

**HALF YEARLY REPORT  
FOR THE PERIOD ENDED  
DECEMBER 31, 2018  
(Un-Audited)**



**NAGINA COTTON MILLS LTD.**



**NAGINA COTTON MILLS LTD.**

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## 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. Javaid Bashir Sheikh	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. Tariq Zafar Bajwa	Executive Director
Mr. Munawar Iqbal	Executive Director

#### MANAGING DIRECTOR (Chief Executive)

Mr. Shaukat Ellahi Shaikh

#### AUDIT COMMITTEE

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

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

Mr. Tajammal Husain Bokharee	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Tariq Zafar Bajwa	Member
Mr. Muhammad Azam	Secretary

#### EXECUTIVE COMMITTEE

Mr. Shafqat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shaukat Ellahi Shaikh	Member
Mr. Raza 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 Deloitte 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](http://www.nagina.com)

#### SHARE REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.  
5<sup>th</sup> Floor, Karachi Chambers,  
Hasrat Mohani Road,  
Karachi.  
Phone # 021-32412754, 32424826  
Fax # 021-32424835

#### 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, 2018 duly reviewed by the auditors. The comparative figures for the corresponding half year ended on December 31, 2017 are included for comparison, except in statement of financial position where figures are for the year ended on June 30, 2018.

#### **Company Performance**

Alhamdulillah, during the half year ended December 31, 2018, your company has earned net after tax profit of Rs. 138,612,548 compared to Rs. 21,441,486. Earning per share (EPS) for the half year is Rs. 7.41 compared to Rs. 1.15 for the corresponding period of previous year.

During the period under review, better yarn prices resulted in sales revenue increase by 18.06% over the same period of previous year. The sales value stood at Rs. 3,284,126,224 compared to Rs. 2,781,814,001. Cost of sales decreased from 93.23% of sales to 87.86% of sales during period under review resulting in increase in Gross Profit (GP) from 6.77% of sales to 12.14% of sales.

Overall operating expense increased by 19.44% over the corresponding period of previous year. Finance cost increased from 1.56% of sales during same period of previous year to 2.66% during the period under review. The increase is mainly due to increase in short term borrowings for cotton procurement and rising interest rate environment in the country.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2018-19, Kapas, (seed cotton) arrivals upto February 15, 2019, at the Gineries totaled 10.701 million bales compared to 11.486 million bales for similar period of financial year 2017-18 showing decrease in arrival of 6.83%.

#### **Future Outlook**

Business environment for the textile industry has improved during the current financial year. Government has recently announced lower rates for electricity and gas for the textile industry. Therefore, the company will benefit from lower energy costs. Adjustments in the USD/RUPEE exchange rate is also helping the textile industry to regain international competitiveness. Removal of import duties on raw cotton is also likely to support the spinning industry to avert raw cotton shortages. The textile industry is looking forward to the government initiative for expanding the area under cotton cultivation. Increase in domestic production of raw cotton is extremely important to ensure the comparative advantage of the Pakistan textile industry. The textile spinning industry is grateful to the government for these industry supporting measures. We hope that export rebates, technology up-gradation fund (TUF), income tax and sales tax refunds stuck up for a long time will be released in a timely manner to the textile industry. It is also hoped that the government will ensure supply of gas and electricity to the textile industry in a continuous manner. However, rising interest rates are pushing up the financial costs. Rupee devaluation has also pushed up the import costs of raw materials, transport and stores and spares. Demand for yarn from export markets may also be affected by the USA/CHINA trade tensions.

Management is working on an extensive BMR/ expansion project. Under the project approximately 18000 brand new spindles would be installed along with related machinery. The project will improve the labour and energy efficiency of the production facilities besides improving the quality and adding to the range of products. In the meantime, Management is focusing on product diversification, seeking new export markets with application of effective cost controls in order to improve margins.

