

**THIRD QUARTER REPORT
FOR THE PERIOD ENDED
MARCH 31, 2019
(Un-Audited)**



ELLCOT SPINNING MILLS LTD.



C O N T E N T S

Company Information	3
Directors' Review	4
Condensed Interim Statement of Financial Position	8
Condensed Interim Statement of Profit or Loss	10
Condensed Interim Statement of Comprehensive Income	11
Condensed Interim Statement of Cash Flows	12
Condensed Interim Statement of Changes In Equity	13
Notes to the Condensed Interim Financial Statements	14



ELLCOT SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
Mr. Syed Moaz Mohiuddin	Independent Non-Executive Director
Mr. Jamal Nasim (Nominee NIT)	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Amin Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Executive Director

MANAGING DIRECTOR (Chief Executive)

Mr. Shafqat Ellahi Shaikh

AUDIT COMMITTEE

Mr. Syed Moaz Mohiuddin	Chairman
Mr. Shaukat Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

Mr. Syed Moaz Mohiuddin	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

EXECUTIVE COMMITTEE

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

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Ahmad

HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

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.
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' REVIEW

The Directors are pleased to present the un-audited condensed interim financial information of the Company for the third quarter ended on March 31, 2019. The comparative figures for the corresponding quarter ended on March 31, 2018 are included for comparison, except in statement of financial position where figures are for the year ended on June 30, 2018.

Company Performance

Alhamdulillah, your Company has earned after tax profit of Rs.13,778,593 or 0.79% of sales for the 3rd quarter of the financial year 2018-19 ended on March 31, 2019 compared to Rs. 24,202,168 or 1.73% of sales during the corresponding quarter of previous year. Earning per share (EPS) for the period under review is Rs.1.26 compared to Rs. 2.21 for the corresponding period of previous year.

Better yarn prices resulted increase in sales revenue by 24.16% over the corresponding quarter of previous year and stood at Rs. 1,741,364,023 compared to Rs. 1,402,465,162 during the corresponding quarter of previous year. Cost of sales decreased from 93.17% of sales during the same quarter of previous year to 91.41% of sales during the quarter under review. Increase in sales revenue and reduction in cost resulted in increase of Gross Profit (GP) by 56.15% over the same quarter of previous year.

Overall operating expenses decreased from 3.49% of sales during same quarter of previous year to 3.33% of sales during the quarter under review. The finance cost substantially increased during the quarter under review and stood at Rs.78,985,693 or 4.54% of sales compared to Rs. 28,273,703 or 2.02% of sales. This has resulted in net profit reduction. This substantial rise in finance cost is mainly due to higher borrowings of the company and rising interest rates which is causing rise in cost of borrowings for working capital lines.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2018-19, Kapas, (seed cotton) arrivals upto April 15, 2019, at the Ginneries totaled 10.775 million bales compared to 11.579 million bales for similar period of financial year 2017-18 showing decrease in arrival of 6.94%.

Future Outlook

Overall three quarters financial results have been satisfactory. Company has already upgraded its unit 2 and is now better equipped to produce diverse range of quality yarns. Management is hopeful that through better marketing and cost control measures the company would be able to post a reasonable profit for the year. Government has recently announced concessional gas and electricity tariff for textile industry. This has helped in better cost controls of energy. We are hopeful that government would take further initiatives for better cotton crop in the country so that industry reliance on imported cotton can be minimized. Adjustment in exchange rate has helped the industry to better compete in international markets. However, on the other hand devaluation has also increased our importation costs and pushed up inflationary pressures in the economy. Management is focusing on product diversification, seeking new global markets with application of effective cost controls. Overall management is optimistic about the fourth quarter of the year and hopes to close the year with a reasonable profit.



ELLCOT SPINNING MILLS LIMITED

It is hoped that the Government will support the textile industry by expediting refunds of sales tax, income tax and export rebates and by providing sufficient gas to operate the mills and encourage value addition in the textile sector. We also expect that long awaited TUF funds would also be released.

Acknowledgement

The continued diligence and devotion of the staff and workers of the Company and 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.

