

**HALF YEARLY REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2020
(Un-Audited)**



NAGINA COTTON MILLS LTD.



NAGINA COTTON MILLS LTD.

CONTENTS

Company Information	03
Directors' Report to the Members	04
Independent Auditor's Review Report to the Members	07
Condensed Interim Statement of Financial Position	08
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Interim Statement of Cash Flows	11
Condensed Interim Statement of Changes in Equity	12
Notes to the Condensed Interim Financial Statements	13



NAGINA COTTON MILLS LTD.

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahzada Ellahi Shaikh	Non-Executive Director/ Chairman
Mr. Tajammal Husain Bokharee	Independent Non-Executive Director
Mr. Shafiq ur Rehman	Independent Non-Executive Director
Ms. Tosheeba Sarwar	Independent Non-Executive Director
Mr. Hasan Ahmad	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Executive Director
Mr. Amin Ellahi Shaikh	Executive Director

MANAGING DIRECTOR (Chief Executive)

Mr. Amin Ellahi Shaikh

AUDIT COMMITTEE

Mr. Tajammal Husain Bokharee	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

Mr. Shafiq ur Rehman	Chairman
Mr. Amin Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

EXECUTIVE COMMITTEE

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

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

CHIEF FINANCIAL OFFICER (CFO)

Mr. Tariq Zafar Bajwa

HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

AUDITORS

Messrs Yousuf Adil
Chartered Accountants

LEGAL ADVISOR

Makhdoom & Makhdoom Advocates

LEAD BANKERS

Albaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
JS Bank LTD.
Meezan Bank Ltd.
Industrial Development Bank of Pakistan
MCB Bank Ltd.
National Bank of Pakistan
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

REGISTERED OFFICE

2nd Floor, Shaikh Sultan Trust Bldg. No.2
26, Civil Lines, Beaumont Road,
Karachi - 75530

WEB REFERENCE

www.nagina.com

SHARE REGISTRAR

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5th Floor, Karachi Chambers,
Hasrat Mohani Road,
Karachi.
Phone # 021-32412754, 32424826
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MILLS

Aminabad, A-16, S.I.T.E.,
National Highway, Kotri



NAGINA COTTON MILLS LTD.

DIRECTORS' REVIEW

The Directors are pleased to present the un-audited condensed interim financial information of the company for the half year ended on December 31, 2020 duly reviewed by the auditors. The comparative figures for the corresponding half year ended on December 31, 2019 are included for comparison, except in statement of financial position where figures are for the year ended on June 30, 2020.

Company Performance

Alhamdulillah, first half financial results has exceeded our expectations in terms of profitability. During the first half of the financial year 2021 ended on December 31, 2020, your company has earned net after tax profit of Rs. 209,923,794 compared to Rs. 75,716,134 during the same period of last year (SPLY). Earning per share (EPS) for the half year is Rs. 11.23 compared to Rs. 4.05 for the SPLY.

Overall sales volume has reduced due to reduction in installed capacity and finer spun count. Consequently, sales revenue decreased by 23.90% over the SPLY. Sales revenue for the period under review is Rs. 3,098,245,164 Compared to Rs. 4,071,539,011 during the SPLY. Cost of sales decreased from 91.59% of sales during SPLY to 85.54% of sales during the period under review. The reduction in cost of sales is mainly due to timely procurement of raw cotton. Installation of new machinery has resulted in reduction in labor cost and power cost. Reduction in cost of sales resulted in increase in Gross Profit (GP) from 8.41% of sales during SPLY to 14.46% of sales during the period under review.

Overall operating expense increased from 3.91% of sales during the SPLY to 4.31% of sales during the period under review. The company sales were titled towards local market which resulted in lower distribution cost by 45.81% over the SPLY. However, increased profitability resulted in higher provisions for WPPF and WWF. Due to this other expenses have increased significantly. Finance cost decreased by 14.11% over the SPLY. This reduction was mainly due to lower short-term borrowing by the company and lower interest rates.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2020-21, Kapas, (seed cotton) arrivals upto February 15, 2021, at the Gineries totaled 5.617 million bales compared to 8.548 million bales for similar period of financial year 2019-20 showing decrease in arrival of 34.29%.

Future Outlook

It has been a remarkable half year under review in terms of profitability. Yarn demand was robust in the local as well as export markets. The company took timely raw material positions which Alhamdulillah, proved to be profitable. The favorable market conditions and internal cost controls have resulted in one of the most profitable periods for the company in recent times. Value added businesses producing home textiles, towels, denim have received sizeable orders from global markets. This has increased yarn demand in the local market. As the value-added textile sector of Pakistan is increasing its production and paying better than export prices your company diverted more products to the local market. This trend is likely to last for the rest of the financial year. We hope that annual financial results will benefit from this trend.

The BMR program of the company installed very latest and efficient plant and machinery and the company is enjoying its dividends. This has enabled us to produce yarn of best quality in most efficient manner. The company intends to continue with its BMR and Expansion program. As reported earlier letters of credit have been established for expanding the mills capacity by 10,800 spindles. We hope to complete the expansion by end of January 2022.

However, government seems to be modifying its promise to provide concessional energy rates for the textile industry at 7.5 cents per unit and gas at 6.5 USD per MMBTU. It is feared that textile industry electricity tariff will be increased and it will be detrimental for profits.