#### **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

**Shahzada Ellahi Shaikh**  
Chairman

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**February 26, 2019**

## ڈائریکٹرز کا جائزہ

ڈائریکٹرز 31 دسمبر 2018ء کو اختتام پہلی ششماہی کے لئے کمپنی کی غیر نظر ثانی شدہ مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ 31 دسمبر 2017ء کو ختم ہونے والی ششماہی کے تقابلی اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں ماسوائے شیڈولڈ 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 31 دسمبر 2018ء کو اختتام پہلی ششماہی کے دوران، 21,441,486 روپے کے مقابلے 138,612,548 روپے کا بعد از ٹیکس منافع کمایا ہے۔ ششماہی کے لئے فی شیئر آمدنی (EPS) گزشتہ سال کی اسی مدت کے دوران 1.15 روپے کے مقابلے 7.41 روپے ہے۔

زیر جائزہ مدت کے دوران، سوتر کی بہتر فروخت قیمتوں کے نتیجے گزشتہ سال کی اسی مدت سے 18.06 فیصد تک فروخت آمدنی میں اضافہ ہوا۔ فروخت کی قدر 2,781,814,001 روپے کے مقابلے 3,284,126,224 روپے پر قائم رہی۔ زیر جائزہ مدت کے دوران فروخت کی لاگت گزشتہ سال کی فروخت کی 93.23% سے کم ہو کر فروخت کی 87.86% تک ہونے کے نتیجے میں مجموعی منافع (GP) فروخت کے 6.77% سے بڑھ کر فروخت کا 12.14% تک ہو گیا۔

مجموعی کاروباری اخراجات گزشتہ سال کی اسی مدت سے 19.44 فیصد زیادہ ہوئے۔ مالی اخراجات گزشتہ سال کی اسی مدت سے 1.56 فیصد سے زیر جائزہ مدت کے دوران 2.66 فیصد تک زیادہ ہوئے۔ مالی اخراجات میں اضافہ کمپاس کی خریداری کے لئے مختصر مدتی قرضوں میں اضافہ اور ملک میں سود کی شرح میں اضافہ کے ماحول کی وجہ سے ہوا ہے۔

فصل سال 2018-19 کیلئے پاکستان کاٹن جنرل ایسوسی ایشن کی طرف سے جاری کردہ اعداد و شمار کے مطابق کمپاس (بیج کمپاس) کی 15 فروری 2019ء تک جنریز میں آمد گزشتہ سال 2017-18 کی اسی مدت میں 11.486 ملین گانٹھوں کے مقابلے میں کل 10.701 ملین گانٹھیں ہو گئیں جو 6.83 فیصد کی کمی ظاہر کرتی ہے۔

### مستقبل کا نقطہ نظر

ٹیکسٹائل صنعت کے لئے کاروباری ماحول رواں مالی سال کے دوران بہتر ہوا ہے۔ حکومت نے حال ہی میں ٹیکسٹائل صنعت کے لئے بجلی اور گیس کے کم نرخ کا اعلان کیا ہے۔ اس لئے، کمپنی بجلی کی کم قیمتوں سے فائدہ اٹھائے گی۔ امریکی ڈالر / روپیہ کے تبادلہ کی شرح میں ایڈجسٹمنٹ بین الاقوامی مقابلہ حاصل کرنے میں ٹیکسٹائل صنعت کی مدد بھی کر رہی ہے۔ خام کمپاس پر درآمدی ڈیوٹی کا خاتمہ خام کمپاس کی قلت کو کم کرنے کے لئے سپننگ صنعت کی مدد کرتا ہے۔ ٹیکسٹائل صنعت زیر کاشت کمپاس کے علاقوں کی توسیع کے لئے حکومتی اقدامات کا انتظار کر رہی ہے۔ خام کمپاس کی مقامی پیداوار میں اضافہ پاکستان ٹیکسٹائل صنعت کے تقابلی فائدہ کو یقینی بنانے کے لئے بہت ہی اہم ہے۔ ٹیکسٹائل سپننگ صنعت ان صنعتی معاون اقدامات کے لئے حکومت کی شکر گزار ہے۔ ہم امید کرتے ہیں کہ برآمدی اعانتیں، ٹیکنالوجی اپ گریڈیشن فنڈ (TUF)، انکم ٹیکس اور سیلز ٹیکس کی واپسی کی طویل عرصہ سے تعطیل ٹیکسٹائل صنعت کو بروقت انداز میں واگزار کی جائیں گی۔ یہ بھی امید کی جاتی ہے کہ حکومت مسلسل انداز میں ٹیکسٹائل صنعت کو گیس اور بجلی کی فراہمی کو یقینی بنائے گی۔ تاہم، سود کی شرحوں میں اضافہ مالی اخراجات کو بڑھا رہا ہے۔ روپے کی قدر میں کمی نے خام مواد، ٹرانسپورٹ، سٹورز اور سپائیز کے درآمدی اخراجات کو بھی بڑھا دیا ہے۔ برآمد مارکیٹوں سے سوتر کی طلب امریکہ / چین تجارتی تناؤ کے ذریعے بھی متاثر ہو سکتی ہے۔