A handwritten signature in black ink, appearing to be 'Amin Ellahi Shaikh'.

Amin Ellahi Shaikh
Director

Lahore : April 25, 2019

A handwritten signature in black ink, appearing to be 'Shafqat Ellahi Shaikh'.

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

ڈائریکٹرز کا جائزہ

ڈائریکٹرز 31 مارچ 2019ء کو اختتام تیسری سہ ماہی کے لئے کمپنی کی غیر نظر ثانی شدہ مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ 31 مارچ 2018ء کو ختم ہونے والی سہ ماہی کے تقابلی اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔ ماسوائے سیٹمنٹ آف فنانشل پوزیشن کے جہاں تقابلی اعداد و شمار 30 جون 2018ء کو اختتام سال کے لئے ہیں۔

کمپنی کی کارکردگی

الحمد للہ، آپ کی کمپنی نے گزشتہ سال کی اسی سہ ماہی کے دوران بعد از ٹیکس منافع 24,202,168 روپے یا فروخت کا 1.73 فیصد کے مقابلے میں مالی سال 2018-19 کی تیسری سہ ماہی کے اختتام 31 مارچ 2019 میں 13,778,593 روپے یا فروخت کا 0.79 فیصد کم کیا ہے۔ زیر جائزہ مدت کے لئے فی شیئر آمدنی (EPS) گزشتہ سال کی اسی مدت کے دوران 2.21 روپے کے مقابلے میں 1.26 روپے ہے۔

سوت کی بہتر قیمتوں کے نتیجے میں گزشتہ سال کی اسی سہ ماہی سے 24.16 فیصد تک فروخت آمدنی میں اضافہ ہوا اور گزشتہ سال کی اسی سہ ماہی کے دوران 1,402,465,162 روپے کے مقابلے میں 1,741,364,023 روپے پر برقرار رہی۔ زیر جائزہ سہ ماہی کے دوران فروخت کی لاگت گزشتہ سال کی اسی سہ ماہی میں فروخت کی 93.17 فیصد سے کم ہو کر فروخت کی 91.41 فیصد ہوئی۔ زیر جائزہ سہ ماہی کے دوران فروخت کی آمدنی میں اضافہ اور لاگت میں کمی کے نتیجے میں مجموعی منافع (GP) گزشتہ سال کی اسی سہ ماہی سے 56.15 فیصد سے زیادہ ہوا۔

مجموعی کاروباری اخراجات گزشتہ سال کی اسی سہ ماہی کے دوران فروخت کے 3.49 فیصد سے کم ہو کر زیر جائزہ سہ ماہی کے دوران فروخت کے 3.33 فیصد تک ہوئے۔ مالی اخراجات زیر جائزہ سہ ماہی کے دوران کافی بڑھ گئے اور 28,273,703 روپے یا فروخت کے 2.02 فیصد کے مقابلے میں 78,985,693 روپے یا فروخت کے 4.54 فیصد پر برقرار رہے۔ اس کے نتیجے میں خالص منافع میں کمی ہوئی ہے۔ مالی اخراجات میں یہ زیادہ اضافہ بنیادی طور پر کمپنی کے زیادہ قرضوں اور بڑھتی ہوئی سود کی شرح ہے جس کے سبب ورکنگ کپٹل لائنز کے لئے قرضوں کی لاگت میں اضافہ ہو رہا ہے۔

فصل سال 2018-19 کیلئے پاکستان کاٹن جنرل سیوی ایشن کی طرف سے جاری کردہ اعداد و شمار کے مطابق کپاس، (بیج کپاس) کی 15 اپریل 2019ء تک جزیرہ میں آمد گزشتہ سال 2017-18 کی اسی مدت میں 11.579 ملین گانٹھوں کے مقابلے میں کل 10.775 ملین گانٹھیں ہو گئیں جو 6.94 فیصد کی کمی ظاہر کرتی ہے۔

