

**HALF YEARLY REPORT  
FOR THE PERIOD ENDED  
DECEMBER 31, 2012  
(Un-Audited)**



**ELLCOT SPINNING MILLS LTD.**



**ELLCOT SPINNING MILLS LIMITED**



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## ELLCOT SPINNING MILLS LIMITED

### COMPANY INFORMATION

#### BOARD OF DIRECTORS

Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
Mr. Jamal Nasim (Nominee NIT)	Non-Executive Director
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Executive Director
Mr. Shahzada Sultan Mubashir	Executive Director

#### MANAGING DIRECTOR (Chief Executive)

Mr. Shafqat Ellahi Shaikh

#### AUDIT COMMITTEE

Mr. Shaukat Ellahi Shaikh	Chairman
Mr. Shaikh Enam Ellahi	Member
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shahzada Sultan Mubashir	Secretary

#### HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

Mr. Shaukat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shahzada Sultan Mubashir	Member
Mr. Muhammad Azam	Secretary

#### EXECUTIVE COMMITTEE

Mr. Shaikh Enam Ellahi	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Shafqat Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

#### CORPORATE SECRETARY

Mr. Shahzada Sultan Mubashir

#### CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Ahmad

#### AUDITORS

Messrs Rahman Sarfraz Rahim Iqbal Rafiq  
Chartered Accountants

#### LEGAL ADVISOR

Bandial & Associates

#### LEAD BANKERS

Albaraka Bank (Pakistan) Ltd.  
Allied Bank Ltd.  
Askari Bank Ltd.  
Bank Alfalah Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
HSBC Bank Middle East Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Ltd.  
The Bank of Punjab  
United Bank Ltd.

#### REGISTERED OFFICE

Nagina House,  
91-B-1, M.M. Alam Road,  
Gulberg III, Lahore-54660.

#### WEB REFERENCE

[www.nagina.com](http://www.nagina.com)

#### SHARES REGISTRARS

M/s Hameed Majeed Associates (Pvt.) Ltd.  
1<sup>st</sup> Floor, H.M. House, 7-Bank Square, Lahore.  
Phone # : 042-37235081-2  
Fax # : 042-37358817

#### MILLS

6.3 K.M, Manga Mandi Raiwind Road,  
Mouza Rossa, Tehsil & District Kasur.



## ELLCOT SPINNING MILLS LIMITED

### DIRECTORS' REPORT TO THE MEMBERS

*IN THE NAME OF ALLAH THE MOST GRACIOUS  
THE MOST BENEVOLENT THE MOST MERCIFUL*

The Directors have the pleasure to present the unaudited condensed interim financial information of the Company for the 1<sup>st</sup> half year ended on December 31, 2012. As required by International Auditing Standards, Company's external auditors have reviewed the condensed interim financial information. The review report is attached herewith. The comparative figures for corresponding 1st half year ended on December 31, 2011 are included for comparison, except in balance sheet where figures are for the year ended on June 30, 2012 as required by International Accounting Standards.

#### Company Performance

Alhamdulillah, your Company has done well and both sales revenue and profits after tax increased as compared to corresponding period of previous year. Net profit after tax increased mainly due to growth in gross profits and reduction in finance costs. This good performance is translated in the growth of Earnings Per Share (EPS), which stood at Rs.17.56 for 1st half year ended on December 31, 2012 as compared to Rs.7.21 for corresponding period of previous year.

Sales revenue for the 1st half year ended on December 31, 2012 stood at Rs.2,293,535,183 showing growth of 14.75% over corresponding period of previous year. Selling prices shown slight downward trend, however this was compensated well by growth in volume. Reduction in prices of raw cotton in the International market benefited the Company as it managed to reduce the average cost of raw materials consumed. These factors resulted in growth of gross profits (G.P). Gross profit as percentage of sales for the 1st half year ended on December 31, 2012 was 14.88% as compared to 10.47% for the corresponding period of previous year.