انتظامیہ ایک وسیع BMR / توسیعی منصوبہ پر کام کر رہی ہے۔ منصوبہ کے تحت تقریباً 18000 بالکل نئے سپنڈلز مع متعلقہ مشینری نصب کرے گی۔ منصوبہ مصنوعات کی کوالٹی کو بہتر بنانے اور مصنوعات کی رینج میں اضافہ کے علاوہ مزدور اور پیداواری سہولیات کی انرجی صلاحیت کو بہتر کرے گا۔ انتظامیہ منافع کو بہتر بنانے کے لئے مؤثر لاگت کنٹرول کے اطلاق کے ساتھ مصنوعات کی متنوع، نئی برآمد مارکیٹوں کی تلاش پر توجہ مرکوز کر رہی ہے۔



**NAGINA COTTON MILLS LTD.**

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 حمایت پر بینکرز کا بھی  
شکریہ ادا کرتے ہیں۔

منجانب بورڈ

شوکت الہی شیخ  
مینیجنگ ڈائریکٹر (چیف ایگزیکٹو)

شہزادہ الہی شیخ  
چیئرمین

لاہور: 26 فروری 2019ء

## 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, 2018, and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the financial statements for the half year then ended (here-in-after to 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 interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statement 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 interim financial statement 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 as of and for the half year ended December 31, 2018 are not prepared, in all material respects, in accordance with the 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 the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December, 2018 and 31 December 2017 have not been reviewed and we do not express a conclusion on them.

  
**Chartered Accountants**

**Dated:** February 26, 2019  
**Place:** Karachi



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
Note	-----Rupees-----	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital 50,000,000 (June 30, 2018: 50,000,000) ordinary shares of Rs. 10/- each	500,000,000	500,000,000
Issued, subscribed and paid-up capital	187,000,000	187,000,000
Capital reserves	203,803,037	256,295,112
Revenue reserve	1,487,391,064	1,423,578,516
TOTAL EQUITY	1,878,194,101	1,866,873,628
LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term finances	579,123,537	662,535,029
Deferred liabilities	102,727,017	100,092,922
	681,850,554	762,627,951
CURRENT LIABILITIES		
Trade and other payables	938,897,005	763,784,280
Unclaimed Dividend	7,395,545	6,488,295
Accrued interest / mark-up	50,530,851	25,083,754
Short-term borrowings	2,160,672,777	1,361,933,897
Current portion of long-term finances	161,975,804	144,944,679
	3,319,471,982	2,302,234,905
TOTAL LIABILITIES	4,001,322,536	3,064,862,856
CONTINGENCIES AND COMMITMENTS		
TOTAL EQUITY AND LIABILITIES	5,879,516,637	4,931,736,484