مستقبل کا نقطہ نظر

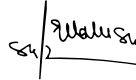
مجموعی طور پر تینوں سہ ماہیوں کے مالی نتائج تسلی بخش رہے ہیں۔ کمپنی پہلے ہی اپنے یونٹ 2 کو اپ گریڈ کر چکی ہے اور اب معیاری سوت کی متنوع رینج بنانے کے لئے اچھی طرح لیس ہے۔ انتظامیہ کو اُمید ہے کہ بہتر مارکیٹنگ اور لاگت کنٹرول اقدامات کے ذریعے کمپنی موجودہ سال کے لئے مناسب منافع حاصل کرنے کے قابل ہو جائے گی۔ حکومت نے حال ہی میں ٹیکسٹائل صنعت کے لئے بجلی اور گیس کے کم نرخ کا اعلان کیا ہے۔ اس نے توانائی کی قیمت کے بہتر کنٹرول میں مدد کی ہے۔ ہم امید کرتے ہیں کہ حکومت ملک میں کپاس کی بہتر فصل کے لئے مزید اقدامات کرے گی تاکہ صنعت کا درآمدہ کپاس پر انحصار کم سے کم کیا جاسکے۔ زرمبادلہ کی شرح میں ایڈجسٹمنٹ نے بین الاقوامی مسابقت حاصل کرنے میں ٹیکسٹائل صنعت کی مدد کی ہے۔ تاہم دوسری طرف روپیہ کی قدر میں کمی نے ہمارے درآمدی اخراجات میں اضافہ اور معیشت میں افراط زر پر دباؤ کو بھی بڑھا دیا ہے۔ انتظامیہ مؤثر لاگت کنٹرول کے اطلاق کے ساتھ مصنوعات کی متنوع، نئی برآمد مارکیٹوں کی تلاش پر توجہ مرکوز کر رہی ہے۔ مجموعی طور پر انتظامیہ سال کی چوتھی سہ ماہی کے بارے میں پُر امید ہے اور قابل ذکر منافع کے ساتھ سال کے اختتام پذیر ہونے کی توقع ہے۔

یہ امید کی جاتی ہے کہ حکومت سیکرٹریٹس، انکم ٹیکس اور برآمدی اعانتوں کی واپسی کو تیز کر کے اور ملوں کو چلانے کے لئے درکار گیس فراہم کر کے اور ٹیکسٹائل شعبہ میں ویلیو ایڈیشن کی حوصلہ افزائی کے ذریعے ٹیکسٹائل صنعت کی مدد کرے گی۔ ہم یہ بھی امید کرتے ہیں کہ TUF فنڈز کی طویل عرصہ سے تعطیلی بھی وائرز کی جائیں گی۔

اظہار تشکر

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے انسانی تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمپنی کی مسلسل حمایت پر بینکرز کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ



شفقت الہی شیخ

منیجنگ ڈائریکٹر (چیف ایگزیکٹو)



امین الہی شیخ

ڈائریکٹر

لاہور: 25 اپریل 2019ء

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019**

		Un-Audited March 31 2019	Audited June 30 2018
	Note	Rupees	Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (June 30, 2018: 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		(14,936,632)	5,979,403
Accumulated profit		<u>1,444,460,475</u>	<u>1,433,790,978</u>
TOTAL EQUITY		1,539,023,843	1,549,270,381
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances - secured	4	1,766,501,218	1,793,375,699
Employees retirement benefits		88,883,541	80,310,848
Deferred taxation		53,908,073	53,908,073
		<u>1,909,292,832</u>	<u>1,927,594,620</u>
CURRENT LIABILITIES			
Trade and other payables		461,587,412	385,046,070
Unclaimed dividend		5,990,397	4,908,619
Accrued interest/markup/profit		64,350,799	51,481,017
Short term borrowings		1,932,280,678	2,227,456,568
Current portion of long term finances - secured		162,846,208	108,093,042
		<u>2,627,055,494</u>	<u>2,776,985,316</u>
TOTAL LIABILITIES		4,536,348,326	4,704,579,936
CONTINGENCIES AND COMMITMENTS			
	5		
TOTAL EQUITY AND LIABILITIES		<u>6,075,372,169</u>	<u>6,253,850,317</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