Distribution and administrative costs slightly increased taking in account the impact of inflation and growth in sales volume. Other operating costs increased as the provisions for Workers Profit Participation Fund and Workers Welfare Fund increased in line with growth in profits for the 1st half year ended on December 31, 2012 as compared to corresponding period of previous year.

Your Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. Financial costs have decreased during the period under review mainly due to repayments of long term loans, reduction in mark up rates and efficient working capital management.

#### Future Outlook

The management is very concerned about the growth and profitability of the Company. Textile industry in Pakistan is facing an uphill task to cope with prolonged power outages and energy shortfalls especially in the Punjab region. These facts have made it very difficult for the textile companies to survive and compete in the international markets. On these fronts the situation is expected to remain volatile in the near future. In these difficult times the textile industry expects very effective measures from the Government to protect the local industry, which is the biggest contributor to the exchequer and provider of employment in the country. Continued and strong demand from China and other major markets is supporting the industry and this trend is expected to continue in the foreseeable future. In growing competitive environment your Company is aware of future challenges and continue to invest in the modernization of its production facilities and product differentiation to keep ahead of the competition. In line with its strategic directions the Company has already established letters of credit of around Rs.168 million for import of machinery and equipments.

#### Acknowledgement

The continued good results have been possible due to continued diligence and devotion of the staff and workers of the Company and the continued good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their gratitude to the bankers for their continued support to the Company.

On behalf of the Board.

**Shaikh Enam Ellahi**

Chairman

Lahore : February 25, 2013.



# Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

3 - Shariff Colony,  
Iftikhar Ahmed Malik Road,  
Canal Park, Gulberg II, Lahore.

T: +92 42 35756440, 35757022  
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## REVIEW REPORT TO THE MEMBERS

### Introduction

We have reviewed the accompanying interim balance sheet of **Elcot Spinning Mills Limited** ("the Company") as of December 31, 2012, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (here-in-after collectively referred to as "the interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consist 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 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 interim financial information does not give a true and fair view of the financial position of the Company as at December 31, 2012, and of its financial performance and its cash flows for the six months period then ended in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended December 31, 2012 in the interim profit and loss account and interim statement of comprehensive income have not been reviewed and we do not express opinion on them.

  
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants  
Engagement Partner: ZUBAIR IRFAN MALIK



Date: February 25, 2013.  
Place: LAHORE

*Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, is a partnership firm registered in Pakistan and a member of Russell Bedford International, a global network of independent accounting firms and consultants with affiliated offices worldwide.*



## ELLCOT SPINNING MILLS LIMITED

### CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2012

	Note	December 31 2012 <i>Rupees</i> <i>(Un-audited)</i>	June 30 2012 <i>Rupees</i> <i>(Audited)</i>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized capital</i>		<u>200,000,000</u>	<u>200,000,000</u>
20,000,000 (June 30, 2012: 20,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		109,500,000	109,500,000
Capital reserve		7,760,000	7,760,000
Accumulated profit		<u>993,116,417</u>	<u>855,551,602</u>
<b>TOTAL EQUITY</b>		<b>1,110,376,417</b>	<b>972,811,602</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term finances		143,750,000	206,386,641
Liabilities against assets subject to finance lease		11,746,201	17,117,921
Employees retirement benefits		13,364,492	13,519,826
Deferred taxation		<u>75,640,186</u>	<u>75,640,186</u>
		<b>244,500,879</b>	<b>312,664,574</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		242,663,250	173,609,529
Accrued interest/mark-up		9,894,563	13,477,934
Short term borrowings	4	878,989,622	251,803,640
Income tax payable		7,972,466	-
Current portion of non-current liabilities		<u>127,295,625</u>	<u>127,834,665</u>
		<b>1,266,815,526</b>	<b>566,725,768</b>
<b>TOTAL LIABILITIES</b>		<b>1,511,316,405</b>	<b>879,390,342</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	5		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,621,692,822</b></u>	<u><b>1,852,201,944</b></u>

*The annexed notes 1 to 12 form an integral part of this condensed interim financial information.*

Pursuant to Section 241(2) of the Companies Ordinance, 1984, this condensed interim financial information has been signed by two Directors in the absence of the Mg. Director (Chief Executive) who for the time being is not in the country.

