

Half Yearly Accounts
for the Period ended
December 31, 2019



NAZIR

COTTON MILLS LTD.

NAZIR COTTON MILLS LTD.

COMPANY'S INFORMATION

Board of Director	Mian Shahzad Aslam Mian Farrukh Naseem Mian Aamir Naseem Mr. Maqbool Hussain Bhutta Mr. Muhammad Asghar Mr. Muhammad Abbas Mr. Muhammad Irfan	Chief Executive Officer
Audit Committee:	Mr. Muhammad Irfan Mr. Muhammad Abbas Mr. Muhammad Asghar	Chairman Member Member
HR & R Committee:	Mr. Muhammad Asghar Mr. Muhammad Irfan Mr. Muhammad Abbas	Chairman Member Member
Chief Financial Officer:	Mr. Maqbool Hussain Bhutta	
Company Secretary:	Mr. Ahsan Raza	
Auditors:	Husnain Ali & Co. Chartered Accountants Room # 103, Frist Floor, Regency Plaza Mini Market Gulberg II, Lahore.	
Bankers:	Habib Bank Limited Muslim Commercial Bank Ltd.	
Share Registrar	Corplink (Pvt) Ltd. 1-K Commercial Modal Town, Lahore. Tel: 042-3561714, 35839182, 35916719	
Registered Office:	61-K, Gulberg III, Lahore. Ph: 042-35763736 Fax: 042-35763768	
Mill:	8-Km, Faisalabad Road, Aslamabad, Khaareyanwala, Sheikhupura. Ph: 056-3544053	

NAZIR COTTON MILLS LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The results for the half year under review show a profit after tax amounting to Rs. 10.741 Million after accounting for administrative expenses of Rs. 11.179 Million including depreciation of Rs. 7.791 million and other operating expenses were Rs. Nil and financial cost was Rs. 0.009 million.

During the quarter period ended December 31, 2019, the operation of the mills remained Closed.

The management is doing its best efforts to settle all the cases with Banks and is doing negotiation with banks and making all efforts to review the operation of mills.

Moreover, the management has decided to change the main line of business from Textile to Dairy and Real Estate. In this regard an EGM will be called in near future.

The Management is also trying to obtain electricity connection to restart the production process of the mill.

The Management of the Company is hopeful that the operation of the Mill will be re-started in near future.

For and on behalf of the Board of Directors

Directors

Chief Executive

Lahore.
February 29, 2020

NAZIR COTTON MILLS LTD.

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of NAZIR COTTON MILLS LIMITED ("the company") as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity condensed interim statement of cash flows and notes to the financial statements for the six month period then ended (herein after referred to as "interim financial statements"). Management is responsible for the preparation and presentation of the 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 interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three month period ended December 31, 2019 and 2018 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six month period ended December 31, 2019.

Scope of review

Basis for adverse conclusion

The Company has incurred after tax loss for the period ended of Rs. 10.741 million (December 2018: profit of Rs. 11.391 million) and its accumulated losses at the end of the period stood at Rs. 433.592 million (June 2019: Rs. 428.967 million). The Company's current liabilities exceeded current assets by Rs. 206.496 million. The company has not accrued mark-up on the outstanding balances of loans with financial institutions as well as a related party. Furthermore, the Company has temporarily closed down its business operations and the production remained suspended throughout the year. These conditions along with others indicate the existence of material uncertainty that may cause significant doubt about the company's ability to continue as a going concern and the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements, however, do not disclose this fact and any adjustment to that effect.

Adverse conclusion

Based on our review, because of the significance of the matters discussed in the basis for adverse conclusion paragraphs, the interim financial statements 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 engagement resulting in this independent auditors' review report is Hasnain Adam Ali.