The cotton crop shortage is forcing the industry to resort to imported cotton. Experts are attributing the Cotton Crop shortage to unfavorable climatic conditions, lower cultivation area and low-quality seeds. The raw cotton shortage can become a very serious threat to the viability of the textile spinning industry and can also affect the textile value added sector. Textile industry can lose its competitiveness in the international market if the industry has to rely on imported cotton.

We appreciate the Government actions to combat the COVID related situation. We strictly followed the defined SOPs and yet operated at full capacity. We must extol SBP role for timely provision of various incentive schemes for the businesses such as payroll financing, deferment in long term loan repayments and concessional long term financing schemes like TERF and LTFF. This has given immense support for continuity of the businesses.

Interest rates remained stable which kept the finance cost under control. We appreciate the government measures for release of pending tax refunds to the industry due to which corporate liquidity improved. It is hoped that export rebates, technology up-gradation fund (TUF), income tax and sales tax stuck up refunds will continue to be released in a timely manner to the textile industry.

Acknowledgement

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.


Raza Ellahi Shaikh
Director


Amin Ellahi Shaikh
Chief Executive Officer

February 25, 2021

ڈائریکٹرز کا جائزہ

ڈائریکٹرز 31 دسمبر 2020ء کو اختتام پہلی ششماہی کے لئے کمپنی کی غیر نظر ثانی شدہ مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ 31 دسمبر 2019ء کو ختم ہونے والی ششماہی 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 2020ء کو اختتام سال کے لئے ہیں۔

کمپنی کی کارکردگی

الحمد للہ، پہلی ششماہی کے مالی نتائج منافع کے لحاظ سے ہماری توقعات سے زیادہ بہتر رہے ہیں۔ آپ کی کمپنی نے 31 دسمبر 2020ء کو ختم ہونے والی مالی سال 2021 کی پہلی ششماہی کے دوران بعد از ٹیکس خالص منافع 209,923,794 روپے کے مقابلے گزشتہ سال کی اسی مدت کے دوران 75,716,134 روپے کمایا ہے۔ ششماہی کے لیے فی شیئر آمدنی (EPS) گزشتہ سال کی اسی مدت کے لئے 4.05 روپے کے مقابلے 11.23 روپے ہے۔

مجموعی فروخت میں کمی، پیداواری صلاحیت میں کمی اور عمدہ دھاگہ بنانے کی وجہ سے ہوئی۔ جس کے نتیجے میں، فروخت آمدنی گزشتہ سال کی اسی مدت سے 23.90 فیصد کم ہوئی۔ فروخت آمدنی گزشتہ سال اسی مدت کے دوران 4,071,539,011 روپے کے مقابلے 3,098,245,164 روپے رہی، فروخت کی لاگت گزشتہ سال کی اسی مدت کے دوران فروخت کی 91.59 فیصد سے کم ہو کر زیر جائزہ مدت کے دوران فروخت کی 85.54 فیصد تک ہو گئی۔ فروخت کی لاگت میں کمی بنیادی طور پر خام کپاس کی بروقت خریداری کے باعث ہوئی۔ نئی مشینری کی تنصیب کے نتیجے میں افرادی لاگت اور بجلی کی لاگت میں کمی ہوئی۔ فروخت کی لاگت میں کمی کے نتیجے میں مجموعی منافع (GP) گزشتہ سال کے اسی مدت کے دوران فروخت کے 8.41 فیصد سے بڑھ کر زیر جائزہ مدت کے دوران فروخت کے 14.46 فیصد تک ہو گیا۔

مجموعی کاروباری اخراجات گزشتہ سال کی اسی مدت کے دوران فروخت کے 3.91 فیصد سے بڑھ کر زیر جائزہ مدت کے دوران فروخت کے 4.31 فیصد تک ہو گئے۔ کمپنی کی فروخت زیادہ تر مقامی مارکیٹ میں ہوئی جس کے نتیجے میں ڈسٹری بیوشن لاگت گزشتہ سال کی اسی مدت سے 45.81 فیصد سے کم ہوئی۔ تاہم، زیادہ منافع کے نتیجے میں WPPF اور WWF پرویزنز زیادہ ہوئیں۔ اس وجہ سے دیگر اخراجات نمایاں طور پر بڑھ گئے۔ مالی اخراجات گزشتہ سال کی اسی مدت سے 14.11 فیصد سے کم ہوئے۔ یہ کمی بنیادی طور پر کمپنی کی طرف سے مختصر مدتی قرضہ کی کمی اور سود کی شرحوں میں کمی کی وجہ سے ہوئی۔

فصل سال 2020-21 کیلئے پاکستان کاٹن جزز ایسوسی ایشن کی طرف سے جاری کردہ اعداد و شمار کے مطابق کپاس، (بیج کپاس) کی 15 فروری 2021ء تک جزز میں آمد مالی سال 2019-20 کی اسی مدت میں 8,548 ملین گانٹھوں کے مقابلے میں کل 5,617 ملین گانٹھیں ہو گئیں جو 34.29 فیصد کی کمی ظاہر کرتی ہے۔

