

**FIRST QUARTER REPORT
FOR THE PERIOD ENDED
SEPTEMBER 30, 2013
(Un-Audited)**



ELLCOT SPINNING MILLS LTD.



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

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.
1st 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 1st quarter of financial year 2013-14 ended on September 30, 2013. The comparative figures for corresponding 1st quarter of financial year 2012-13 ended September 30, 2012 are included for comparison, except in balance sheet where figures are for the year ended on June 30, 2013 as required by International Accounting Standards.

Company Performance

The results for the 1st quarter of the financial year 2013-14 ended on September 30, 2013 has been satisfactory as your Company earned after tax profit of Rs.126,190,272 (8.24% of sales) as compared to Rs.95,860,660 (8.36% of sales). Earning Per Share (EPS) Rs.11.52 as compared to Rs.8.75 during the corresponding quarter.

Sales revenue for the quarter stood at Rs.1,531,383,607 showing growth of 33.49% over corresponding quarter of previous year. Gross profit for the quarter is Rs.211,378,898 (13.80% of sales) as compared to Rs.167,781,369 (14.63% of sales) for the corresponding quarter of previous year. Growth in sales revenue is volume driven owing to continued strong demand from International markets, however, gross profits ratio decreased slightly owing to increase in raw cotton prices during this quarter as compared to corresponding quarter of last year.

Distribution costs increased to Rs.15,175,741 (0.99% of sales) as compared to Rs.10,243,917 (0.89% of sales) mainly due to high proportion of export sales resulting in additional costs incurred on account of ocean freights and other related expenses. Administrative costs slightly increased taking in account the inflationary impact. Other operating expenses increased as the provisions for Workers Profit Participation Fund and Workers Welfare Fund increased in line with growth in profitability of the Company.

Your Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. Financial costs slightly increased over the corresponding quarter however, finance cost as percentage of sales has been reduced from 1.26% of sales to 1.03% of sales.

Future Outlook

The management is very much concerned about the growth and profitability of the Company. Uninterrupted supply and rise in tariff of energy shall be the main concern for the management. State Bank of Pakistan (SBP) has increased the discount rate by 0.5% in its Monetary Policy statement of September 2013, which may affect the profitability in the coming quarters. However, continued and strong demand of our products in both local and International markets is expected to remain for the foreseeable future and the Company is expected to maintain its performance for the coming quarters.

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.

Shafqat Ellahi Shaikh

Mg. Director (Chief Executive)

Lahore : October 29, 2013



ELLCOT SPINNING MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2013

	Note	Un-Audited September 30 2013 <i>Rupees</i>	Audited June 30 2013 <i>Rupees</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (June 30, 2013: 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 reserve		7,760,000	7,760,000
Accumulated profit		1,169,694,840	1,153,004,568
Total equity		<u>1,286,954,840</u>	<u>1,270,264,568</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	4	298,984,365	294,826,393
Liabilities against assets subject to finance lease		7,757,057	8,927,987
Employees retirement benefits		17,569,567	17,928,228
Deferred taxation		75,138,055	75,138,055
		<u>399,449,044</u>	<u>396,820,663</u>
CURRENT LIABILITIES			
Trade and other payables		417,259,242	245,106,852
Accrued interest / mark-up		11,652,402	10,729,631
Short term borrowings		16,437,125	160,781,337
Current portion of non current liabilities		81,412,403	101,571,999
		<u>526,761,172</u>	<u>518,189,819</u>
TOTAL LIABILITIES		<u>926,210,216</u>	<u>915,010,482</u>
CONTINGENCIES AND COMMITMENTS			
	5		
TOTAL EQUITY AND LIABILITIES		<u>2,213,165,056</u>	<u>2,185,275,050</u>

The annexed explanatory notes from 1 to 11 form part of the condensed interim financial information.