		Un-Audited March 31 2019	Audited June 30 2018
	Note	Rupees	Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	6	2,505,012,126	2,644,543,927
Long term deposits		7,090,700	7,090,700
		2,512,102,826	2,651,634,627
CURRENT ASSETS			
Stores, spares and loose tools		38,293,421	66,084,857
Stock in trade		2,025,927,263	1,821,067,965
Trade debts		494,206,090	738,488,296
Advances, prepayments and other receivables		290,667,860	406,638,325
Short term investments		498,129,826	451,033,523
Advance income tax		144,776,789	101,949,715
Cash and bank balances		71,268,094	16,953,009
		3,563,269,343	3,602,215,690
TOTAL ASSETS		6,075,372,169	6,253,850,317

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Note	Nine Months Ended		Quarter Ended	
		March 31 2019	March 31 2018	March 31 2019	March 31 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net		4,756,396,746	3,903,387,299	1,741,364,023	1,402,465,162
Cost of sales	7	(4,307,508,344)	(3,643,726,210)	(1,591,709,539)	(1,306,623,924)
Gross profit		448,888,402	259,661,089	149,654,484	95,841,238
Distribution cost		(42,054,513)	(23,207,772)	(21,678,718)	(8,642,339)
Administrative expenses		(105,394,329)	(93,866,883)	(34,617,529)	(35,499,975)
Other expenses		(27,533,737)	(17,721,047)	(1,619,346)	(4,757,612)
		(174,982,579)	(134,795,702)	(57,915,593)	(48,899,926)
		273,905,823	124,865,387	91,738,891	46,941,312
Other income		21,330,812	16,796,013	1,025,395	5,534,559
Operating profit		295,236,635	141,661,400	92,764,286	52,475,871
Finance cost		(218,867,138)	(71,261,294)	(78,985,693)	(28,273,703)
Profit before taxation		76,369,497	70,400,106	13,778,593	24,202,168
Provision for taxation		-	(109,722)	-	-
Profit after taxation		76,369,497	70,290,384	13,778,593	24,202,168
Earnings per share - basic and diluted		6.97	6.42	1.26	2.21

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.



Amin Ellahi Shaikh
Director



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore : April 25, 2019

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine Months Ended		Quarter Ended	
	March 31 2019	March 31 2018	March 31 2019	March 31 2018
	Rupees	Rupees	Rupees	Rupees
Items that may be reclassified subsequently to profit or loss				
Changes in fair value of available for sale financial assets	(20,916,035)	17,161,019	29,001,026	47,277,995
Items that will not be reclassified to profit or loss	-	-	-	-
Other comprehensive (loss)/Income before taxation	(20,916,035)	17,161,019	29,001,026	47,277,995
Taxation	-	-	-	-
Other comprehensive (loss)/Income after taxation	(20,916,035)	17,161,019	29,001,026	47,277,995
Profit after taxation	76,369,497	70,290,384	13,778,593	24,202,168
Total comprehensive income	<u>55,453,462</u>	<u>87,451,403</u>	<u>42,779,619</u>	<u>71,480,163</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