مستقبل کا نقطہ نظر

زیر جائزہ ششماہی معقول منافع بخش مدت رہی۔ یارن کی طلب مقامی اور برآمدی مارکیٹوں میں بھرپور رہی۔ کمپنی نے بروقت خام مال کی خریداری کر لی جو الحمد للہ، منافع بخش ثابت ہوئی۔ مارکیٹ کے موزوں حالات اور اندرونی لاگت کنٹرولز کے نتیجے میں حالیہ ادوار کمپنی کے لئے بہت ہی منافع بخش مدتوں میں سے ایک ثابت ہوئے ہیں۔ ہوم ٹیکسٹائل، تولیے، ڈینیم تیار کرنے والے ویلیو ایڈڈ کاروبار کو بیرون ملک سے شاندار آرڈر موصول ہوئے ہیں۔ جس سے مقامی مارکیٹ میں یارن کی طلب میں اضافہ ہوا ہے۔ جیسے کہ پاکستان کا ویلیو ایڈڈ ٹیکسٹائل سیکٹر اپنی پیداوار بڑھا رہا ہے اور برآمدی قیمتوں سے زیادہ ادا کر رہا ہے۔ آپ کی کمپنی نے زیادہ مصنوعات کا رخ مقامی مارکیٹ کی طرف موڑ دیا ہے۔ یہ رجحان مالی سال کے باقی عرصے تک برقرار رہنے کا امکان ہے۔ ہمیں امید ہے کہ اس رجحان سے سالانہ مالیاتی نتائج کو فائدہ ہوگا۔



NAGINA COTTON MILLS LTD.

کمپنی کے بی ایم آر پروگرام کے تحت انتہائی جدید اور موثر پلانٹ اور مشینری نصب کی گئی ہے اور کمپنی اس کے فوائد سے لطف اندوز ہو رہی ہے۔ BMR پروگرام سے ہم موثر انداز میں بہترین معیار کا یارن تیار کرنے کے قابل ہوئے ہیں۔ کمپنی اپنا بی ایم آر اور توسیعی پروگرام جاری رکھنا چاہتی ہے۔ جیسا کہ پہلے بتایا گیا ہے 10,800 سپنڈلز اور متعلقہ مشینری کے لئے لیٹرز آف کرڈٹ جاری کئے گئے ہیں۔ ہمیں امید ہے کہ جنوری 2022ء کے اختتام تک یہ توسیع مکمل ہو جائے گی۔

تاہم، حکومت ٹیکسٹائل انڈسٹری کو بجلی 7.5 سینٹس فی یونٹ اور گیس 6.5 یو ایل ڈی فی بی ایم ڈی پر مراعات دینے کے وعدے میں رد و بدل کرتی نظر آتی ہے۔ یہ خدشہ ہے کہ ٹیکسٹائل انڈسٹری کے بجلی کے نرخوں میں اضافہ ہوگا اور منافع کے لئے نقصان دہ ہوگا۔

کپاس کی فصل کی قلت صنعت کو درآ مد شدہ روٹی کا سہارا لینے پر مجبور کر رہی ہے۔ ماہرین کپاس کی فصل کی کمی کو موسمیاتی حالات، کاشت کے کم رقبے اور ناقص معیاری بیج کی وجہ قرار دے رہے ہیں۔ خام کپاس کی قلت ٹیکسٹائل اسپننگ صنعت کی کارکردگی کے لئے ایک انتہائی سنگین خطرہ بن سکتی ہے اور ٹیکسٹائل ویلیو ایڈڈ سیکٹر کو بھی متاثر کر سکتی ہے۔ اگر صنعت کو درآ مد شدہ کپاس پر انحصار کرنا پڑا تو ٹیکسٹائل کی صنعت بین الاقوامی مارکیٹ میں اپنی مسابقت کھو سکتی ہے۔


ہم COVID-19 سے متعلق صورتحال سے نمٹنے کے لئے حکومت کے اقدامات کو سراہتے ہیں۔ ہم نے بیان کردہ الیس اوپیز پر سختی سے عمل کیا اور ابھی بھی پوری صلاحیت سے عمل کر رہے ہیں۔ ہمیں کاروبار کے لئے مختلف رعایتی اسکیموں مثلاً تنخواہوں کی ادائیگی کے لئے سرمائے کی فراہمی، طویل مدتی قرض کی ادائیگیوں میں التوا اور رعایتی طویل مدتی فنانسنگ اسکیمیں جیسے کہ LTFF/TERF کی بروقت فراہمی کے لئے SBP کے کردار کو لازماً سراہنا چاہیے۔ اس نے کاروباری اداروں کے تسلسل کے لئے بے پناہ تعاون فراہم کیا ہے


سود کی شرح مستحکم رہی جس نے فنانس لاگت کو قابو میں رکھا۔ ہم صنعت کو زیر التواء ٹیکس رقوم کی واپسی کے حکومتی اقدامات کی تعریف کرتے ہیں جس کی وجہ سے کارپوریٹ لیکویڈیٹی میں بہتری آئی ہے۔ امید ہے کہ برآمدی رعایت، ٹیکنالوجی اپ گریڈیشن فنڈ (ٹی یو ایف)، آکم ٹیکس اور سیلز ٹیکس کی قابل واپسی قوم ٹیکسٹائل انڈسٹری کو بروقت جاری 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 اور دیگر حصہ داروں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ


امین الہی شیخ
چیف ایگزیکٹو آفیسر


رضالہی شیخ
ڈائریکٹر

25 فروری 2021ء

INDEPENDENT AUDITOR'S REVIEW REPORT**To the Members of Nagina Cotton Mills Limited****Report on review of Condensed Interim Financial Statements**

We have reviewed the accompanying condensed interim statement of financial position of **NAGINA COTTON MILLS LIMITED** (the Company) as at December 31, 2020, and related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the condensed financial statements for the half year then ended (here-in-after referred to as the condensed interim financial statements). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for condensed interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

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 condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Nadeem Yousuf Adil.

