

**HALF YEARLY REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2015
(Un-Audited)**



ELLCOT SPINNING MILLS LTD.



CONTENTS

Company Information	3
Directors' Report to the Members	4
Auditors' Report to the Members on Review of Interim Financial Information	5
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account	8
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Interim Cash Flow Statement	10
Condensed Interim Statement of Changes in Equity	11
Notes to the Condensed Interim Financial Information	12



ELLCOT SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi Mr. Syed Moaz Mohiuddin Mr. Jamal Nasim (Nominee NIT) Mr. Shahzada Ellahi Shaikh Mr. Shaukat Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Shafqat Ellahi Shaikh	Non-Executive Director / Chairman Independent Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shafqat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Syed Moaz Mohiuddin Mr. Shaukat Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Syed Mohsin Gilani	Chairman Member Member Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Amin Ellahi Shaikh Mr. Shaikh Enam Ellahi Mr. Shaukat Ellahi Shaikh Mr. Muhammad Azam	Chairman Member Member Secretary
EXECUTIVE COMMITTEE	Mr. Shaikh Enam Ellahi Mr. Shahzada Ellahi Shaikh Mr. Shaukat Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Muhammad Azam	Chairman Member Member Member Secretary
CORPORATE SECRETARY	Mr. Syed Mohsin Gilani	
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. Meezan Bank 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	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1 st 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.	



DIRECTORS' REPORT TO THE MEMBERS

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

The Directors are pleased to present the un-audited condensed interim financial information of the company for the half year ended on December 31, 2015 duly reviewed by the auditors. The comparative figures for the corresponding half year ended on December 31, 2014 are included for comparison, except in balance sheet where figures are for the year ended on June 30, 2015.

Company Performance

Alhamdulillah, despite all odds, company has managed to remain profitable in the first half of the financial year. During the period under review, sales revenue stood at Rs.2,023,871,858 compared to Rs.2,460,705,083 showing decrease of 17.75% over the corresponding half year of previous year. The main reason for sales reduction is depressed yarn prices. Cost of sales decreased by 17.50% over the corresponding half year of last year. This was due to better raw material cost management and reduction in energy costs because of massive fall in global crude oil prices. Gross Profit for the half year stood at 5.66% of sales compared to 5.95% of sales during the corresponding half year of previous year. Inflation caused rise in operating expenses to 3.51% of sales as compared to 3.01% of sales for the corresponding half year of last year.

The Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. Due to better cash flow management finance cost reduced by 33.66% over corresponding half year of previous year.

The Company earned profit after tax of Rs.9,348,814 or 0.46% of sales in the first half compared to Rs.20,249,891 or 0.82% of sales for the corresponding period of previous year. Earning per share (EPS) for the period is Rs. 0.85 compared to Rs.1.85 for the corresponding half year of previous year.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2015-16, Kapas, (seed cotton) arrivals upto February 01, 2016, at the Ginneries totaled to 9.613 million bales compared to 14.435 million bales for the similar period of the year 2014-15 showing decrease in arrival of 33.41%. Massive fall in production of the cotton crop this year is being attributed to untimely rains, pest attacks and low seed quality. Urgent steps are required from the Government and the stake-holders of the cotton economy to improve the quality of seed and crop management practices.

Future Outlook

The textile industry in general and the spinning industry in particular is suffering the effects of low demand and depressed unit prices. Major yarn importing regions are being flooded with cheap yarn from India and Vietnam. The slowdown in the Chinese economy is not conducive for textile exports. Our competing countries have better operating conditions because of persistent devaluation of their currencies and subsidies. The aggressive policies of our competing countries are forcing prices of textile products to remain low. Pakistani Rupee is maintaining relative strength against the USD and reducing our international competitiveness. Pakistan Government has imposed anti-dumping duty on import of polyester from China. This act is likely to cause rise in raw material costs. In order to deal with all the challenges Management is pursuing a policy of strict cost controls, aggressive marketing and production of value added products to keep the company profitable.

State Bank of Pakistan (SBP) has announced reduction in long term financing (LTFF) rates and at the same time spinning sector has been allowed 100% financing under LTFF for newly purchased plant and machinery. Our company is taking advantage of this welcome step and has launched a Balancing Modernisation and Replacement plan amounting to Rs. 300 million.

It is hoped that the government will support the textile industry by expediting refunds of various taxes, providing sufficient gas to operate the mills, zero rate textile exports, allow the market to establish the fair value of the Pakistani Rupee against the USD and encourage value addition in the textile sector.