Lahore.
February 29, 2020

HASNAIN ALI & CO
Chartered Accountants
Engagement Partner
Hasnain Adam Ali

NAZIR COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT DECEMBER 31, 2019

	UN-AUDITED December 31, 2019	AUDITED June 30, 2019
Notes	Rupees	Rupees
<u>EQUITY AND LIABILITIES</u>		
Authorized Capital:		
25,000,000 (June, 2019 : 25,000,000) ordinary shares of Rs. 10/- each	250,000,000	250,000,000
Issued, subscribed and paid up capital	230,000,000	230,000,000
Capital reserve	434,000	434,000
Deficit on remeasurement of available for sale investments	210,815	(3,928,825)
Revenue reserve - general	45,829,500	45,829,500
Surplus on revaluation of operating fixed assets	296,376,423	300,719,061
Accumulated loss	(433,592,135)	(428,967,382)
	139,258,603	144,086,354
<u>NON CURRENT LIABILITIES</u>		
Deferred tax liability	33,701,314	35,475,067
<u>CURRENT- LIABILITIES</u>		
Short term financing	204,962,985	205,303,086
Advance from customer against sale of machinery	22,620,000	-
Trade and other payables	622,881	1,656,110
Accrue mark up on loan	9,248,965	9,248,965
Provision for taxation - net	-	727,968
	237,454,831	216,936,129
CONTINGENCIES & COMMITMENTS	-	-
	410,414,748	396,497,550
<u>ASSETS</u>		
<u>NON- CURRENT ASSESTS</u>		
Property, plant & equipment	369,377,723	376,789,398
Biological assets	5,550,690	3,989,600
Investments	4,527,940	388,300
	379,456,353	381,167,298
<u>CURRENT ASSETS</u>		
Stores, spare parts and loose tools	1,534,873	1,534,873
Trade debts	1,190,051	615,760
Deposits, prepayments and other receivables	12,863,879	13,014,315
Cash and bank balances	15,369,592	165,304
	30,958,395	15,330,252
TOTAL ASSETS	410,414,748	396,497,550

The annexed notes from 1 to 10 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

NAZIR COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED) FOR SIX MONTHS & QUARTER ENDED DECEMBER 31, 2019

Note	Un-audited		Un-audited	
	Six months ended December 31		Quarter ended December 31	
	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees
Sales - net	1,513,275	-	672,600	-
Less: cost of sales	1,228,520	-	655,891	-
GROSS PROFIT	284,755	-	16,709	-
Administrative expenses	11,179,791	8,916,681	4,680,333	4,568,109
(LOSS) FROM OPERATIONS	(10,895,036)	(8,916,681)	(4,663,624)	(4,568,109)
Other income	17,954	20,310,285	-	1,055,075
Financial and other charges	(9,655)	(2,315)	(1,166)	(1,427)
(LOSS) / PROFIT BEFORE TAXATION	(10,886,737)	11,391,289	(4,664,790)	(3,514,461)
Taxation	145,593	-	-	-
(LOSS) / PROFIT AFTER TAXATION	(10,741,144)	11,391,289	(4,664,790)	(3,514,461)
(LOSS) / PROFIT PER SHARE - BASIC & DILUTED	(0.47)	0.50	(0.20)	(0.15)

The annexed notes from 1 to 10 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

NAZIR COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR SIX MONTHS & QUARTER ENDED DECEMBER 31, 2019

Note	Un-audited		Un-audited	
	Six months ended December, 31		Quarter ended December, 31	
	2019	2018	2019	2018
	Rupees	Rupees	Rupees	Rupees
(LOSS) / PROFIT AFTER TAXATION	(10,741,144)	11,391,289	(4,664,790)	(3,514,461)
Other comprehensive Income/(loss)				
Items that may be reclassified to statement of profit or loss:				
Gain / (deficit) arising on measurement of available for sale				
-investments to fair value	4,139,640	(352,636)	1,011,912	(447,294)
Items that will not be reclassified to statement of profit or loss:				
Deferred tax in respect of incremental depreciation	1,773,753	-	886,877	-
TOTAL COMPREHENSIVE (LOSS)/INCOME	(4,827,751)	11,038,653	(2,766,001)	(3,961,755)

The annexed notes from 1 to 10 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

NAZIR COTTON MILLS LTD.