Other matters

The figures of condensed interim statement of profit or loss and other comprehensive income for the quarter ended December 31, 2020 and December 31, 2019 have not been reviewed and we do not express a conclusion on them.

**Chartered Accountants****Place:** Karachi**Date:** February 25, 2021



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

		(Un-Audited) December 31, 2020	(Audited) June 30, 2020
	Note	----- (Rupees) -----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital 50,000,000 (June 30, 2020: 50,000,000) ordinary shares of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up capital		187,000,000	187,000,000
Capital reserves		218,170,032	139,635,233
Revenue reserve - Unappropriated profit		1,761,028,024	1,553,859,793
TOTAL EQUITY		<u>2,166,198,056</u>	<u>1,880,495,026</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term finances		2,132,600,701	2,196,953,147
Deferred government grant	6	1,822,758	1,756,976
Deferred tax liability	7	4,257,285	-
Deferred liabilities		122,636,583	122,856,230
		<u>2,261,317,327</u>	<u>2,321,566,353</u>
CURRENT LIABILITIES			
Trade and other payables		970,851,943	1,049,390,122
Unclaimed dividend		8,019,322	8,019,322
Accrued interest/mark-up		33,968,386	61,717,622
Short-term borrowings	8	1,119,390,821	1,549,951,679
Current portion of long-term finances		188,767,683	49,926,582
Current portion of deferred government grant	6	6,459,114	3,246,101
		<u>2,327,457,269</u>	<u>2,722,251,428</u>
TOTAL LIABILITIES		<u>4,588,774,596</u>	<u>5,043,817,781</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u>6,754,972,652</u>	<u>6,924,312,807</u>

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim financial statements.

February 25, 2021


Raza Ellahi Shaikh
Director


Tariq Zafar Bajwa
Chief Financial Officer



NAGINA COTTON MILLS LTD.

		(Un-Audited) December 31, 2020	(Audited) June 30, 2020
	Note	----- (Rupees) -----	-----
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,797,063,012	2,957,787,990
Investment properties		13,617,676	13,734,745
Intangible assets		345,947	761,083
Long-term deposits		1,081,258	1,069,258
		2,812,107,893	2,973,353,076
CURRENT ASSETS			
Stores and spares		43,978,545	29,482,897
Stock-in-trade		2,495,660,461	2,562,080,674
Trade receivables		654,519,378	554,976,894
Loans and advances		333,254,830	241,278,977
Prepayments		13,481,117	4,367,445
Other receivables		8,762,356	6,117,943
Sales tax refundable		40,666,678	121,622,671
Other financial assets	11	327,165,563	387,700,410
Cash and bank balances		25,375,831	43,331,820
		3,942,864,759	3,950,959,731
TOTAL ASSETS		6,754,972,652	6,924,312,807

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim financial statements.


Amin Ellahi Shaikh
 Chief Executive Officer



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2020

		Half Year Ended		Quarter Ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Note		(Rupees)		(Rupees)	
Sales - net	12	3,098,245,164	4,071,539,011	1,604,275,311	2,017,127,357
Cost of goods sold	13	(2,650,391,212)	(3,729,243,171)	(1,308,471,093)	(1,878,568,402)
Gross profit		447,853,952	342,295,840	295,804,218	138,558,955
Distribution cost		(40,818,750)	(75,331,058)	(20,017,556)	(34,302,969)
Administrative expenses		(73,256,413)	(74,332,531)	(36,694,249)	(38,338,169)
Other expenses		(19,435,165)	(9,557,295)	(14,568,726)	(4,124,632)
		(133,510,328)	(159,220,884)	(71,280,531)	(76,765,770)
		314,343,624	183,074,956	224,523,687	61,793,185
Other income		41,779,806	55,187,669	11,696,551	49,163,899
Operating profit		356,123,430	238,262,625	236,220,238	110,957,084
Finance cost		(93,889,528)	(109,308,401)	(39,647,988)	(53,941,681)
Profit before taxation		262,233,902	128,954,224	196,572,250	57,015,403
Provision for taxation	14	(52,310,108)	(53,238,090)	(28,820,555)	(28,567,309)
Profit after taxation		209,923,794	75,716,134	167,751,695	28,448,094
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Unrealized gain on remeasurement of investments classified as fair value through other comprehensive income		78,534,799	47,913,387	25,822,741	61,479,494
Realized (loss) / gain on sale of investment classified as fair value through other comprehensive income		(2,755,563)	342,846	(2,996,503)	342,846
Other comprehensive income for the period		75,779,236	48,256,233	22,826,238	61,822,340
Total comprehensive income for the period		285,703,030	123,972,367	190,577,933	90,270,434
Earning per share - basic and diluted		11.23	4.05	8.97	1.52

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim financial statements.