Acknowledgement

Despite adverse conditions profitable results have been possible due to continued diligence and devotion of the staff and workers of the Company. 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.

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore : February 25, 2016



Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

72-A, Faisal Town, Lahore.

T: +92 42 35160431 - 35160432

F: +92 42 35160433

Auditors' report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Ellcot Spinning Mills Limited ("the Company") as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as ("the 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 for the quarter ended December 31, 2015 of the condensed interim profit and loss account and condensed interim statement of profit or loss and other comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

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

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: ZUBAIR IRFAN MALIK

Date: FEBRUARY 25, 2016

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, 2015

	Note	December 31, 2015 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
20,000,000 (June 30, 2015: 20,000,000) ordinary shares of Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up capital		109,500,000	109,500,000
Capital reserves		1,620,678	7,760,000
Accumulated profit		1,238,450,732	1,267,426,918
TOTAL EQUITY		<u>1,349,571,410</u>	<u>1,384,686,918</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances		315,867,481	355,408,312
Liabilities against assets subject to finance lease		148,932	1,018,110
Employees retirement benefits		52,753,715	54,593,956
Deferred taxation		78,901,740	78,901,740
		447,671,868	489,922,118
CURRENT LIABILITIES			
Trade and other payables		289,071,288	270,309,275
Accrued interest/mark-up		8,626,293	10,442,857
Short term borrowings		308,728,392	146,091,234
Current portion of non-current liabilities		82,085,299	76,069,777
		688,511,272	502,913,143
TOTAL LIABILITIES		<u>1,136,183,140</u>	<u>992,835,261</u>
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u>2,485,754,550</u>	<u>2,377,522,179</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Lahore : February 25, 2016


Shahzada Ellahi Shaikh
Director



ELLCOT SPINNING MILLS LIMITED

	<i>Note</i>	December 31, 2015 <i>Rupees</i> <i>(Un-audited)</i>	June 30, 2015 <i>Rupees</i> <i>(Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	7	977,183,003	1,020,168,306
Long term deposits		7,090,700	7,090,700
		984,273,703	1,027,259,006
CURRENT ASSETS			
Stores, spares and loose tools		50,616,692	49,814,587
Stock in trade		864,782,614	668,865,762
Trade debts		207,036,466	216,902,704
Advances, prepayments and other receivables		100,299,736	42,242,332
Short term investments		36,748,771	170,494,039
Advance income tax		51,844,346	53,269,145
Cash and bank balances		190,152,222	148,674,604
		1,501,480,847	1,350,263,173
TOTAL ASSETS		<u>2,485,754,550</u>	<u>2,377,522,179</u>


Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



Condensed Interim Profit and Loss Account (*Un-audited*)
for the half year ended December 31, 2015

	Note	Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		Rupees	Rupees	Rupees	Rupees
Sales - net		2,023,871,858	2,460,705,083	988,165,259	1,243,211,363
Cost of sales	8	(1,909,324,805)	(2,314,269,256)	(929,137,278)	(1,154,672,070)
Gross profit		114,547,053	146,435,827	59,027,981	88,539,293
Distribution cost		(24,283,479)	(26,858,789)	(9,444,825)	(16,089,236)
Administrative expenses		(43,874,272)	(41,221,431)	(21,642,917)	(21,950,410)
Other expenses		(2,912,256)	(5,868,029)	(1,808,806)	(3,678,949)
		(71,070,007)	(73,948,249)	(32,896,548)	(41,718,595)
		43,477,046	72,487,578	26,131,433	46,820,698
Other income		9,273,404	5,357,768	4,856,034	297,418
Operating profit		52,750,450	77,845,346	30,987,467	47,118,116
Finance cost		(21,570,175)	(32,516,953)	(11,657,918)	(17,535,117)
Profit before taxation		31,180,275	45,328,393	19,329,549	29,582,999
Provision for taxation	9	(21,831,461)	(25,078,502)	(11,384,103)	(14,560,860)
Profit after taxation		9,348,814	20,249,891	7,945,446	15,022,139
Earnings per share - basic and diluted		0.85	1.85	0.73	1.37

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Lahore : February 25, 2016


Shahzada Ellahi Shaikh
Director


Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



Condensed Interim Statement of Profit or Loss and Other
Comprehensive Income (*Un-audited*)
for the half year ended December 31, 2015

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<i>Items that may be reclassified subsequently to profit or loss</i>				
Changes in fair value of available for sale financial assets	(6,139,322)	-	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Other comprehensive loss before taxation	(6,139,322)	-	-	-
Taxation	-	-	-	-
Other comprehensive loss after taxation	(6,139,322)	-	-	-
Profit after taxation	9,348,814	20,249,891	7,945,446	15,022,139
Total comprehensive income	3,209,492	20,249,891	7,945,446	15,022,139