**Shahzada Ellahi Shaikh**  
Director

Lahore : February 25, 2013.



**ELLCOT SPINNING MILLS LIMITED**

	<i>Note</i>	<b>December 31 2012</b>	<b>June 30 2012</b>
		<i>Rupees</i> <i>(Un-audited)</i>	<i>Rupees</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	858,918,469	895,585,042
Long term deposits		7,509,290	7,509,290
		<b>866,427,759</b>	<b>903,094,332</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		32,594,213	23,182,258
Stock in trade		1,341,782,038	746,408,657
Trade debts		155,128,173	88,104,410
Advances, prepayments and other receivables		218,027,792	57,272,629
Short term investments		-	45,160
Advance income tax		-	17,861,755
Cash and Bank balances		7,732,847	16,232,743
		<b>1,755,265,063</b>	<b>949,107,612</b>
<b>TOTAL ASSETS</b>		<b><u>2,621,692,822</u></b>	<b><u>1,852,201,944</u></b>

  
**Javid Bashir Sheikh**  
 Director



**ELLCOT SPINNING MILLS LIMITED**

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2012**

	Note	Half year ended		Quarter ended	
		December 31	December 31	December 31	December 31
		2012	2011	2012	2011
		Rupees	Rupees	Rupees	Rupees
<b>Sales -net</b>		<b>2,293,535,183</b>	1,998,740,418	<b>1,146,338,739</b>	959,586,670
Cost of sales	7	<b>(1,952,206,017)</b>	(1,789,428,223)	<b>(972,790,942)</b>	(886,017,160)
<b>Gross profit</b>		<b>341,329,166</b>	209,312,195	<b>173,547,797</b>	73,569,510
Distribution cost		<b>(22,722,035)</b>	(17,611,072)	<b>(12,478,118)</b>	(12,217,287)
Administrative expenses		<b>(30,972,477)</b>	(27,608,413)	<b>(13,814,548)</b>	(12,251,940)
Other operating expenses		<b>(15,902,044)</b>	(8,551,851)	<b>(7,926,354)</b>	(2,016,555)
		<b>(69,596,556)</b>	(53,771,336)	<b>(34,219,020)</b>	(26,485,782)
		<b>271,732,610</b>	155,540,859	<b>139,328,777</b>	47,083,728
Other operating income		<b>3,036,993</b>	11,872,478	<b>1,208,266</b>	2,789,503
<b>Operating profit</b>		<b>274,769,603</b>	167,413,337	<b>140,537,043</b>	49,873,231
Finance cost		<b>(34,258,942)</b>	(55,781,353)	<b>(19,757,692)</b>	(26,361,416)
<b>Profit before taxation</b>		<b>240,510,661</b>	111,631,984	<b>120,779,351</b>	23,511,815
Provision for taxation	8	<b>(48,195,846)</b>	(32,724,529)	<b>(24,325,196)</b>	(7,995,876)
<b>Profit after taxation</b>		<b>192,314,815</b>	78,907,455	<b>96,454,155</b>	15,515,939
<b>Earnings per share -basic and diluted</b>		<b>17.56</b>	7.21	<b>8.81</b>	1.42

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, this condensed interim financial information has been signed by two Directors in the absence of the Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore : February 25, 2013.

  
Shahzada Ellahi Shaikh  
Director

  
Javaid Bashir Sheikh  
Director





## ELLCOT SPINNING MILLS LIMITED

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	December 31 2012	December 31 2011	December 31 2012	December 31 2011
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Other comprehensive income	-	-	-	-
Profit after taxation	192,314,815	78,907,455	96,454,155	15,515,939
Total comprehensive income	<u>192,314,815</u>	<u>78,907,455</u>	<u>96,454,155</u>	<u>15,515,939</u>

*The annexed notes 1 to 12 form an integral part of this condensed interim financial information.*

Pursuant to Section 241(2) of the Companies Ordinance, 1984, this condensed interim financial information has been signed by two Directors in the absence of the Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore : February 25, 2013.