Raza Ellahi Shaikh
Director


Tariq Zafar Bajwa
Chief Financial Officer


Amin Ellahi Shaikh
Chief Executive Officer

February 25, 2021



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Half Year Ended	
	December 31, 2020	December 31, 2019
	Rupees.....	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	262,233,902	128,954,224
Adjustments for:		
Depreciation	147,285,804	98,624,308
Depreciation on investment properties	117,069	123,231
Amortization	415,136	415,136
Provision for gratuity	15,767,800	19,536,459
(Gain) / loss on disposal of property, plant and equipment	(4,379,776)	3,097,483
Loss on sale of investments classified as fair value through profit or loss	-	8,947,678
Unrealized gain on investment classified as fair value through profit or loss	-	(27,424,347)
Unrealized gain on revaluation of Foreign currency short term finance	(10,212,566)	(3,509,301)
Finance cost	93,889,528	109,308,401
Rental income	(12,611,502)	(10,817,687)
Dividend income	(13,715,239)	(24,361,494)
Reversal of interest income on sales tax refund bonds	-	42,877
	478,790,156	302,936,968
Changes in working capital (Increase) / decrease in current assets:		
Stores and spares	(14,495,648)	(8,243,514)
Stock-in-trade	66,420,213	(1,095,815,495)
Trade receivables	(99,542,484)	923,539,431
Loans and advances	(146,669,953)	(571,985,689)
Prepayments	(9,113,672)	(9,583,738)
Other receivables	(2,644,402)	6,442,679
Sales tax refundable	80,955,982	(162,523,410)
	(125,089,964)	(918,169,736)
(Decrease) / increase in current liabilities		
Trade and other payables	(78,538,179)	205,004,087
	(203,628,143)	(713,165,649)
Cash generated from / (used in) operations	275,162,013	(410,228,681)
Payments made:		
Employees retirement benefits	(15,987,447)	(16,570,248)
Finance cost	(121,638,764)	(121,772,603)
Income tax refund / (paid)	6,641,277	(63,376,759)
Long term deposit	(12,000)	-
Net cash generated from / (used in) operating activities	144,165,079	(611,948,291)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,763,596)	(814,740,530)
Proceeds from disposal of property, plant and equipment	32,582,546	32,579,245
Purchase of other financial assets	(13,329,324)	(172,522,909)
Proceeds from sale of other financial assets	149,643,407	169,912,728
Rental income received	12,611,502	10,817,687
Dividend received	13,715,239	24,361,494
Investment in sales tax refund bonds	-	(8,300,000)
Proceeds from disposal of sales tax refund bonds	-	27,800,000
Net cash generated from / (used in) investing activities	180,459,774	(730,092,285)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances obtained	95,156,724	462,292,160
Repayment of long term finances	(17,389,274)	(83,411,497)
Net (decrease) / increase in short term borrowings excluding running finances	(583,434,405)	1,055,433,470
Dividend paid	-	(92,774,277)
Net cash (used in) / generated from financing activities	(505,666,955)	1,341,539,856
Net decrease in cash and cash equivalents (A+B+C)	(181,042,102)	(500,720)
Cash and cash equivalents at beginning of the period		
Cash and bank balances	43,331,820	153,195,545
Short term running finances	(706,304,708)	(1,443,682,458)
	(662,972,888)	(1,290,486,913)
Cash and cash equivalents at end of the period	(844,014,990)	(1,290,987,633)
Cash and cash equivalents		
Cash and bank balances	25,375,831	217,530,193
Short term running finances	(869,390,821)	(1,508,517,826)
	(844,014,990)	(1,290,987,633)

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim financial statements.

Raza Ellahi Shaikh
Director

Tariq Zafar Bajwa
Chief Financial Officer

Amin Ellahi Shaikh
Chief Executive Officer

February 25, 2021



NAGINA COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2020

Issued, subscribed and paid up capital	Capital reserves			Revenue reserve	Total	
	Amalgamation reserve	Capital redemption reserve	Reserves for the investments carried at fair value through other comprehensive income	Unappropriated profit		
(Rupees)						
Balance as at June 30, 2019 (Audited)	187,000,000	12,104,417	241,860,000	(54,498,217)	1,637,446,859	2,023,913,059
Comprehensive income						
Profit after taxation	-	-	-	-	75,716,134	75,716,134
Other comprehensive income						
Unrealised gain on remeasurement of investments classified as fair value through other comprehensive income	-	-	-	48,256,233	-	48,256,233
Transfer of realized gain on sale of investments	-	-	-	(342,846)	342,846	-
Total comprehensive income for the period	-	-	-	47,913,387	76,058,980	123,972,367
Transactions with owners:						
Final dividend for the year ended June 30, 2019 @ 50% i.e. Rs. 5 per ordinary share	-	-	-	-	(93,500,000)	(93,500,000)
Balance as at December 31, 2019 (Un-audited)	187,000,000	12,104,417	241,860,000	(6,584,830)	1,620,005,839	2,054,385,426
Comprehensive income						
Loss after taxation	-	-	-	-	(68,086,758)	(68,086,758)
Other comprehensive income						
Remeasurement of defined benefit liability	-	-	-	-	(809,363)	(809,363)
Unrealized loss on remeasurement of investments classified as fair value through other comprehensive income	-	-	-	(104,994,279)	-	(104,994,279)
Transfer of realized gain on sale of investments	-	-	-	(2,750,075)	2,750,075	-
Total comprehensive loss for the period	-	-	-	(107,744,354)	(66,146,046)	(173,890,400)
Balance as at June 30, 2020 (Audited)	187,000,000	12,104,417	241,860,000	(114,329,184)	1,553,859,793	1,880,495,026
Comprehensive income						
Profit after taxation	-	-	-	-	209,923,794	209,923,794
Other comprehensive income						
Unrealized gain on remeasurement of investments classified as fair value through other comprehensive income	-	-	-	75,779,236	-	75,779,236
Transfer of realized loss on sale of investments	-	-	-	2,755,563	(2,755,563)	-
Total comprehensive income for the period	-	-	-	78,534,799	207,168,231	285,703,030
Balance as at December 31, 2020 (Un-Audited)	187,000,000	12,104,417	241,860,000	(35,794,385)	1,761,028,024	2,166,198,056