Lahore : October 29, 2013

Shahzada Ellahi Shaikh
Director



ELLCOT SPINNING MILLS LIMITED

	Note	Un-Audited September 30 2013 <i>Rupees</i>	Audited June 30 2013 <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	986,547,779	1,002,596,544
Long term deposits		7,090,700	7,090,700
		993,638,479	1,009,687,244
CURRENT ASSETS			
Stores, spares and loose tools		44,562,418	48,681,445
Stock-in-trade		740,955,715	697,920,197
Trade debts		221,304,063	200,969,718
Advances, prepayments and other receivables		64,756,448	90,109,984
Short term investments		110,465,476	-
Advance income tax		13,039,057	32,813,872
Cash and bank balances		24,443,400	105,092,590
		1,219,526,577	1,175,587,806
TOTAL ASSETS		<u>2,213,165,056</u>	<u>2,185,275,050</u>


Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)



ELLCOT SPINNING MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	Quarter Ended	
		SEPTEMBER 30	SEPTEMBER 30
		2013	2012
		<i>Rupees</i>	<i>Rupees</i>
Sales-net		1,531,383,607	1,147,196,444
Cost of sales	7	(1,320,004,709)	(979,415,075)
Gross profit		211,378,898	167,781,369
Distribution cost		(15,175,741)	(10,243,917)
Administrative expenses		(17,800,205)	(17,157,929)
Other operating expenses		(11,427,565)	(7,975,690)
		(44,403,511)	(35,377,536)
		166,975,387	132,403,833
Other income		3,038,162	1,828,727
Operating profit		170,013,549	134,232,560
Finance cost		(15,824,237)	(14,501,250)
Profit before taxation		154,189,312	119,731,310
Provision for taxation		(27,999,040)	(23,870,650)
Profit after taxation		126,190,272	95,860,660
Earnings per share - basic and diluted		11.52	8.75

The annexed explanatory notes from 1 to 11 form part of the condensed interim financial information.

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore : October 29, 2013



ELLCOT SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Quarter Ended	
	SEPTEMBER 30 2013	SEPTEMBER 30 2012
	<i>Rupees</i>	<i>Rupees</i>
Profit after taxation	126,190,272	95,860,660
Other comprehensive income	-	-
Total comprehensive income for the period	126,190,272	95,860,660

The annexed explanatory notes from 1 to 11 form part of the condensed interim financial information.

Lahore : October 29, 2013

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



ELLCOT SPINNING MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Quarter Ended	
	September 30 2013	September 30 2012
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	154,189,312	119,731,310
Adjustments for:		
Depreciation on property, plant and equipment	25,324,726	22,465,141
Provision for employees retirement benefits	2,184,893	2,479,639
(Gain) / Loss on disposal of property, plant and equipment	(115,326)	(41,651)
Foreign exchange loss	1,580	97,805
Gain on sale of short term investments	(604,578)	(152,304)
Un-realized gain on re-measurement of short term investments	(1,843,435)	(1,074,373)
Interest / markup on borrowings	15,822,657	14,403,445
	40,770,517	38,177,702
	194,959,829	157,909,012
Changes in working capital		
Decrease / (increase) in current assets:		
Stores, spares and loose tools	4,119,027	(8,569,305)
Stock-in-trade	(43,035,518)	313,016,751
Trade debts	(20,334,345)	(8,606,328)
Advances, prepayments and other receivables	25,353,536	(32,826,795)
	(33,897,300)	263,014,323
(Decrease) / increase in current liabilities:		
Trade and other payables	62,652,390	115,954,308
Cash generated from operations	223,714,919	536,877,643
(Payments made) / receipts of:		
Employees retirement benefits	(2,543,554)	(2,453,004)
Interest/mark-up on borrowings	(14,901,466)	(16,723,355)
Income taxes	(8,224,225)	(10,431,747)
Net cash generated from operating activities	198,045,674	507,269,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,755,135)	(11,199,690)
Proceeds from disposal of property, plant and equipment	594,500	800,000
Purchase of short term investments	(298,000,000)	(335,000,000)
Proceeds from sale of short term investments	189,982,537	65,045,160
Net cash used in investing activities	(117,178,098)	(280,354,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance obtained	4,157,972	-
Repayment of long term finances	(18,886,641)	(33,035,659)
Repayment of liabilities against assets subject to finance lease	(2,443,885)	(1,938,049)
Net decrease in short term borrowings	(144,344,212)	(200,861,668)
Net cash used in financing activities	(161,516,766)	(235,835,376)
Net decrease in cash and cash equivalents	(80,649,190)	(8,920,369)
Cash and cash equivalents at beginning of the period	105,092,590	16,232,743
Cash and cash equivalents at end of the period	24,443,400	7,312,374