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Lahore : February 25, 2016


Shahzada Ellahi Shaikh
Director


Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



ELLCOT SPINNING MILLS LIMITED

Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2015

	December 31, 2015	December 31, 2014
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,180,275	45,328,393
Adjustments for non-cash items		
Depreciation	50,680,946	51,506,845
Provision for employees retirement benefits	4,350,948	4,350,948
(Gain) / Loss on disposal of property, plant and equipment	(49,831)	1,486,458
Gain on sale of short term investments	(7,947,604)	(4,857,406)
Interest/mark-up on borrowings	21,570,175	32,516,953
	68,604,634	85,003,798
Operating profit before changes in working capital	99,784,909	130,332,191
Changes in working capital		
Stores, spares and loose tools	(802,105)	2,216,724
Stock in trade	(195,916,852)	(329,695,615)
Trade debts	9,866,238	134,721,577
Advances, prepayments and other receivables	(58,057,404)	6,999,712
Trade and other payables	18,383,769	78,176,115
	(226,526,354)	(107,581,487)
Net cash (used in)/generated from operations	(126,741,445)	22,750,704
Payments for		
Interest/mark-up on borrowings	(23,386,739)	(25,534,213)
Income tax	(20,406,662)	(25,407,325)
Employees retirement benefits	(6,191,189)	(5,346,676)
Net cash used in operating activities	(176,726,035)	(33,537,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,748,985)	(9,016,860)
Proceeds from disposal of property, plant and equipment	1,103,173	3,619,000
Purchase of short term investments	(646,941,989)	(340,000,000)
Proceeds from disposal of short term investments	782,495,539	344,857,406
Net cash generated from/(used in) investing activities	127,907,738	(540,454)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(32,500,000)	(31,250,000)
Repayment of liabilities against assets subject to finance lease	(1,894,487)	(1,712,305)
Dividend paid	(37,946,756)	(75,525,411)
Net increase in short term borrowings	162,637,158	21,081,051
Net cash generated from/(used in) financing activities	90,295,915	(87,406,665)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,477,618	(121,484,629)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	148,674,604	133,268,673
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	190,152,222	11,784,044

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore : February 25, 2016



ELLCOT SPINNING MILLS LIMITED

Condensed Interim Statement of Changes In Equity (*Un-audited*) for the half year ended December 31, 2015

	Share capital	Capital reserves			Revenue reserve	
		Issued subscribed and paid-up capital	Unrealized loss on available for sale financial assets	Capital reserve	Total	Accumulated profit
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2014 - <i>Audited</i>	109,500,000	-	7,760,000	7,760,000	1,290,282,692	1,407,542,692
Comprehensive income						
Profit after taxation	-	-	-	-	20,249,891	20,249,891
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	20,249,891	20,249,891
Transaction with owners						
Final dividend @ 70% i.e. Rs. 7 per ordinary share	-	-	-	-	(76,650,000)	(76,650,000)
Balance as at December 31, 2014 - <i>Un-audited</i>	<u>109,500,000</u>	<u>-</u>	<u>7,760,000</u>	<u>7,760,000</u>	<u>1,233,882,583</u>	<u>1,351,142,583</u>
Balance as at January 01, 2015 - <i>Un-audited</i>	109,500,000	-	7,760,000	7,760,000	1,233,882,583	1,351,142,583
Comprehensive income						
Profit after taxation	-	-	-	-	34,048,837	34,048,837
Other comprehensive loss	-	-	-	-	(504,502)	(504,502)
Total comprehensive income	-	-	-	-	33,544,335	33,544,335
Transaction with owners	-	-	-	-	-	-
Balance as at June 30, 2015 - <i>Audited</i>	<u>109,500,000</u>	<u>-</u>	<u>7,760,000</u>	<u>7,760,000</u>	<u>1,267,426,918</u>	<u>1,384,686,918</u>
Balance as at July 01, 2015 - <i>Audited</i>	109,500,000	-	7,760,000	7,760,000	1,267,426,918	1,384,686,918
Comprehensive income						
Profit after taxation	-	-	-	-	9,348,814	9,348,814
Other comprehensive loss	-	(6,139,322)	-	(6,139,322)	-	(6,139,322)
Total comprehensive income	-	(6,139,322)	-	(6,139,322)	9,348,814	3,209,492
Transaction with owners						
Final dividend @ 35% i.e. Rs. 3.5 per ordinary share	-	-	-	-	(38,325,000)	(38,325,000)
Balance as at December 31, 2015 - <i>Un-audited</i>	<u>109,500,000</u>	<u>(6,139,322)</u>	<u>7,760,000</u>	<u>1,620,678</u>	<u>1,238,450,732</u>	<u>1,349,571,410</u>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Lahore : February 25, 2016