  
Shahzada Ellahi Shaikh  
Director

  
Javaid Bashir Sheikh  
Director



## ELLCOT SPINNING MILLS LIMITED

### CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	December 31 2012 <i>Rupees</i>	December 31 2011 <i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	240,510,661	111,631,984
<b>Adjustments for non-cash items</b>		
Depreciation	44,883,460	44,900,748
Provision for employees retirement benefits	4,350,948	4,506,578
Loss on disposal of property, plant and equipment	62,940	-
Foreign exchange loss	596,763	1,298,776
Gain on sale of short term investments	(2,308,863)	(10,113,316)
Interest/mark-up on borrowings	31,033,234	47,439,004
	<b>78,618,482</b>	<b>88,031,790</b>
<b>Operating profit before changes in working capital</b>	<b>319,129,143</b>	<b>199,663,774</b>
<b>Changes in working capital</b>		
Stores, spares and loose tools	(9,411,955)	(12,366,069)
Stock in trade	(595,373,381)	(180,755,424)
Trade debts	(67,023,763)	(4,016,624)
Advances, prepayments and other receivables	(160,755,163)	(42,635,383)
Trade and other payables	68,294,167	103,209,900
	<b>(764,270,095)</b>	<b>(136,563,600)</b>
<b>Cash (used in)/generated from operations</b>	<b>(445,140,952)</b>	<b>63,100,174</b>
<b>Payments for</b>		
Interest/mark-up on borrowings	(34,616,605)	(59,075,493)
Income tax	(22,361,625)	(15,303,448)
Employees retirement benefits	(4,506,282)	(3,708,069)
<b>Net cash used in operating activities</b>	<b>(506,625,464)</b>	<b>(14,986,836)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(11,240,189)	(69,337,631)
Proceeds from disposal of property, plant and equipment	2,960,362	-
Purchase of short term investments	(335,000,000)	(415,000,000)
Proceeds from disposal of short term investments	337,354,023	571,351,652
<b>Net cash (used in)/generated from investing activities</b>	<b>(5,925,804)</b>	<b>87,014,021</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(64,285,655)	(107,308,736)
Repayment of liabilities against assets subject to finance lease	(4,261,746)	(3,679,739)
Dividend paid	(53,990,446)	(76,087,999)
Net increase in short term borrowings	626,589,219	10,068,997
<b>Net cash generated from/(used in) financing activities</b>	<b>504,051,372</b>	<b>(177,007,477)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,499,896)</b>	<b>(104,980,292)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>16,232,743</b>	<b>136,528,487</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,732,847</b>	<b>31,548,195</b>

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Pursuant to Section 241(2) of the Companies Ordinance, 1984, this condensed interim financial information has been signed by two Directors in the absence of the Mg. Director (Chief Executive) who for the time being is not in the country.

Shahzada Ellahi Shaikh  
Director

Javaid Bashir Sheikh  
Director

Lahore : February 25, 2013.



**ELLCOT SPINNING MILLS LIMITED**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2012**

	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	Total equity
	Rupees	Rupees	Rupees	Rupees
<b>Balance as at July 01, 2011 - Audited</b>	109,500,000	7,760,000	785,797,405	903,057,405
<b>Comprehensive income</b>				
Profit after taxation	-	-	78,907,455	78,907,455
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	78,907,455	78,907,455
<b>Transaction with owners</b>				
Final dividend @ 70% i.e. Rs. 7 per ordinary share	-	-	(76,650,000)	(76,650,000)
<b>Balance as at December 31, 2011 - Un-audited</b>	109,500,000	7,760,000	788,054,860	905,314,860
<b>Comprehensive income</b>				
Profit after taxation	-	-	67,496,742	67,496,742
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	67,496,742	67,496,742
<b>Transaction with owners</b>	-	-	-	-
<b>Balance as at June 30, 2012 - Audited</b>	109,500,000	7,760,000	855,551,602	972,811,602
<b>Comprehensive income</b>				
Profit after taxation	-	-	192,314,815	192,314,815
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	192,314,815	192,314,815
<b>Transaction with owners</b>				
Final dividend @ 50% i.e. Rs. 5.0 per ordinary share	-	-	(54,750,000)	(54,750,000)
<b>Balance as at December 31, 2012 - Un-audited</b>	<b>109,500,000</b>	<b>7,760,000</b>	<b>993,116,417</b>	<b>1,110,376,417</b>