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

February 26, 2019

  
Shahzada Ellahi Shaikh  
Chairman

  
Tariq Zafar Bajwa  
Chief Financial Officer





# NAGINA COTTON MILLS LTD.

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	-----Rupees-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,436,858,918	1,436,505,899
Investment properties		14,110,924	14,240,641
Intangible assets		2,006,493	2,421,630
Long-term deposits		1,069,258	1,069,258
		1,454,045,593	1,454,237,428
CURRENT ASSETS			
Stores and spares		42,271,713	36,872,219
Stock-in-trade		2,510,739,473	1,233,516,051
Trade debts		1,099,213,306	953,738,074
Loans and advances		132,190,400	155,167,320
Prepayments		10,164,642	3,733,580
Other receivables		63,858,385	67,488,006
Sales tax refundable		75,350,063	58,024,607
Other financial assets	9	463,360,142	446,870,005
Cash and bank balances		28,322,920	522,089,194
		4,425,471,044	3,477,499,056
TOTAL ASSETS		5,879,516,637	4,931,736,484

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Shaukat Ellahi Shaikh**  
**Mg. Director (Chief Executive)**



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

		Half Year Ended		Quarter Ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note	.....Rupees.....	.....Rupees.....			
Sales - net		3,284,126,224	2,781,814,001	1,672,526,798	1,548,194,658
Cost of goods sold	10	(2,885,309,331)	(2,593,356,954)	(1,513,816,178)	(1,443,366,650)
<b>Gross profit</b>		<b>398,816,893</b>	<b>188,457,047</b>	<b>158,710,620</b>	<b>104,828,008</b>
Distribution cost		(53,615,953)	(52,683,434)	(30,556,741)	(27,917,023)
Administrative expenses		(71,410,031)	(60,728,514)	(33,918,209)	(29,436,008)
Other expenses		(15,042,686)	(3,859,574)	(4,239,773)	(2,776,888)
		(140,068,670)	(117,271,522)	(68,714,723)	(60,129,919)
		258,748,223	71,185,525	89,995,897	44,698,089
Other income		16,222,827	24,372,021	20,588,688	18,283,646
<b>Operating profit</b>		<b>274,971,050</b>	<b>95,557,546</b>	<b>110,584,585</b>	<b>62,981,735</b>
Finance cost		(87,303,000)	(43,481,261)	(59,464,243)	(25,513,870)
<b>Profit before taxation</b>		<b>187,668,050</b>	<b>52,076,285</b>	<b>51,120,342</b>	<b>37,467,865</b>
Provision for taxation		(49,055,502)	(30,634,799)	(15,913,376)	(16,590,137)
<b>Profit after taxation</b>		<b>138,612,548</b>	<b>21,441,486</b>	<b>35,206,966</b>	<b>20,877,728</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to Profit or Loss</b>					
Unrealized loss on remeasurement of available for sale investments	9.1.1	(52,492,075)	(39,576,448)	(58,947,668)	(8,308,154)
<b>Total comprehensive income / (loss) for the period</b>		<b>86,120,473</b>	<b>(18,134,962)</b>	<b>(23,740,702)</b>	<b>12,569,574</b>
<b>Earning per share - basic and diluted</b>		<b>7.41</b>	<b>1.15</b>	<b>1.88</b>	<b>1.12</b>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

Shahzada Ellahi Shaikh  
Chairman

Tariq Zafar Bajwa  
Chief Financial Officer

Shaukat Ellahi Shaikh  
Mg. Director (Chief Executive)