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



Notes to the Condensed Interim Financial Information (*Un-audited*) for the half year ended December 31, 2015

1 REPORTING ENTITY

Ellocot Spinning Mills Limited ("the Company") is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg III, Lahore. The manufacturing facility is located in District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

The financial information contained in this interim financial report is un-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, 2015.

This condensed interim financial information has been subjected to limited scope review by the auditors of the company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2015 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 profit or loss and other 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, 2014 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2015 and December 31, 2014 are neither audited nor reviewed.

2.1 Statement of compliance

This interim financial report 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

The financial information contained in this interim report has been prepared under the historical cost convention except for certain financial instruments at fair value/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 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR

The following new/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the interim financial information of the Company.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.



IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Annual Improvements 2012-2014 cycle	January 01, 2016
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.



ELLCOT SPINNING MILLS LIMITED

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

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 preceding annual financial statements of the Company for the year ended June 30, 2015, except for the following new accounting policies for transactions, other events and conditions that did not occur previously.

5.1 Available for sale financial assets

Investment in equity securities which are acquired for an indefinite period are classified as 'available for sale financial assets'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition plus attributable transaction costs. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit and loss account.

5.2 "Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date. Regular way purchases or sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market.

5.3 Investment in equity securities

Investment in equity securities, which are acquired for an indefinite period and may be sold in response to liquidity needs or changes in market prices, are classified as 'available for sale financial assets'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition plus attributable transaction costs. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in income statement.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2015, with the exception of bills discounted/negotiated, which amount to Rs. 39,735,809 (June 30, 2015: Rs. 69,935,560) at the reporting date.

	<i>Note</i>	December 31, 2015 <i>Rupees</i> <i>(Un-Audited)</i>	June 30, 2015 <i>Rupees</i> <i>(Audited)</i>
6.2 Commitments			
6.2.1 Commitments under irrevocable letters of credit for:			
- purchase of property, plant and equipment		237,873,038	128,447,100
- purchase of stores,spares and loose tools		-	8,075,478
- purchase of raw material		672,890,452	97,075,914
		<u>910,763,490</u>	<u>233,598,492</u>
6.2.2 Commitments under operating leases		<u>720,000</u>	<u>330,000</u>
7 FIXED ASSETS			
Property, plant and equipment			
Assets owned by the Company	7.1	953,621,721	996,094,505
Assets subject to finance lease	7.2	9,737,856	10,250,375
		963,359,577	1,006,344,880
Intangible asset under development		13,823,426	13,823,426
		<u>977,183,003</u>	<u>1,020,168,306</u>



ELLCOT SPINNING MILLS LIMITED

	December 31, 2015	June 30, 2015
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
7.1 Assets owned by the Company		
Net book value at the beginning of the period/year	996,094,505	985,348,135
Additions during the period/year		
Non-factory buildings	-	1,271,006
Plant and machinery	3,368,635	107,827,507
Electric installations and equipment	-	2,200,000
Office equipment	303,350	2,845,016
Furniture and fixtures	9,000	-
Vehicles	5,068,000	4,882,500
	8,748,985	119,026,029
Net book value of assets disposed during the period/year	(1,053,342)	(7,713,134)
Depreciation for the period/year	(50,168,427)	(100,566,525)
Net book value at end of the period/year	<u>953,621,721</u>	<u>996,094,505</u>
7.2 Assets subject to finance lease		
Net book value at beginning of the period/year	10,250,375	11,389,306
Depreciation for the period/year	(512,519)	(1,138,931)
Net book value at end of the period/year	<u>9,737,856</u>	<u>10,250,375</u>