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim financial statements.


Raza Ellahi Shaikh
Director


Tariq Zafar Bajwa
Chief Financial Officer


Amin Ellahi Shaikh
Chief Executive Officer

February 25, 2021



NAGINA COTTON MILLS LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2020

1. LEGAL STATUS AND OPERATIONS

Nagina Cotton Mills Limited (the Company) was incorporated in Pakistan on May 16, 1967 as a public limited company under the Companies Ordinance, 1984 (repealed), now Companies Act, 2017 and is listed on Pakistan Stock Exchange Limited. The principal business of the Company is to manufacture and sale of yarn. The Company's manufacturing facilities are located in Kotri Industrial Trading Estate in the province of Sindh, measuring area of 20.75 acres.

Following is the geographical location and address of all business units of the Company:

Head Office:

2nd floor, Shaikh Sultan Trust Building No.2, 26-Civil Lines, Beaumont Road, Karachi, Sindh.

Manufacturing facility:

A-16, National Highway, Aminabad, S.I.T.E Kotri, Sindh.

Liaison Office:

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

2. STATEMENT OF COMPLIANCE

- 2.1** These un-audited condensed interim financial statements of the Company for the half year ended December 31, 2020 have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standard Board (IASB) and provisions of and directives issued under the Companies Act, 2017. Where the provisions of or directives issued under the Companies Act, 2017 differ with the requirements of IAS-34, the provisions of or directives issued under the Companies Act 2017 have been followed. These condensed interim financial statements do not include all the notes required for the full financial statements and therefore should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2020.
- 2.2** These condensed interim financial statements have been prepared under 'Historical cost convention' except employees retirement benefits and financial instruments at fair value.
- 2.3** These condensed interim financial statements are presented in Pakistani Rupees which is also the Company's functional and presentation currency. Figures presented in these condensed interim financial statements have been rounded off to the nearest rupee.
- 2.4** These condensed interim financial statements are un-audited. However, a limited scope review of these condensed interim financial statements have been performed by the external auditors of the Company in accordance with the requirement of Section 237 of the Companies Act, 2017.
- 2.5** The comparative condensed interim statement of financial position presented has been extracted from annual financial statements for the year ended June 30, 2020; whereas comparative condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity of the Company have been extracted from the un-audited condensed interim financial statements for the half year ended December 31, 2019.

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, 2020.



NAGINA COTTON MILLS LTD.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies, the key source of estimation and uncertainty were the same as those that applied to the annual audited financial statements of the Company for the year ended June 30, 2020.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2020.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
6. DEFERRED GOVERNMENT GRANT	Note	----- (Rupees) -----	
Opening balance		5,003,077	-
Recognized during the period / year		7,130,948	5,315,570
Amortization during the period / year		<u>(3,852,153)</u>	<u>(312,493)</u>
		8,281,872	5,003,077
Less: Current portion of deferred grant		<u>(6,459,114)</u>	<u>(3,246,101)</u>
	6.1	<u>1,822,758</u>	<u>1,756,976</u>

6.1 Deferred grant relates to the difference between the fair value and actual proceeds of salary loan obtained under SBP's Refinance scheme for payment of salaries during the current period. It is amortised over the period of loan with an amount equal to the difference between the finance cost charged to statement of profit or loss and other comprehensive income and the interest paid at SBP's defined rate as per the scheme. The grant will be amortised over the period of loan and amortization will be recognised and presented as reduction of related interest expense.

7. DEFERRED TAX LIABILITY

		Un-audited	
		Deferred tax recognised in	
		Balance at July 01, 2020	Balance at December 31, 2020
		Profit or loss	
		----- (Rupees) -----	
Movement for the period ended December 31, 2020			
Deferred tax liabilities on taxable temporary differences arising in respect of :			
- Property, plant and equipment	-	150,787,741	150,787,741
Deferred tax assets on deductible temporary differences arising in respect of :			
- Staff gratuity	-	(17,301,159)	(17,301,159)
- Minimum tax	-	(128,955,495)	(128,955,495)
- Provision for doubtful debts	-	<u>(273,802)</u>	<u>(273,802)</u>
	-	<u>4,257,285</u>	<u>4,257,285</u>



NAGINA COTTON MILLS LTD.