February 26, 2019



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half Year Ended	
	December 31, 2018	December 31, 2017
	Rupees.....	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	187,668,050	52,076,285
<b>Adjustments for:</b>		
Depreciation	72,399,481	77,595,040
Amortization	415,137	415,137
Provision for gratuity	14,126,813	11,741,379
Loss on disposal of property, plant and equipment	3,175,152	1,747,602
Loss / (Gain) on sale of other financial assets	12,983,594	(3,155,887)
Unrealized gain on revaluation of FCY short term finance	-	(408,927)
Finance cost	87,303,000	43,481,261
Rental income	(11,479,772)	(10,900,320)
Dividend income	(19,393,916)	(10,949,840)
	<u>347,197,539</u>	<u>161,641,730</u>
<b>Changes in working capital (Increase) / decrease in current assets:</b>		
Stores and spares	(5,399,494)	(8,441,496)
Stock-in-trade	(1,277,223,422)	(1,203,385,871)
Trade debts	(145,475,232)	(127,887,715)
Loans and advances	7,039,683	(5,899,417)
Prepayments	(6,431,062)	(4,128,777)
Other receivables	3,629,621	(20,062,447)
Sales tax refundable	(17,325,456)	38,592,796
	<u>(1,441,185,362)</u>	<u>(1,331,212,927)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	175,112,725	228,363,143
	<u>(1,266,072,637)</u>	<u>(1,102,849,784)</u>
<b>Cash used in operations</b>	<u>(918,875,098)</u>	<u>(941,208,054)</u>
<b>Payments made</b>		
Employees retirement benefits	(11,492,718)	(8,685,038)
Finance cost	(61,855,903)	(34,926,660)
Income taxes	(33,118,265)	(29,038,483)
<b>Net cash used in operating activities</b>	<b>A</b> <u>(1,025,341,984)</u>	<u>(1,013,858,235)</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(86,982,435)	(23,768,049)
Proceeds from disposal of property, plant and equipment	11,184,500	6,067,000
Purchase of other financial assets	(147,190,908)	(52,624,423)
Proceeds from sale of other financial assets	65,225,102	85,673,229
Rental income received	11,479,772	10,900,320
Dividend received	19,393,916	10,949,840
<b>Net cash (used in) / generated from investing activities</b>	<b>B</b> <u>(126,890,053)</u>	<u>37,197,917</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances obtained	-	15,099,000
Repayment of long term finances	(66,380,367)	(55,503,882)
Net decrease in short term borrowing excluding running finances	(600,000,000)	(61,385,187)
Dividend paid	(73,892,750)	(55,783,132)
<b>Net cash used in financing activities</b>	<b>C</b> <u>(740,273,117)</u>	<u>(157,573,201)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(A+B+C)</b> <u>(1,892,505,154)</u>	<u>(1,134,233,519)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>(239,844,703)</u>	<u>(24,278,252)</u>
<b>Cash and cash equivalents at end of the period</b>	<u>(2,132,349,857)</u>	<u>(1,158,511,771)</u>
<b>Cash and cash equivalents</b>		
Cash and bank balances	28,322,920	40,157,656
Short term running finances	(2,160,672,777)	(1,198,669,427)
	<u>(2,132,349,857)</u>	<u>(1,158,511,771)</u>

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

February 26, 2019  
Shahzada Ellahi Shaikh  
Chairman

Tariq Zafar Bajwa  
Chief Financial Officer

Shaukat Ellahi Shaikh  
Mg. Director (Chief Executive)