The annexed explanatory notes from 1 to 11 form part of the condensed interim financial information.

Shahzada Ellahi Shaikh
Director

Lahore : October 29, 2013

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



ELLCOT SPINNING MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Issued, subscribed and paid up share capital	Capital reserve	Accumulated profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2012 (Audited)	109,500,000	7,760,000	855,551,602	972,811,602
Comprehensive income				
Profit after taxation	-	-	95,860,660	95,860,660
Other comprehensive income	-	-	-	-
Total comprehensive income for period	-	-	95,860,660	95,860,660
Balance as at September 30, 2012 (Un-audited)	109,500,000	7,760,000	951,412,262	1,068,672,262
Transactions with owners				
Final dividend for the year ended June 30, 2012 @ 50% i.e. Rs. 5.00 per ordinary share	-	-	(54,750,000)	(54,750,000)
Comprehensive income				
Profit after taxation	-	-	256,342,306	256,342,306
Other comprehensive income	-	-	-	-
Total comprehensive income for period	-	-	256,342,306	256,342,306
Balance as at June 30, 2013 (Audited)	109,500,000	7,760,000	1,153,004,568	1,270,264,568
Comprehensive income				
Profit after taxation	-	-	126,190,272	126,190,272
Other comprehensive income	-	-	-	-
Total comprehensive income for period	-	-	126,190,272	126,190,272
Transactions with owners				
Final dividend for the year ended June 30, 2013 @ 100% i.e. Rs. 10.00 per ordinary share	-	-	(109,500,000)	(109,500,000)
Balance as at September 30, 2013 (Un-audited)	109,500,000	7,760,000	1,169,694,840	1,286,954,840

The annexed explanatory notes from 1 to 11 form part of the condensed interim financial information.

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore : October 29, 2013



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

1 LEGAL STATUS AND OPERATIONS

Ellicot Spinning Mills Limited ("the Company") was incorporated in Pakistan as 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 Limited and Lahore Stock Exchange Limited. The Company is primarily engaged in manufacture and sale of yarn.

2 BASIS OF PREPARATION

The 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 report should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2013.

The comparative interim balance sheet as at June 30, 2013 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 are stated from un-audited condensed interim financial information for the quarter ended September 30, 2012.

2.1 Statement of compliance

This condensed interim financial information of the Company for the Quarter ended September 30, 2013 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 report are the same as those applied in the preparation of the financial information of the Company for the year ended June 30, 2013.