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR SIX MONTHS ENDED DECEMBER 31, 2019

	Un-audited	
	Six months ended December 31	
	2019	2018
	Rupees	Rupees
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
(Loss) / profit before taxation	(10,886,737)	11,391,289
Adjustment for:		
Depreciation	7,791,675	5,294,772
Financial charges	9,655	2,315
	7,801,330	5,297,087
Operating (loss) / profit before working capital changes	(3,085,407)	16,688,376
Adjustment for working capital changes:		
(Increase) / decrease in current assets:		
Deposits, prepayments & other receivable	150,436	19,160
Trade debits	(574,291)	-
Income tax paid	145,593	(3,356)
	(278,262)	15,804
Increase / (decrease) in current liabilities		
Trade & other payables	20,858,803	27,000
Accrued mark-up on loan	-	(10,986,643)
	20,858,803	(10,959,643)
Cash generated from / (utilized in) operations	17,495,134	5,744,537
Financial charges paid	(9,655)	(2,315)
Net cash generated from operating activities	17,485,479	5,742,222
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Fixed capital expenditure	(1,941,090)	-
Net cash (used in) investing activities	(1,941,090)	-
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Loan liabilities from banking companies	-	(7,466,581)
Loan repaid	(340,101)	-
Net cash (used in) financing activities	(340,101)	(7,466,581)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	15,204,288	(1,724,359)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	165,304	4,126,956
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15,369,592	2,402,597

The annexed notes from 1 to 10 form an integral part of this condensed interim financial information.

Chief Executive

Chief Financial Officer

Director

NAZIR COTTON MILLS LTD.

STATEMENT OF CHANGES IN EQUITY FOR SIX MONTHS ENDED DECEMBER 31, 2019

	SHARE CAPITAL	CAPITAL RESERVES	RESERVE/(DEFICIT) ON REMEASUREMENT OF AVAILABLE FOR SALE INVESTMENT	REVENUE RESERVE - GENERAL	SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	ACCUMULATED (LOSS)	TOTAL
Rupees							
(Loss) for the year after taxation	-	-	-	-	-	(15,430,848)	(15,430,848)
Other comprehensive income	-	-	(656,610)	-	645,585	1,936,756	1,925,732
Incremental depreciation-net of deferred tax	-	-	-	-	(4,519,098)	4,519,098	-
Balance as at June 30, 2018	230,000,000	434,000	(2,778,925)	45,829,500	113,571,848	(426,457,300)	(39,400,877)
(Loss) for the period after taxation	-	-	-	-	-	11,391,289	11,391,289
Other comprehensive income	-	-	(352,636)	-	-	-	(352,636)
Balance as at December 31, 2018	230,000,000	434,000	(3,131,561)	45,829,500	113,571,848	(415,066,011)	(28,362,223)
Balance as at June 30, 2018	230,000,000	434,000	(2,778,925)	45,829,500	113,571,848	(426,457,300)	(39,400,877)
(Loss) for the year after taxation	-	-	-	-	-	(8,320,351)	(8,320,351)
Other comprehensive income	-	-	(1,149,900)	-	191,272,503	1,684,978	191,807,581
Incremental depreciation-net of deferred tax	-	-	-	-	(4,125,291)	4,125,291	-
Balance as at June 30, 2019	230,000,000	434,000	(3,928,825)	45,829,500	300,719,061	(428,967,382)	144,086,354
(Loss) for the period after taxation	-	-	-	-	-	(10,741,144)	(10,741,144)
Other comprehensive income	-	-	4,139,640	-	-	1,773,753	5,913,393
Incremental depreciation-net of deferred tax	-	-	-	-	(4,342,638)	4,342,638	-
Balance as at December 31, 2019	230,000,000	434,000	210,815	45,829,500	296,376,423	(433,592,135)	139,258,603

The annexed notes from 1 to 10 form an integral part of this condensed interim financial information.