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
8. SHORT-TERM BORROWINGS	Note	----- (Rupees) -----	
- Banking companies - secured			
Term finance		250,000,000	715,000,000
Foreign currency finance		-	128,646,971
Running finance		869,390,821	706,304,708
	8.1	<u>1,119,390,821</u>	<u>1,549,951,679</u>

- 8.1 The Company can avail term finance, foreign currency and running finance facilities from various banks aggregating to Rs. 3,745 million (June 30, 2020 : Rs. 4,045 million). These borrowings are secured against hypothecation of stocks and book debts / receivables of the Company and pari passu charge on present and future current assets, demand promissory notes and lien on export orders / contracts. Running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.25% to 1.00% (June 30, 2020 : from 1 to 3 month KIBOR plus 0.25% to 1.00%) per annum payable on quarterly basis , whereas interest rates on foreign currency loans balances at reporting date were Nil (June 30, 2020: 2.30% to 4.81%) per annum.

The aggregate unavailed short-term borrowing facilities available amounted to Rs.2,626 million (June 30, 2020 : Rs. 2,495 million).

		(Un-audited) December 31, 2020	(Audited) June 30, 2020
9. CONTINGENCIES AND COMMITMENTS	Note	----- (Rupees) -----	
9.1 Contingencies			
Bank guarantees issued on behalf of the Company	9.1.1	18,602,000	18,602,000
Bank guarantee in favor of Excise and Taxation department		71,842,448	71,544,699
Revolving Letter of credit favouring SSGC		82,051,880	82,051,880

- 9.1.1 It includes guarantee issued in favor of Hyderabad Electric Supply Company (HESCO) amounting Rs.14.602 million.

9.2 Commitments

Machinery	458,841,648	-
Civil work	7,657,240	-
Raw material	192,581,445	363,313,668
Stores and spares	7,331,243	8,850,149
Bills discounted	26,895,636	477,797,517

Commitments for rentals of assets under short term lease agreements:

Not later than one year	<u>3,461,713</u>	<u>2,198,015</u>
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10. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - owned	10.1	2,781,431,418	2,955,976,815
Capital work in progress	10.2	<u>15,631,594</u>	<u>1,811,175</u>
		<u>2,797,063,012</u>	<u>2,957,787,990</u>



NAGINA COTTON MILLS LTD.

	Note	(Un-audited) December 31, 2020	(Audited) June 30, 2020
10.1 Operating fixed assets - owned			
Opening written down value		2,955,976,815	1,959,988,354
Additions during the period / year			
Mills buildings on lease hold land		-	132,914,783
Other buildings on lease hold land		-	53,870
Machinery and equipment		-	1,111,487,852
Electric installations and equipment		-	19,330,676
Furniture and fixtures		232,700	23,975,339
Office equipment		380,400	1,368,399
Vehicles		330,077	6,401,869
		943,177	1,295,532,788
Written down value of property, plant and equipment disposed off		(28,202,770)	(66,527,974)
Depreciation charged during the period / year		(147,285,804)	(233,016,352)
Written down value at end of the period / year		2,781,431,418	2,955,976,815
10.2 Capital work in progress			
Opening balance		1,811,175	58,544,415
Additions during the period / year		13,820,419	1,230,310,954
Transfers during the period / year		-	(1,287,044,194)
Closing balance		15,631,594	1,811,175
11. OTHER FINANCIAL ASSETS			
Fair value through Other Comprehensive Income			
Investment in listed equity securities		326,764,578	279,205,675
Investment in mutual funds		400,985	108,494,735
		327,165,563	387,700,410
11.1 Reconciliation between fair value and cost of investments			
Through other comprehensive income			
Fair value of investments			
- in listed equity securities		326,764,578	279,205,675
- in mutual funds		400,985	108,494,735
		327,165,563	387,700,410
Add: Unrealized loss on remeasurement of investments	11.2	35,794,385	114,329,184
Cost of investments		362,959,948	502,029,594
11.2 Unrealised loss on remeasurement of equity instruments			
Through Other Comprehensive Income			
Opening balance		(114,329,184)	(54,498,217)
Unrealized fair value gain/ (loss) for the period/year		78,534,799	(59,830,967)
Closing balance		(35,794,385)	(114,329,184)
12. SALES - NET			
Export			
Yarn		469,959,105	2,284,767,111
Waste		-	13,710,369
		469,959,105	2,298,477,480
Local			
Yarn		2,430,641,232	1,678,247,136
Waste		143,296,038	88,387,195
Raw material		54,348,789	6,427,200
		2,628,286,059	1,773,061,531
Total Sales		3,098,245,164	4,071,539,011



NAGINA COTTON MILLS LTD.