Lahore : April 25, 2019



Amin Ellahi Shaikh
Director



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

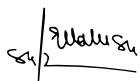
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Nine Months Ended	
	March 31 2019	March 31 2018
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	76,369,497	70,400,106
Adjustments for non-cash and other items		
Depreciation and amortization	199,587,681	94,991,070
Provision for employees retirement benefits	24,457,488	20,088,747
Loss on disposal of property, plant and equipment	6,889,010	2,677,707
Loss on sale of short term investments	16,328,200	1,070,875
Finance cost	218,867,138	71,261,294
Dividend income	(20,497,847)	(16,044,483)
	445,631,670	174,045,210
Operating profit before changes in working capital	522,001,167	244,445,316
Changes in working capital		
Stores, spares and loose tools	27,791,436	(65,144,650)
Stock in trade	(204,859,298)	(399,799,814)
Trade debts	244,282,206	(141,451,313)
Advances, prepayments and other receivables	115,970,465	(339,998,775)
Trade and other payables	76,541,342	103,770,010
	259,726,151	(842,624,542)
Net cash generated from/(used in) operations	781,727,318	(598,179,226)
Payments for		
Employees retirement benefits	(15,884,795)	(14,326,610)
Finance cost	(205,997,356)	(60,032,441)
Income tax	(42,827,074)	(20,316,708)
Net cash generated from / (used in) operating activities	517,018,093	(692,854,985)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(90,122,059)	(817,060,691)
Proceeds from disposal of property, plant and equipment	23,177,169	5,778,832
Purchase of short term investments	(169,348,004)	(129,729,253)
Proceeds from disposal of short term investments	85,007,466	226,354,516
Dividend received	20,497,847	16,044,483
Net cash used in investing activities	(130,787,581)	(698,612,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances obtained	122,105,495	988,573,481
Repayment of long term finances	(94,226,810)	(67,718,026)
Net (decrease)/Increase in short term borrowings	(295,175,890)	500,608,620
Dividend paid	(64,618,222)	(37,654,438)
Net cash (used in)/generated from financing activities	(331,915,427)	1,383,809,637
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	54,315,085	(7,657,461)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	16,953,009	15,939,035
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	71,268,094	8,281,574

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


Amin Ellahi Shaikh
 Director


Muhammad Ahmad
 Chief Financial Officer


Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)

Lahore : April 25, 2019

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Share Capital	Capital reserves			Revenue reserve	
	Issued, subscribed and paid-up share capital	Changes in fair value of available for sale financial assets	Reserve on merger	Total	Accumulated profit	Total Equity
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2017 - Audited	109,500,000	(10,504,398)	7,760,000	(2,744,398)	1,342,268,486	1,449,024,088
Comprehensive income						
Profit after taxation	-	-	-	-	70,290,384	70,290,384
Other comprehensive income	-	17,161,019	-	17,161,019	-	17,161,019
Total comprehensive income	-	17,161,019	-	17,161,019	70,290,384	87,451,403
Transactions with owners						
Final dividend @ 35% i.e. Rs. 3.50 per ordinary share	-	-	-	-	(38,325,000)	(38,325,000)
Balance as at March 31, 2018 - Un-audited	109,500,000	6,656,621	7,760,000	14,416,621	1,374,233,870	1,498,150,491
Comprehensive income						
Profit after taxation	-	-	-	-	60,224,212	60,224,212
Other comprehensive loss	-	(8,437,218)	-	(8,437,218)	(667,104)	(9,104,322)
Total comprehensive (loss) / income	-	(8,437,218)	-	(8,437,218)	59,557,108	51,119,890
Balance as at June 30, 2018 - Audited	109,500,000	(1,780,597)	7,760,000	5,979,403	1,433,790,978	1,549,270,381
Comprehensive income						
Profit after taxation	-	-	-	-	76,369,497	76,369,497
Other comprehensive loss	-	(20,916,035)	-	(20,916,035)	-	(20,916,035)
Total comprehensive (loss) / income	-	(20,916,035)	-	(20,916,035)	76,369,497	55,453,462
Transactions with owners						
Final dividend @ 60% i.e. Rs. 6 per ordinary share	-	-	-	-	(65,700,000)	(65,700,000)
Balance as at March 31, 2019 - Un-audited	109,500,000	(22,696,632)	7,760,000	(14,936,632)	1,444,460,475	1,539,023,843

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


Amin Ellahi Shaikh
Director


Muhammad Ahmad
Chief Financial Officer


Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore : April 25, 2019

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

1 LEGAL STATUS AND OPERATIONS

Ellicot Spinning Mills Limited ['the Company'] was incorporated in Pakistan as a Public Limited Company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. 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 at 6.3 K.M, Manga Mandi, Riwind Road, Moza Rossa, Tehsil and District Kasur in the Province of Punjab.