# NAGINA COTTON MILLS LTD.

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Issued, subscribed and paid up capital	Capital reserves			Revenue reserve	Total	
	Amalgamation reserve	Capital redemption reserve	(Deficit) / surplus on revaluation of available for sale investments	Unappropriated profit		
-----Rupees-----						
Balance at June 30, 2017 (Audited)	187,000,000	12,104,417	241,860,000	(15,904,433)	1,331,148,740	1,756,208,724
Comprehensive income						
Profit after taxation	-	-	-	-	21,441,486	21,441,486
Other comprehensive loss						
Unrealised loss on remeasurement of available for sale investments	-	-	-	(39,576,448)	-	(39,576,448)
Total comprehensive (loss) / income for the period	-	-	-	(39,576,448)	21,441,486	(18,134,962)
Transactions with owners:						
Final dividend for the year ended June 30, 2017 @ 30% i.e. Rs. 3 per ordinary share	-	-	-	-	(56,100,000)	(56,100,000)
Balance at December 31, 2017 (Un-audited)	187,000,000	12,104,417	241,860,000	(55,480,881)	1,296,490,226	1,681,973,762
Comprehensive income						
Profit after taxation	-	-	-	-	136,761,010	136,761,010
Other comprehensive income / (loss)						
Remeasurement of defined benefit liability	-	-	-	-	(9,672,720)	(9,672,720)
Net of impairment unrealized gain on available for sale investments	-	-	-	57,811,576	-	57,811,576
Total comprehensive income for the period	-	-	-	57,811,576	127,088,290	184,899,866
Balance at June 30, 2018 (Audited)	187,000,000	12,104,417	241,860,000	2,330,695	1,423,578,516	1,866,873,628
Comprehensive income						
Profit after taxation	-	-	-	-	138,612,548	138,612,548
Other comprehensive loss						
Unrealized loss on remeasurement of available for sale investments	-	-	-	(52,492,075)	-	(52,492,075)
Total comprehensive (loss) / income for the period	-	-	-	(52,492,075)	138,612,548	86,120,473
Transactions with owners						
Final dividend for the year ended June 30, 2018 @ 40% i.e. Rs. 4 per ordinary share	-	-	-	-	(74,800,000)	(74,800,000)
Balance at December 31, 2018 (Un-Audited)	187,000,000	12,104,417	241,860,000	(50,161,380)	1,487,391,064	1,878,194,101

The annexed explanatory notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Shahzada Ellahi Shaikh**  
Chairman

**Tariq Zafar Bajwa**  
Chief Financial Officer

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

February 26, 2019



## **NAGINA COTTON MILLS LTD.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

#### **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 repealed Companies Ordinance, 1984 (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 -75530, in the province of Sindh.

**Manufacturing facility:**

A-16, National Highway, Aminabad, S.I.T.E Kotri, in the province of Sindh.

**Liaison Office:**

Nagina House 91 – B-1, M.M. Alam Road, Gulberg-III, Lahore-54660, in the province of Punjab.

#### **2. STATEMENT OF COMPLIANCE**

- 2.1 These un-audited condensed interim financial statements of the Company for the half year ended December 31, 2018 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. In case where requirements differ, the provisions of and directives issued under the Companies Act, 2017 have been followed. These condensed interim financial statements do not include all of the notes required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.
- 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 Pak Rupees which is also the Company's functional currency and figures presented in these condensed interim financial statements have been rounded off to the nearest thousand 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, 2018; whereas comparative condensed interim statement of profit or loss and statement of 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, 2017.
- 2.6 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 the half year ended December 31, 2018, 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.

#### **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.



## NAGINA COTTON MILLS LTD.

### 3.1 Changes in accounting standards, amendments / interpretations and IFRSs which are effective during the half year ended December 31, 2018:

#### 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 period ended December 31, 2017 or June 30, 2018.

### 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim financial statements in conformity with approved accounting standards as applicable in Pakistan for interim financial reporting requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continuously 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 un-audited condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key source of estimation and uncertainty were the same as those that applied to the annual financial statements of the Company for the year ended June 30, 2018.

### 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, 2018.

	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Note	-----Rupees-----	
<b>6. SHORT-TERM BORROWINGS</b>		
<b>- Banking companies - secured</b>		
Running finance	2,160,672,777	761,933,897
Term finance	-	600,000,000
6.1	<u>2,160,672,777</u>	<u>1,361,933,897</u>

- 6.1 The Company can avail foreign currency, cash and running finance facilities from various banks aggregating to Rs. 2,960 million (2018 : Rs. 2,880 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. Cash and running finance facilities are subject to variable markup ranging from 1 to 3 month KIBOR plus 0.2% to 0.75% (2018 : from 1 to 3 month KIBOR plus 0.2% to 0.75%) per annum payable on quarterly basis.