NAZIR COTTON MILLS LTD.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR SIX MONTHS ENDED DECEMBER 31, 2019

1. THE COMPANY & ITS OPERATIONS

1.1 Nazir Cotton Mills Limited is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (Now the Companies Act, 2017) and its shares are quoted on Karachi Stock Exchange of Pakistan. The Company is engaged in manufacturing and sale of Yarn of all types. The registered office of the Company is situated at 61-K, Gulberg III, Lahore. The manufacturing unit is located at 8-KM, Faisalabad, Aslamabad, Kharianwala, Sheikhpura.

1.2 Going concern assumption

The Company has incurred after tax loss for the period ended of Rs. 10.741 million (December 2018: Profit of Rs. 11.39 million) and its accumulated losses at the end of the period stood at Rs. 433.592 million (June 2019: Rs. 428.967 million). The Company's current liabilities exceed its current assets at reporting date by Rs. 206.496 million. Furthermore, the Company has temporarily closed down its business operations and the production remained suspended throughout the year. These condition along with others indicate the existence of material uncertainty that may cause significant doubt about the company's ability to continue as going concern and the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

However management is expecting to revive its operations and for this the company has entered into negotiation with all the lending banks during the period. Further more it is expected that there will be excess electricity and per unit rate will be equal to neighbor countries. Management is in view that the company will restart its commercial production in foreseeable future, as the government announced textile policy and there were some benefits announced for textile sector, however, management is confident that efforts will be realized and that the company will be able to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of preceding audited annual published financial statements of the Company for the year ended June 30, 2019.

2.1 Basis of preparation

2.1.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" issued by the 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 or directives issued under the Companies Act, 2017 differ from the IAS 34 and IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information has, however, been subjected to limited scope review by the statutory auditors of the Company as required by the Code of Corporate Governance, and should be read in conjunction with the company's audited annual financial Statements for the year ended June 30, 2019.

2.1.2 Critical accounting estimates & judgments

The preparation of this condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also require management to exercise its judgments in the process of applying the company's accounting policies. Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During the preparation of this condensed interim financial information's, significant judgments made by the management in applying the Company policies and the key sources of the estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended June 30, 2019.

NAZIR COTTON MILLS LTD.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
		Rupees	Rupees
3	<u>SHORT TERM FINANCING</u>		
	Financing from banking institutions - Secured	3.1 84,722,211	84,722,211
	Deferred sponsors' Loan - Unsecured	3.2 118,740,774	118,740,774
	Loans from related parties - Unsecured	3.3 1,500,000	1,840,101
		<u>204,962,985</u>	<u>205,303,086</u>
	3.1 <u>Financing from banking institutions - Secured</u>		
	Habib Bank Limited	3.1.1 13,258,000	13,258,000
	Islamic Investment Bank Limited	3.1.2 71,464,211	71,464,211
		<u>84,722,211</u>	<u>84,722,211</u>

3.1.1 The loan is secured against equitable mortgage charge on all the entire present and future fixed assets, hypothecation charge on all the present and future current assets and personal guarantees of all the directors of the Company. This loan was earlier settled by the State Bank of Pakistan in December 29, 2004 which had resulted in reduction of the liability by Rs. 3.580 million with no further markup to be provided subject to provisions that if the Company failed to repay any of the installment then the agreement would stand cancelled and the bank would be entitled to recover the original outstanding amount without any reduction. However, the Company failed to repay the installments and the Bank filed a case for recovery of its original liability. This loan does not carry any further markup as the Bank is only entitled to recover its original outstanding liability without any further markup, hence no markup has been provided.

3.1.2 The loan was repayable in sixteen quarterly installments w.e.f. April 1, 1999. It carries mark-up @ 20% per annum. Accrued mark-up has been frozen and kept in a separate account. The new mark-up on diminishing principal is also being kept in same account and repayment of this mark-up would start subject to the entire repayment of the principal amount. This loan and mark-up account are secured by Personal guarantees of directors except nominee director and mortgage of fixed assets to the tune of Rs.20 million. The liquidator of Islamic Investment Bank has been appointed. The management is of the opinion that as the bank is a shareholder in the profit/(losses) and that the matter is pending in the Peshawar court of law of the Company, therefore, no markup is payable. The company has filed a suit against the bank to recover the share of losses amounting to Rs. 110.0 (M).