2 STATEMENT OF COMPLIANCE

2.1 These interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of:

- International Accounting Standard 34 - Interim Financial Reporting, issued by International Accounting Standards Board [IASB] as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of preparation

The interim financial statements are un-audited and has been presented in condensed form and do not include all the information as is required to be provided in a full set of annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

The comparative condensed interim statement of financial position as at June 30, 2018 and the related notes to the interim financial statements are based on audited financial statements. The comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and related notes to the condensed interim financial statements for the nine month period ended March 31, 2018 are based on unaudited, interim financial statements. The condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended March 31, 2019 and March 31, 2018 are neither audited nor reviewed

2.3 Basis of measurement

These interim financial statements have 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 these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.4 Judgments, estimates and assumptions

The preparation of interim financial statements 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.

2.5 Securities and Exchange Commission of Pakistan (SECP), through SRO 1007(I)/2017, dated October 4, 2017, had notified IFRS 9 "Financial Instruments", replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018 which has further been deferred for reporting period / year ending on or after June 30, 2019, through SRO 229 (I)/2019 dated February 14, 2019. Accordingly the requirements of IFRS 9 have not been considered in the preparation of these un-audited condensed interim financial statements.

2.6 Functional currency

These interim financial statements are prepared in Pak Rupees which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2018 except as disclosed hereunder.

3.1 Changes in accounting standards, amendments / interpretations and IFRSs which are effective during the nine months ended March 31, 2019:
3.1.1 IFRS 15 - Revenue from contracts with customers

IFRS 15 - Revenue from contracts with customers replaced IAS 18 - Revenue, IAS 11 - Construction contracts, IFRIC 13 - Customer Loyalty Programme's, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based approach to the recognition of revenue from all contracts with customers and focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations in a contract are satisfied.

The company has adopted IFRS 15 by applying the modified prospective approach according to which the company is not required to restate the prior years results. However, the adoption of IFRS 15 does not have any impact on the reported revenue of the company for the nine months ended March 31, 2018 or June 30, 2018.

Un-audited	Audited
March 31	June 30
2019	2018
Rupees	Rupees

4 LONG TERM FINANCES
From Banking companies

Opening Balance	1,901,468,741	566,909,450
Obtain during the period	122,105,495	1,406,822,772
Repayment made during the period / year	(94,226,810)	(72,263,481)
	1,929,347,426	1,901,468,741
Less: Current portion shown under current liabilities	(162,846,208)	(108,093,042)
	1,766,501,218	1,793,375,699

5 CONTINGENCIES AND COMMITMENTS
5.1 Contingencies

There is no significant change in status of contingencies as disclosed in note 16.1 to the annual financial statement for the year ended June 30, 2018, except of bills discounted.

Un-audited	Audited
March 31	June 30
2019	2018
Rupees	Rupees

5.2 Commitments
Irrevocable letters of credit for

Capital expenditures	-	3,541,400
Non-capital expenditures	38,709,330	75,397,958
	38,709,330	78,939,358

Operating Lease

- payable with in one year	718,740	435,600
	39,428,070	79,374,958

		Un-audited March 31 2019	Audited June 30 2018
	Note	Rupees	Rupees
6 FIXED ASSETS			
Property, plant and equipment			
- Operating fixed assets - owned	6.1	2,481,895,187	2,640,791,138
- Capital work in progress	6.2	20,430,279	136,131
		2,502,325,466	2,640,927,269
Intangible asset	6.3	2,686,660	3,616,658
		2,505,012,126	2,644,543,927
6.1 Operating fixed assets - owned			
Net book value at the beginning of the period/year		2,640,791,138	1,162,585,962
Additions during the period / year			
Land		1,080,000	-
Plant and machinery		57,324,946	1,445,204,381
Buildings on freehold land - Mills		-	144,209,113
Electric installations and equipment		1,337,188	29,134,028
Factory equipment		1,341,400	116,000
Office equipment		772,700	708,648
Furniture and fixtures		1,380,977	614,632
Vehicles		6,590,700	4,952,000
		69,827,911	1,624,938,802
Net book value of assets disposed during the period/year		(30,066,179)	(8,456,540)
Depreciation for the period/year		(198,657,683)	(138,277,086)
Net book value at end of the period/year		2,481,895,187	2,640,791,138
6.2 Capital work in progress			
Opening		136,131	5,478,267
Additions during the period/year		77,619,094	1,613,205,386
Transfers to operating fixed assets - owned		(57,324,946)	(1,618,547,522)
Net book value at end of the period/year		20,430,279	136,131
6.3 Intangible assets			
Net book value at beginning of the period/year		3,616,658	4,856,655
Amortization for the period/year		(929,998)	(1,239,997)
Net book value at end of the period/year		2,686,660	3,616,658