The aggregate unavailed short-term borrowing facilities available amounted to Rs. 799 million (2018 : Rs. 1,518 million).



# NAGINA COTTON MILLS LTD.

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	-----Rupees-----	
<b>7. CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 Contingencies</b>			
Bank guarantees issued on behalf of the Company	7.1.1	14,602,000	14,602,000
Bills discounted		226,548,673	-
Bank guarantee in favor of Excise and Taxation department		39,296,448	34,296,448
7.1.1 It represents guarantee issued in favor of Hyderabad Electric Supply Cooperation (HESCO)			
<b>7.2 Commitments</b>			
Civil work		79,200,000	12,223,324
Letters of credit			
- Machinery		561,900,034	-
- Stores and spares		10,624,841	-
<b>Rentals of assets under operating lease agreements:</b>			
- Not later than one year		990,748	2,019,803
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets - owned	8.1	1,375,491,167	1,424,759,699
Capital work in progress	8.2	59,243,193	10,724,200
Capital Advances	8.3	2,124,558	1,022,000
		<u>1,436,858,918</u>	<u>1,436,505,899</u>
<b>8.1 Operating fixed assets - owned</b>			
Opening written down value		1,424,759,699	1,528,622,577
<b>Additions during the period / year</b>			
Mills buildings on leasehold land		-	2,039,662
Machinery and equipment		35,799,227	42,577,662
Electric installations and equipment		-	2,535,661
Furniture and fixtures		388,918	852,534
Office equipment		444,300	1,028,550
Vehicles		728,439	16,338,950
		<u>37,360,884</u>	<u>65,373,019</u>
Written down value of property, plant and equipment disposed off		(14,359,652)	(12,713,700)
Depreciation charged during the period / year		(72,269,764)	(156,522,197)
Written down value at end of the period / year		<u>1,375,491,167</u>	<u>1,424,759,699</u>



# NAGINA COTTON MILLS LTD.

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	-----Rupees-----	
<b>8.2 Capital work in progress</b>			
Opening balance		10,724,200	19,546,479
Additions during the period / year		84,614,375	38,592,624
Transfers during the period / year		(36,095,382)	(47,414,903)
Closing balance		<u>59,243,193</u>	<u>10,724,200</u>
<b>8.3 Capital Advances</b>			
Opening balance		1,022,000	2,664,325
Additions during the period / year		2,124,558	14,431,855
Transfers during the period / year		(1,022,000)	(16,074,180)
Closing balance		<u>2,124,558</u>	<u>1,022,000</u>
<b>9. OTHER FINANCIAL ASSETS</b>			
<b>Available for sale Investments</b>			
Investment in listed equity securities		438,382,489	421,062,881
Investment in Mutual funds		24,977,653	25,807,124
		<u>463,360,142</u>	<u>446,870,005</u>
<b>9.1 Reconciliation between fair value and cost of investments classified as available for sale</b>			
Fair value of investments			
-in listed equity securities		438,382,489	421,062,881
-in mutual funds		24,977,653	25,807,124
		463,360,142	446,870,005
Add: Unrealized loss/(gain) on remeasurement of investments	9.1.1	50,161,380	(2,330,695)
Add: Impairment on investments classified as available for sale		-	23,337,162
		50,161,380	21,006,467
Cost of investments		<u>513,521,522</u>	<u>467,876,472</u>
<b>9.1.1 Unrealized loss on remeasurement of available for sale investments</b>			
Opening balance		2,330,695	(15,904,433)
(Loss)/gain on remeasurement of investments for the period / year		(65,475,669)	12,113,933
Transfer of unrealized loss on sale of investment during the period / year		12,983,594	6,121,195
Charge for the period / year		(52,492,075)	18,235,128
Closing balance		<u>(50,161,380)</u>	<u>2,330,695</u>





