 328,247 | | |
| Provision for taxation | 22,639 | 16,443 | | |
| | 760,070 | 763,618 | | |
| CONTINGENCIES & COMMITMENTS | - | - | | |
| | 1,709,951 | 1,653,856 | | |
| ASSETS | | | | |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | 926,673 | 936,266 | | |
| 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 | 17,979 | 14,612 | | |
| Stock-in-trade | 357,622 | 367,499 | | |
| Trade debits | 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 | | |
| | 1,709,951 | 1,653,856 | | |

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

Lahore
February 28, 2014

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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

| Note | 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) | (575,634) |
| 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) | (9,039) |
| Other Operating expenses | (190) | (471) | (490) | (624) |
| Other Operating income | 692 | 975 | 692 | 975 |
| Profit before taxation | 73,174 | 85,886 | 33,463 | 50,132 |
| Taxation | (13,601) | (9,681) | (6,450) | (5,712) |
| Profit after taxation | 59,573 | 76,205 | 27,013 | 44,420 |
| Earnings per Share - Basic | 1.49 | 1.91 | 0.68 | 1.11 |

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

Lahore
February 28, 2014

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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 |
| Transferred from surplus on revaluation of property, plant and equipment- net of deferred tax | 1,597 | 1,838 | 788 | 1,029 |
| Total Comprehensive Income | 61,170 | 78,043 | 27,801 | 45,449 |

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

Lahore
February 28, 2014

(Khawaja Mohammad Jahangir)
Chief Executive

(Khawaja Mohammad Kaleem)
Director

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

| | Share Capital | Accumulated Profit | Total |
|---|-----------------|-----------------------|-----------------|
| | Rupees (000) | Rupees (000) | Rupees (000) |
| Balance as at July 1, 2012 | 400,000 | (120,749) | 279,251 |
| Reduction of Share Capital | (200,000) | 200,000 | |
| Total comprehensive loss for the half year ended December 31, 2012 | | 78,043 | 78,043 |
| Balance as at December 31, 2012 | <u>200,000</u> | <u>157,294</u> | <u>357,294</u> |
| Balance as at July 1, 2013 | 200,000 | 199,007 | 399,007 |
| Total comprehensive Profit for the half year ended December 31, 2013 | - | 61,170 | 61,170 |
| Balance as at December 31, 2013 | <u>200,000</u> | <u>260,177</u> | <u>460,177</u> |

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

Lahore
February 28, 2014


(Khawaja Mohammad Jahangir)
Chief Executive



(Khawaja Mohammad Kaleem)
Director

CHAKWAL SPINNING MILLS LIMITED
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 | 23,069 | 18,202 |
| | <u>53,550</u> | <u>46,806</u> |
| 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 |
| | <u>(125,382)</u> | <u>(33,107)</u> |
| 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 | 37,942 |
| 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 condensed interim financial information.

Lahore
February 28, 2014


(Khawaja Mohammad Jahangir)
Chief Executive


(Khawaja Mohammad Kaleem)
Director

CHAKWAL SPINNING MILLS LTD
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (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

2.1 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 ,1984. 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

- 3.1 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

- 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 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

- 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, 2013.

| | December 31 2013 Un-audited Rupees (000) | June 30 2013 Audited Rupees (000) |
|---|---|---|
| 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL | | |
| 40,000,000 ordinary shares of Rupees 5/- each (June 30, 2013: 40,000,000) | <u>200,000</u> | <u>200,000</u> |
| 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 (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: Rs Nil million) 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 | Half Year Ended December 31 2013 Un-audited Rupees (000) | Year Ended June 30 2013 Audited Rupees (000) |
| Operating assets | | |
| Opening written down value | 936,286 | 874,603 |
| Additions during the period | 18,919 | 117,305 |
| | <u>955,205</u> | <u>991,908</u> |
| Deletions during the period | (159) | (720) |
| | <u>955,046</u> | <u>991,188</u> |
| Depreciation charged during the period | 28,373 | 54,902 |
| | <u>926,673</u> | <u>936,286</u> |

| Half year ended | | Quarter Ended | |
|-----------------|---------------|---------------|---------------|
| Dec. 31, 2013 | Dec. 31, 2012 | Dec. 31, 2013 | Dec. 31, 2012 |
| Un-audited | Un-audited | Un-audited | Un-audited |
| Rupees (000) | Rupees (000) | Rupees (000) | Rupees (000) |

9 EARNINGS PER SHARE

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 | 12.686 | 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) | 0.190 | 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 December 31, 2013. in their meeting held on February 28, 2014. However the directors have forgone their right to receive the dividend


13 AUTHROIZATION FOR ISSUE


The condensed interim financial statements are authorised for issued on February 28, 2014 by the Board of Directors of the Company

14 GENERAL

Figures have been rounded off to the nearest thousand rupees

Lahore
February 28, 2014


(Khawaja Mohammad Jahangir)
Chief Executive


(Khawaja Mohammad Kaleem)
Director