ELLCOT SPINNING MILLS LIMITED

		Un-audited September 30 2013	Audited June 30 2013
		<i>Rupees</i>	<i>Rupees</i>
4	LONG TERM FINANCES		
	From Banking companies		
	Opening Balance	388,713,034	324,957,954
	Obtain during the period	4,157,972	182,326,393
	Repayment made during the period / year	(18,886,641)	(118,571,313)
		373,984,365	388,713,034
	Less: Current portion shown under current liabilities	(75,000,000)	(93,886,641)
		298,984,365	294,826,393
5	CONTINGENCIES AND COMMITMENTS		
5.1	Contingencies		
	There is no significant change in status of contingencies since June 30, 2013, with the exception of bills discounted which amount to Rs. 499,668,113 (June 30, 2013: Rs. 332,083,754) as at the reporting date.		
		Un-audited September 30 2013	Audited June 30 2013
		<i>Rupees</i>	<i>Rupees</i>
5.2	Commitments		
	Irrevocable letters of credit for import of		
	Non-capital expenditures	413,716,624	89,998,780
	Operating Lease		
	- payable with in one year	132,000	264,000
		413,848,624	90,262,780
6	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets		
	- Owned (Note 6.1)	950,189,962	970,594,146
	- Leased (Note 6.2)	31,155,852	32,002,398
		981,345,814	1,002,596,544
	Capital work in progress	5,201,965	-
		986,547,779	1,002,596,544
6.1	Operating fixed assets - Owned		
	Opening written down value	970,594,146	857,511,247
	Additions during the period / year		
	Plant and machinery	2,846,670	189,598,938
	Furniture and fittings	-	184,841
	Office equipment	-	144,890
	Vehicles	1,706,500	25,499,171
		4,553,170	215,427,840
	Written down value of property, plant and equipment transferred from lease assets	-	1,805,859
	Written down value of property, plant and equipment disposed off	(479,174)	(14,036,576)
	Depreciation charged during the period/year	(24,478,180)	(90,114,224)
	Written down value at end of the period/year	950,189,962	970,594,146



ELLCOT SPINNING MILLS LIMITED

	Un-audited September 30 2013	Audited June 30 2013
	<i>Rupees</i>	<i>Rupees</i>
6.2 Operating fixed assets - Leased		
Opening written down value	32,002,398	38,073,795
Additions during the period / year		
Written down value of property, plant and equipment transferred to owned assets	-	(1,805,859)
Depreciation charged during the period/year	(846,546)	(4,265,538)
Written down value at end of the period/year	31,155,852	32,002,398

Quarter Ended (Un-audited)	
September 30 2013	September 30 2012
<i>Rupees</i>	<i>Rupees</i>

7 COST OF SALES

Raw material consumed	1,006,531,870	758,921,785
Fuel and power	135,431,257	88,126,801
Stores, spares and loose tools consumed	39,604,224	33,798,360
Salaries, wages and benefits	65,210,266	54,311,363
Insurance	2,697,992	2,768,865
Repair and maintenance	2,191,747	1,420,281
Depreciation	24,564,984	21,791,187
Other manufacturing overheads	4,579,773	4,443,195
	1,280,812,113	965,581,837
Work-in-process:		
At beginning of period	42,484,186	40,975,482
At end of period	(43,869,521)	(43,914,769)
	(1,385,335)	(2,939,287)
Finished stocks:		
At beginning of period	72,989,279	73,375,095
Purchases	20,181,532	960,502
At end of period	(52,592,880)	(57,563,072)
	40,577,931	16,772,525
	1,320,004,709	979,415,075

8 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management persons of the Company. The Company in the normal course of business enters into transactions with various related parties. The transactions with related parties during the period generally consist of sales and purchases.

Nature and description of related party transactions during the period along with monetary values are as follows:

		Quarter Ended (Un-audited)	
		September 30 2013	September 30 2012
		<i>Rupees</i>	<i>Rupees</i>
Nature of Relationship	Nature of Transaction		
Associated companies	Purchase of goods and services	11,207,162	1,126,502
	Sale of goods and services	367,318,556	355,426,567
Key Management Personnel	Remuneration and other benefits	2,955,234	2,760,792



ELLCOT SPINNING MILLS LIMITED

Transaction with related parties are carried out at arm's length in the normal course of business. The consideration is computed on commercial terms and conditions. There is no balance outstanding with or from associated undertakings.

9 DATE OF AUTHORIZATION FOR ISSUE

This un-audited condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on October 29, 2013.

10 OTHERS

There are no other significant activities since June 30, 2013 affecting the interim financial information.

11 CORRESPONDING FIGURES

Corresponding figures have been rearranged and regrouped where ever necessary for the purpose of comparison. However no significant changes have been made.

Figures have been rounded off to the nearest rupee.

Lahore : October 29, 2013

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

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