# NAGINA COTTON MILLS LTD.

	Half year ended (Un-audited)		Quarter ended (Un-audited)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	..... Rupees .....			
<b>10. COST OF GOODS SOLD</b>				
Raw material consumed	2,308,340,280	1,933,660,924	1,186,156,055	1,040,694,708
Packing material consumed	42,052,579	41,798,403	20,451,659	21,883,660
Stores and spares consumed	50,776,125	57,215,044	29,397,534	26,524,694
Salaries, wages and benefits	196,553,415	184,574,415	97,768,066	93,668,691
Fuel	244,972,015	248,799,875	122,128,298	125,966,658
Rent, rates and taxes	266,456	274,857	133,228	137,428
Insurance	4,738,546	4,584,618	2,473,214	2,368,029
Repairs and maintenance	11,792,855	15,928,755	6,144,743	11,334,684
Depreciation	68,031,884	73,384,605	34,238,264	37,920,765
Other manufacturing overheads	3,458,235	4,890,267	1,712,283	2,987,322
<b>Manufacturing cost</b>	<b>2,930,982,390</b>	<b>2,565,111,763</b>	<b>1,500,603,344</b>	<b>1,363,486,639</b>
Work-in-process				
At beginning of period	61,017,474	45,082,213	67,798,105	57,785,993
At end of period	(51,046,657)	(50,756,399)	(51,046,657)	(50,756,399)
	9,970,817	(5,674,186)	16,751,448	7,029,594
<b>Cost of goods manufactured</b>	<b>2,940,953,207</b>	<b>2,559,437,577</b>	<b>1,517,354,792</b>	<b>1,370,516,233</b>
Finished goods				
At beginning of period	68,490,128	54,282,407	120,595,390	98,627,441
At end of period	(125,771,489)	(92,040,212)	(125,771,489)	(92,040,212)
	(57,281,361)	(37,757,805)	(5,176,099)	6,587,229
Cost of sales of raw material	1,637,485	71,677,182	1,637,485	66,263,188
	<b>2,885,309,331</b>	<b>2,593,356,954</b>	<b>1,513,816,178</b>	<b>1,443,366,650</b>

## 11. 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 at arm's length in normal course of business. 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, 2018	December 31, 2017
		.....Rupees.....	
Associated companies	Purchase of goods and services	98,234	62,224
	Purchase of fixed assets	10,881,000	-
	Sale of goods and services	108,813,600	825,800
	Dividend paid	12,242,168	9,181,626
Key management personnel	Remuneration and other benefits	7,050,000	5,712,486
	Dividend paid to Directors and their close family members	55,744,948	41,808,711

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



# NAGINA COTTON MILLS LTD.

## 12. 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, 2018	Cash flows		(Unaudited) December 31, 2018
		Obtained	Repaid	
		Rupees		
Long-term finances	807,479,708	-	(66,380,367)	741,099,341
Term finance	600,000,000	-	(600,000,000)	-
	<b>1,407,479,708</b>	<b>-</b>	<b>(666,380,367)</b>	<b>741,099,341</b>

## 13. 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 values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

**Level 1** - fair value measurements are those derived from 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** - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Financial assets</b>				
- Available for sale				
<b>investments at fair value</b>				
- Listed equity securities	438,382,489	-	-	438,382,489
- Mutual funds	24,977,653	-	-	24,977,653
	<b>463,360,142</b>	<b>-</b>	<b>-</b>	<b>463,360,142</b>
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Financial assets</b>				
- Available for sale				
<b>investments at fair value</b>				
- Listed equity securities	421,062,881	-	-	421,062,881
- Mutual funds	25,807,124	-	-	25,807,124
	<b>446,870,005</b>	<b>-</b>	<b>-</b>	<b>446,870,005</b>

## 14. CORRESPONDING FIGURES

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

## 15. 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 26, 2019.

**Shahzada Ellahi Shaikh**  
Chairman

**Tariq Zafar Bajwa**  
Chief Financial Officer

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

February 26, 2019

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