*The annexed notes 1 to 12 form an integral part of this condensed interim financial information.*

Pursuant to Section 241(2) of the Companies Ordinance, 1984, this condensed interim financial information has been signed by two Directors in the absence of the Mg. Director (Chief Executive) who for the time being is not in the country.

**Shahzada Ellahi Shaikh**  
Director

**Javaid Bashir Sheikh**  
Director

Lahore : February 25, 2013.



## ELLCOT SPINNING MILLS LIMITED

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (*UN-AUDITED*) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

#### 1 REPORTING ENTITY

Ellicot Spinning Mills Limited ("the Company") was incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984. The registered office of the Company is situated at Nagina House, 91-B-1 M. M Alam Road , Gulberg- III, Lahore. The Company is listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company is primarily engaged in manufacture and sale of yarn, and generation and sale of electricity.

#### 2 BASIS OF PREPARATION

This interim financial information is not audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2012.

The comparative interim balance sheet as at June 30, 2012 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the half year ended December 31, 2011 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of comprehensive income for the quarters ended December 31, 2012 and December 31, 2011 are neither audited nor reviewed.

##### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of 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 and directives issued under the Companies Ordinance, 1984 have been followed.

##### 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

##### 2.3 Judgements, estimates and assumptions

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

##### 2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2012.



## ELLCOT SPINNING MILLS LIMITED

### 4 SHORT TERM BORROWINGS

The aggregate available short term funded facilities amounts to Rs. 2,632 million (June 30, 2012: Rs. 2,632 million) out of which Rs. 1,753 million (June 30, 2012: Rs.2,380 million) remained unavailed as at the reporting date.

### 5 CONTINGENCIES AND COMMITMENTS

#### 5.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2012, with the exception of bills discounted/negotiated, which amount to Rs. 152,632,228 (June 30, 2012: Rs. 342,860,324) at the reporting date.

	<i>Note</i>	December 31 2012 <i>Rupees</i> <i>(Un-Audited)</i>	June 30 2012 <i>Rupees</i> <i>(Audited)</i>
<b>5.2 Commitments</b>			
<b>5.2.1 Commitments under irrevocable letters of credit for:</b>			
- capital expenditure		158,650,616	7,702,500
- working capital		194,683,401	86,528,997
		<u>353,334,017</u>	<u>94,231,497</u>
<b>5.2.2 Commitments under operating leases</b>		<u>480,000</u>	<u>240,000</u>

### 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets			
- assets owned by the Company	6.1	822,884,418	857,511,247
- assets subject to finance lease	6.2	36,049,393	38,073,795
		<u>858,933,811</u>	<u>895,585,042</u>

#### 6.1 Assets owned by the Company

Net book value at the beginning of the period/year		857,511,247	861,018,035
Additions during the period/year			
Factory building		-	18,269,613
Plant and machinery		8,169,390	73,981,630
Electric installation		-	1,868,545
Furniture and fittings		30,349	468,215
Office equipment		13,450	233,200
Vehicles		3,027,000	2,778,238
		<u>11,240,189</u>	97,599,441
Net book value of assets disposed during the period/year		(3,023,302)	(12,205,642)
Depreciation for the period/year		(42,843,716)	(88,900,587)
Net book value at the end of the period/year		<u>822,884,418</u>	<u>857,511,247</u>