7 COST OF SALES

	Nine Months Ended (Un-audited)		Quarter Ended (Un-audited)	
	March 31 2019 Rupees	March 31 2018 Rupees	March 31 2019 Rupees	March 31 2018 Rupees
Raw material consumed	2,899,674,997	2,614,766,960	985,802,718	877,095,921
Fuel and power	418,643,775	395,843,021	138,626,284	140,935,314
Stores, spares and loose tools consumed	131,709,144	132,043,928	39,505,766	46,351,419
Salaries, wages and benefits	263,692,953	287,915,864	83,133,710	98,533,469
Insurance	10,553,576	4,884,865	5,625,064	1,742,783
Repair and maintenance	6,008,485	7,607,071	1,873,805	1,727,645
Depreciation	193,804,781	88,872,996	65,017,232	29,810,435
Other manufacturing overheads	12,671,305	2,998,321	3,850,087	(4,872,010)
Manufacturing cost	3,936,759,016	3,534,933,026	1,323,434,666	1,191,324,976
Work in process				
As at beginning of the period	58,649,452	46,147,798	58,044,813	50,918,028
As at end of the period	(59,385,966)	(50,234,111)	(59,385,966)	(50,234,111)
	(736,514)	(4,086,313)	(1,341,153)	683,917
Cost of goods manufactured	3,936,022,502	3,530,846,713	1,322,093,513	1,192,008,893
Finished goods				
As at beginning of the period	61,759,790	52,883,593	86,302,474	54,619,127
Purchased during the period	395,400,990	117,747,900	268,988,490	117,747,900
As at end of the period	(85,674,938)	(57,751,996)	(85,674,938)	(57,751,996)
	371,485,842	112,879,497	269,616,026	114,615,031
	4,307,508,344	3,643,726,210	1,591,709,539	1,306,623,924

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:

		Nine Months Ended (Un-audited)	
		March 31 2019 Rupees	March 31 2018 Rupees
Nature of Relationship	Nature of Transaction		
Associated companies	Purchase of goods and services	343,875,456	117,775,400
	Sale of goods and services	1,229,165,380	575,047,872
	Rent Paid	675,180	613,800
	Dividend paid	15,980,766	9,322,114
Key Management Personnel	Short term employee benefits	8,086,713	6,557,500
	Dividend paid to directors and their family members	30,630,744	17,867,934

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

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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 following table presents the Company's financial assets which are carried at fair value:

	March 31, 2019		
	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees
Available for sale financial assets			
Investments in mutual funds	11,349,838	-	-
Investments in listed equity securities	486,779,988	-	-
	<u>498,129,826</u>	<u>-</u>	<u>-</u>
	June 30, 2018		
	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees
Available for sale financial assets			
Investments in mutual funds	13,184,825	-	-
Investments in listed equity securities	437,848,698	-	-
	<u>451,033,523</u>	<u>-</u>	<u>-</u>

10 OTHERS

10.1 There are no other significant activities since June 30, 2018 affecting the interim financial statements.

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

10.3 Figures have been rounded off to the nearest Rupee.

11 DATE OF AUTHORISATION FOR ISSUE

These un-audited condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 25, 2019.

Lahore : April 25, 2019


Amin Ellahi Shaikh
 Director


Muhammad Ahmad
 Chief Financial Officer


Shafqat Ellahi Shaikh
 Mg. Director (Chief Executive)

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