3.2 This represents unsecured and interest free loan obtained from sponsors of the Company to meet the Company's B.M.R. plans and liquidity problem. These are payable on ease of the company's liquidity problems. There is no fixed tenure for repayment of these liabilities. In the absence of the availability of a defined repayment schedule, the fair value of these loans is not determinable.

3.3 This represents unsecured and interest free loan obtained from Group Companies. These are payable on ease of the Company liquidity problems. There is no fixed tenure for repayment of these liabilities. In the absence of the availability of a defined repayment schedule, the fair value of these loans is not determinable.

4 **CONTINGENCIES & COMMITMENTS**

Contingencies

- a) Execution petition No. 231-E/2007 titled Habib Bank Limited vs. Nazir Cotton Mills Limited for recovery of Decretal amount of Rs. 39,741,015 filed by Habib Bank Limited against Nazir Cotton Mills Limited and others before the Banking Court No. II, Lahore. The appeal is filed by Nazir Cotton Mills Limited against the order dated March 16, 2015 passed by Banking Court No. II, Lahore in Execution No. 231-E/2007. The management is hopeful that there is substantial likelihood of the judgement in their favor.
- b) Islamic Investment Bank (in liquidation) and case has been shifted from Lahore High Court to Peshawar High Court because, the liquidation process will be completed in Peshawar. This loan and mark-up account are secured by Personal guarantees of directors except nominee director and mortgage of fixed assets to the tune of Rs.20.0 million. The liquidator of Islamic Investment Bank has been appointed. The management is of the opinion that as the bank is a shareholder in the profit/(losses), therefore, the company has filed a suit against the bank to recover the share of losses amounting to Rs. 110.0 (M) and that the matter is pending in the Peshawar High Court, hence, no markup is payable.
- c) WAPDA had filed a suit against the company for recovering of arrears amounting to Rs. 12.4 (M). The Lahore High Court had decided the case in favor of WAPDA. The company had deposited Rs. 12.4 (M) with WAPDA for electricity case as per orders of the Lahore High Court and has filed an appeal for recovery of the said amount from WAPDA in the Supreme Court. The management is hopeful of a decision in their favors.

NAZIR COTTON MILLS LTD.

Commitments

a) There were no commitments outstanding as at the balance sheet date.

5	<u>PROPERTY, PLANT AND EQUIPMENT</u>	(Un-audited)	(Audited)
		December 31, 2019	June 30, 2019
		Rupees	Rupees
	Opening net book value	376,789,398	175,322,441
	Revaluation surplus during the year	-	211,001,741
	Addition during the year	380,000	-
	Depreciation charged during the year	7,791,675	9,534,784
	Closing net book value	<u>369,377,723</u>	<u>376,789,398</u>

Land, building and plant & machinery of the company was revalued in the financial year ended June 30, 2019 by M/S Al-Noor consultants & evaluators, resulting in surplus of Rs. 211.00 million over its book value of Rs. 165.57 million.

6 TRANSACTION WITH ASSOCIATED COMPANIES

Following is the detail of transaction with associated companies during the period.

Loan Repaid to Silver Fiber Spinning Mills Limited during the period amounting to rupees. 340,101 -

7 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - "Interim Financial Reporting", the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, where as, condensed interim statement of profit or loss, and statement of other comprehensive income, and condensed interim statement of cashflows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

8 FINANCIAL RISK MANAGEMENT

The companies financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the company for the year ended June 30, 2019.

9 DATE OF AUTHORIZATION

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 26, 2020.

10 GENERAL

Figures have been rounded off to the nearest Rupee unless otherwise stated.

Chief Executive

Chief Financial Officer

Director

BOOK POST

If undelivered, please return to

NAZIR COTTON MILLS LTD.

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