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>
8 COST OF SALES				
Raw material consumed	1,355,264,340	1,716,721,086	676,975,256	851,207,251
Fuel and power	213,053,399	311,464,589	114,014,473	162,342,541
Stores, spares and loose tools consumed	80,434,692	89,203,816	42,691,557	41,039,106
Salaries, wages and benefits	157,941,962	143,274,263	75,508,017	75,923,432
Insurance	4,712,514	4,633,998	2,338,827	2,332,676
Repair and maintenance	5,016,207	4,057,875	1,172,668	2,363,414
Depreciation	47,386,276	47,685,428	24,030,334	23,361,698
Other manufacturing overheads	6,693,768	6,452,657	3,336,194	3,512,870
	1,870,503,158	2,323,493,712	940,067,326	1,162,082,988
Work in process				
As at beginning of the period	46,147,113	46,327,710	51,466,876	51,679,088
As at end of the period	(54,855,841)	(46,457,504)	(54,855,841)	(46,457,504)
	(8,708,728)	(129,794)	(3,388,965)	5,221,584
	<u>1,861,794,430</u>	<u>2,323,363,918</u>	<u>936,678,361</u>	<u>1,167,304,572</u>
Finished goods				
As at beginning of the period	40,271,540	24,300,229	48,761,972	20,762,389
Purchased during the period	74,069,030	-	10,507,140	-
As at end of the period	(66,810,195)	(33,394,891)	(66,810,195)	(33,394,891)
	47,530,375	(9,094,662)	(7,541,083)	(12,632,502)
	<u>1,909,324,805</u>	<u>2,314,269,256</u>	<u>929,137,278</u>	<u>1,154,672,070</u>



ELLCOT SPINNING MILLS LIMITED

9 PROVISION FOR TAXATION

- 9.1 Provision for current tax has been made in accordance with the requirements of section 18 and section 154 of the Income Tax Ordinance, 2001.
- 9.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

10 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 and dividend on ordinary shares. 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 orderly transaction between market participants.

Details of transactions with related parties are as follows:

		Half year ended	
		December 31, 2015	December 31, 2014
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Un-Audited)</i>
10.1	Transactions with related parties		
	Nature of relationship		
	Nature of transaction		
	Associated companies		
	Purchase of goods and services	76,230,574	1,644,090
	Sales of goods and services	531,888,842	828,682,959
	Dividend paid	9,322,114	18,644,227
	Key management personnel		
	Short term employee benefits	7,249,812	6,536,850
	Dividend paid to directors and their family members	17,969,434	35,938,868

10.2 Balances with related parties

There are no balances due to/from related parties as at the reporting date.



ELLCOT SPINNING MILLS LIMITED

	December 31, 2015	June 30, 2015
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
11 FINANCIAL INSTRUMENTS		
11.1 Financial instruments by class and category		
11.1.1 Financial assets		
<i>Cash in hand</i>	875,240	-
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	-	170,494,039
<i>Available for sale financial assets</i>		
Short term investments	36,748,771	-
<i>Loans and receivables</i>		
Long term deposits	7,090,700	7,090,700
Trade debts	207,036,466	216,902,704
Bank balances	189,276,982	148,674,604
	403,404,148	372,668,008
	<u>441,028,159</u>	<u>543,162,047</u>
11.1.2 Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Long term finances	394,949,143	427,449,143
Liabilities against assets subject to finance lease	3,152,569	5,047,056
Short term borrowings	308,728,392	146,091,234
Accrued interest/mark-up	8,626,293	10,442,857
Trade creditors	52,899,827	40,183,099
Accrued liabilities	139,886,300	144,495,341
Unclaimed dividend	4,323,277	3,945,033
	<u>912,565,801</u>	<u>777,653,763</u>
11.2 Fair value measurements		
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.		
11.2.1 Financial instruments measured at fair value		
The Company measures some of its financial instruments at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.		
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.	
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).	
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).	
The fair value hierarchy of financial instruments measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:		



ELLCOT SPINNING MILLS LIMITED

Financial instruments	Hierarchy	Valuation techniques and key inputs	December 31, 2015	June 30, 2015
			Rupees (Un-Audited)	Rupees (Audited)
Financial assets at fair value through profit or loss				
Investment in mutual funds	Level 1	Quoted bid prices in an active market	-	170,494,039
Available for sale financial assets				
Investment in equity securities	Level 1	Quoted bid prices in an active market	36,748,771	-

11.2.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

12 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in this condensed interim financial report.

13 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in this condensed interim financial information.

14 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, 2016.

15 GENERAL

15.1 There are no other significant activities since June 30, 2015 affecting the interim financial information.

15.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.

15.3 Figures have been rounded off to the nearest Rupee.

Lahore : February 25, 2016


 Shazada Ellahi Shaikh
 Director


 Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)



ELLCOT SPINNING MILLS LIMITED

BOOK POST

**PRINTED MATTER
U.P.C**

If undelivered please return to:

ELLCOT SPINNING MILLS LTD.

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