#### 6.2 Assets subject to finance lease

Net book value at the beginning of the period/year		38,073,795	33,479,015
Additions during the period/year			
Plant and machinery		-	10,299,706
Net book value of assets disposed during the period/year		-	(993,867)
Depreciation for the period/year		(2,024,402)	(4,711,059)
Net book value at the end of the period/year		<u>36,049,393</u>	<u>38,073,795</u>



## ELLCOT SPINNING MILLS LIMITED

	Half year ended ( <i>Un-audited</i> )		Quarter ended ( <i>Un-audited</i> )	
	December 31 2012	December 31 2011	December 31 2012	December 31 2011
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>7 COST OF SALES</b>				
Raw material consumed - <i>spinning unit</i>	<b>1,492,114,732</b>	1,424,099,622	<b>733,192,947</b>	690,571,373
Fuel and power	<b>214,791,839</b>	142,979,622	<b>126,665,038</b>	76,606,700
Stores, spares and loose tools consumed	<b>67,990,654</b>	64,565,212	<b>34,192,294</b>	32,389,997
Salaries, wages and benefits	<b>114,602,002</b>	84,298,617	<b>60,290,639</b>	42,230,735
Insurance	<b>5,264,246</b>	6,547,043	<b>2,495,381</b>	3,303,033
Repair and maintenance	<b>2,972,059</b>	1,543,015	<b>1,551,778</b>	555,408
Depreciation	<b>43,536,956</b>	43,631,082	<b>21,745,769</b>	21,936,869
Other manufacturing overheads	<b>10,956,020</b>	11,450,359	<b>6,512,825</b>	8,181,880
	<b>1,952,228,508</b>	1,779,114,572	<b>986,646,671</b>	875,775,995
Work in process				
- at the beginning of the period	<b>40,975,482</b>	41,099,164	<b>43,914,769</b>	48,105,723
- at the end of the period	<b>(45,656,470)</b>	(43,402,146)	<b>(45,656,470)</b>	(43,402,146)
	<b>(4,680,988)</b>	(2,302,982)	<b>(1,741,701)</b>	4,703,577
	<b>1,947,547,520</b>	1,776,811,590	<b>984,904,970</b>	880,479,572
Finished goods				
- at the beginning of the period	<b>73,375,095</b>	67,387,775	<b>57,563,072</b>	60,308,730
- purchases during the period	<b>972,302</b>	16,100	<b>11,800</b>	16,100
- at the end of the period	<b>(69,688,900)</b>	(54,787,242)	<b>(69,688,900)</b>	(54,787,242)
	<b>4,658,497</b>	12,616,633	<b>(12,114,028)</b>	5,537,588
	<b>1,952,206,017</b>	1,789,428,223	<b>972,790,942</b>	886,017,160

## 8 PROVISION FOR TAXATION

8.1 Provision for current tax has been made in accordance with the requirements of section 18 and section 154 of the Income Tax Ordinance, 2001.

8.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

## 9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.



## ELLCOT SPINNING MILLS LIMITED

Details of transactions and balances with related parties is as follows:

		Half year ended (Un-audited)	
		December 31 2012	December 31 2011
		Rupees	Rupees
<b>9.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Associated companies	Purchase of goods and services	1,246,502	256,100
	Sales of goods and services	747,377,845	523,717,280
	Dividend paid	13,317,305	18,644,227
Key management personnel	Short term employee benefits	5,074,268	4,155,207
	Dividend paid to directors and their family members	25,763,120	36,068,368

### 9.2 Balances with related parties

There are no balances with related parties as at the reporting date.

## 10 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require any adjustment or disclosure in this condensed interim financial information.

## 11 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 25, 2013.

## 12 GENERAL

- 12.1 There are no other significant activities since June 30, 2012 affecting the interim financial information.
- 12.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 12.3 Figures have been rounded off to the nearest Rupee.

Pursuant to Section 241(2) of the Companies Ordinance, 1984, this condensed interim financial information has been signed by two Directors in the absence of the Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore : February 25, 2013.

  
Shahzada Ellahi Shaikh  
Director

  
Javid Bashir Sheikh  
Director

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