13. COST OF GOODS SOLD

	Half year ended (Un-audited)		Quarter ended (Un-audited)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees)			
Raw material consumed	2,071,388,277	3,020,942,403	1,114,652,140	1,481,166,502
Packing material consumed	33,245,289	48,024,334	16,903,304	22,668,460
Stores and spares consumed	35,452,584	52,486,782	19,659,354	27,227,962
Salaries, wages and benefits	142,283,535	213,708,887	72,222,050	110,942,079
Fuel	129,913,718	294,595,977	38,057,545	141,320,520
Rent, rates and taxes	266,457	266,455	133,228	133,228
Insurance	7,254,838	5,664,426	3,508,632	3,252,898
Repairs and maintenance	3,387,745	5,379,866	1,900,332	3,593,151
Depreciation	141,834,736	93,678,323	70,758,732	46,669,804
Other manufacturing overheads	3,303,693	3,953,334	1,731,374	2,163,644
Manufacturing cost	2,568,330,872	3,738,700,787	1,339,526,691	1,839,138,248
Work-in-process				
At beginning of period	64,634,114	62,029,593	63,615,625	82,624,633
At end of period	(65,626,457)	(66,452,951)	(65,626,457)	(66,452,951)
	(992,343)	(4,423,358)	(2,010,832)	16,171,682
Cost of goods manufactured	2,567,338,529	3,734,277,429	1,337,515,859	1,855,309,930
Finished goods				
At beginning of period	80,254,211	116,448,510	28,198,595	149,556,058
Purchase of finished goods	16,726,930	2,365,345	15,251,615	2,365,345
At end of period	(74,338,629)	(128,662,931)	(74,338,629)	(128,662,931)
	22,642,512	(9,849,076)	(30,888,419)	23,258,472
Cost of sales of raw material	60,410,171	4,814,818	1,843,653	-
	2,650,391,212	3,729,243,171	1,308,471,093	1,878,568,402
14. PROVISION FOR TAXATION				
Current tax	46,181,058	53,238,090	24,563,270	28,567,309
Prior tax	1,871,765	-	-	-
Deferred tax	4,257,285	-	4,257,285	-
	52,310,108	53,238,090	28,820,555	28,567,309

15. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel of the Company. Transactions with related parties are carried out as per agreed terms. The transaction 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:

Nature of relationship	Nature of transaction	Half year ended (Un-audited)	
		December 31, 2020	December 31, 2019
		(Rupees)	
Associated companies	Purchase of goods and services	-	646,334
	Sale of goods and services	133,077,790	152,797,639
	Dividend paid	-	15,302,710
Key management personnel	Remuneration and other benefits	10,200,000	8,580,822
	Dividend paid to Directors and their close family members	-	69,681,185

There is no balance outstanding with or from associated undertakings as at the reporting date.

16. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Company's statement of cash flows as cash flows from financing activities.

	(Audited) June 30, 2020	Cash flows		Non-cash flows Transferred / Foreign exchange gain	(Unaudited) December 31, 2020
		Obtained	Repaid		
		(Rupees)			
Long-term finances	2,246,879,729	95,156,724	(17,389,274)	(3,278,795) *	2,321,368,384
Term finance	715,000,000	250,000,000	(715,000,000)	-	250,000,000
Foreign currency finance	128,646,971	-	(118,434,405)	(10,212,566)	-
	3,090,526,700	345,156,724	(850,823,679)	(13,491,361)	2,571,368,384

* Rs. 3,278,795 has been transferred to deferred Government grant as per IAS-20.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 at the measurement date.

The carrying value of all the financial instruments reported in the financial statements approximates their fair value as the items are short term in nature.

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



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Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The valuation techniques used are as follows:

Level 1: Quoted prices (unadjusted) in active markets

The fair value of financial instruments traded in active markets is based on quoted market price of the equity instrument and Net Asset Values (NAVs) of the units of the mutual funds at the reporting date. A market is regarded as active when it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets	(Rupees)			
measured at fair value through other comprehensive income				
Investment in listed equity securities	326,764,578	-	-	326,764,578
Investment in mutual funds	400,985	-	-	400,985
	327,165,563	-	-	327,165,563
	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets	(Rupees)			
measured at fair value through other comprehensive income				
Investment in listed equity securities	279,205,675	-	-	279,205,675
Investment in mutual funds	108,494,735	-	-	108,494,735
	387,700,410	-	-	387,700,410

At the reporting date, the Company holds above financial assets where the Company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.

18. OPERATING SEGMENTS

Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis. Sales of the Company related to export customers is 15.17 percent (December 31, 2019: 56.45 percent) . As at period end, all non-current assets of the Company are located within Pakistan.

19. IMPACT OF COVID-19

As in the rest of the world, COVID-19 adversely affected lifestyles and business operations in Pakistan. The Company complied with the standard operating procedures prescribed by Federal and Provincial Governments. Sales and production activities were affected during lockdowns, however, the factory reopened after necessary permissions to produce orders for exports and essential services.

To alleviate the negative impact of the COVID-19 pandemic, the Governments and the State Bank of Pakistan have taken measures and issued directives to support businesses, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the market. The Company has obtained the salary loan under SBP's Refinance scheme for payment of salaries during the current period.

The Company has made an assessment in order to evaluate the impact of COVID-19 pandemic over its financial performance and going concern and management believes that the going concern assumption of the Company remains valid. Directors' report contains details about the Company's performance.

20. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 25, 2021.


Raza Ellahi Shaikh
Director


Tariq Zafar Bajwa
Chief Financial Officer


Amin Ellahi Shaikh
Chief Executive Officer

February 25, 2021



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