

Annual Report 2020



NAZIR

COTTON MILLS LTD.



**47th Annual Report and Accounts
For the year ended June 30,2020**

In the Name of Allah the merciful, the compassionate

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COMPANY'S INFORMATION

Board of Director

Mian Shahzad Aslam Chief Executive Officer
Mian Farrukh Naseem
Mian Aamir Naseem
Mr. Maqbool Hussain Bhutta
Mr. Muhammad Asghar
Mr. Muhammad Abbas
Mr. Muhammad Irfan

Audit Committee:

Mr. Muhammad Irfan Chairman
Mr. Muhammad Abbas Member
Mr. Muhammad Asghar Member

HR & R Committee:

Mr. Muhammad Asghar Chairman
Mr. Muhammad Irfan Member
Mr. Muhammad Abbas 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.
Al-Baraka Bank Pakistan 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, Sheikhpura.
Ph: 056-3544053



VISION STATEMENT

We aim at seeing our Mills to be a model manufacturing unit producing high quality yarn by complying with the requirements of Quality Management System and continuously improving its effectiveness for total customer's satisfaction. We wish to play a leading role in the spinning sector by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

- 1. To install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.**
- 2. To make strenuous efforts to enhance profitability of the mills ensuring a fair return to the investors, shareholders and employees of the Company.**
- 3. To exercise maximum care for improvement of quality of our products by employing a team of high skilled technicians and professional managers.**
- 4. To strive hard to develop new markets for the sale of our products in export and local markets.**
- 5. To improve customer's satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.**
- 6. To attend to the prompt resolution of customer's complaints by taking timely corrective measures to re-dress the quality complaints.**
- 7. To improve logistic facilities for our customers dispatch programme and issue all shipments / delivery documents well in time.**
- 8. To make comprehensive arrangement for the training of our workers/technicians.**
- 9. To promote team work, sense of transparency and creativity in our professionals and technical people.**



STATEMENTS OF ETHICS AND BUSINESS PRACTICES

NAZIR COTTON MILLS LIMITED has laid down the following business ethics and principles, the observance of which is compulsory for all the directors and staff members of the company in the conduct of company's business in order to protect and safeguard the reputation and integrity of the company at all levels of its operations. Any contravention of these ethics is regarded as misconduct. The company will ensure that all the executives and subordinate staff members are fully aware of these standards and principles.

1. Conflict of interest

All staff members are expected not to engage in any activity which can cause conflict between their personal interests and company's interests, such as:

- a) In effecting the purchase for the company and selling its products, the Directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or service to the company or buying its products.
- b) The staff members should not engage in any outside business while serving the company.
- c) Staff member's are not permitted to conduct personal business in company's premises or use company's facilities for the same.
- d) If a staff member has direct or indirect relationship with an outside organization dealing with the company he must disclose the same to the management.

2. Confidentially

All staff members are required not to divulge any secrets / information of the company to any outside even after leaving the service of the company unless it is so required by a court of law. During the course of service in the company they should not disseminate any information relating to business secrets of the company without the consent of management.

3. Kickbacks

All staff members are strictly forbidden not to accept any favour, gifts or kickbacks from any organization dealing with the company. In case if such a favour is considered, in the interest of the company, the same should be disclosed clearly to the management.

4. Proper Books of Accounts

All funds, receipt and disbursements should be properly recorded in the accounts books of the company. No false or fictitious entries should be made or misleading statement pertaining to the company or its operation should be issued. All agreements with agents, dealers and consultants should be made in writing supported with required evidence.



5. Relationship with Government officials suppliers and agents etc.

The dealings of the company with Government officials, suppliers, buyers, agents and consultants of the company should always be such that the integrity of the company and reputation is not damaged. Members having queries in connection with how to deal with these requirements should consult the management.

6. Health and Safety

Every staff members is required to take care of his health and safety and of those working with him. The management's responsibility for keeping its staff members insured government rules and regulations.

7. Environment

To preserve and protect the environment all staff members are required to operate the company's facilities and processes so as to ensure maximum safety of the adjoining communicates, and strive contiguously to improve environmental awareness and protections.

8. Alcohol, Drugs

All types of gambling and betting at the company's work places strictly forbidden. Also taking of any alcohols or drugs inside the work place is not allowed and any member of the staff, not abiding by these prohibitions will attract disciplinary as well as penal action under the law.

9. Coordination among staff members to maintain Discipline

All staff members will work in close coordination with their co-workers, superiors and colleagues. Every member will cooperate with other members so that the company's work carried out effectively and efficiently. All case of non-cooperation among staff members should reported to the management for necessary and suitable action. Strict disciplinary action will be taken against those staff members who violate the rules and regulations of the company.

10. Workplace harassment

All members of the staff will provide an environment that free from harassment and in which all employees are equally respected. Work place harassment means any action that creates an intimidating, hostile or offensive environment which may include sexual harassment, disparaging remarks based on gender, religious, race or ethnicity.



KEY OPERATING AND FINANCIAL DATA

OPERATING

(Rupees in Thousands)

	2020	2019	2018	2017	2016	2015
Sale	2,449	1,300	-	-	-	-
Gross Profit / (Loss)	(4,538)	(644)	-	-	-	-
Operating Profit/(loss)	(2,366)	(16,694)	(19,504)	(23,404)	-	-
Profit/(Loss) before tax	(9,441)	(7,149)	(16,566)	(21,420)	(114,113)	(5,039)
Tax	2,203	(1,171)	(36)	-	-	-
Profit/(Loss) after tax	(7,246)	(8,320)	(16,602)	(21,420)	(114,113)	(5,039)
Total Assets	388,447	396,498	206,065	223,202	225,188	235,491
Current Liabilities	208,994	216,936	113,293	21,110	114,131	174,449
	(179,453)	(179,562)	92,772	202,092	141,057	61,042

REPRESENTED BY

Share Capital	(185,936)	(198,967)	(176,740)	(159,481)	(136,418)	(250,051)
Reserves	335,346	(54,881)	165,318	165,318	165,318	166,563
Equity	149,410	(144,086)	11,442	(5,837)	(28,900)	(83,488)
Long Term Loans & Leases	30,043	(35,476)	(104,194)	(196,255)	112,,157	144,530
	(179,453)	(179,562)	(92,772)	(202,092)	(141,057)	61,042



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nazir Cotton Mills Limited

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **NAZIR COTTON MILLS LIMITED** ("the Company") for the year ended June 30, 2020, in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of the requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
1	The Board does not consist of any female director.
2	Regulation 6 of the Regulations requires that the independent directors of each listed company shall not be less than two members or one third of the total members of the board, whichever is higher. However, there is only one independent director on the Board of Directors of the Company.
15	Regulation 31 of the Regulations requires that there shall be an internal audit function in every company. The head of internal audit shall functionally report to the audit committee and administratively to the chief executive officer and his performance appraisal shall be done jointly by the Chairman of the audit committee and the chief executive officer. However, there is no internal audit function in the Company.
9	The Board has not arranged any Director's training program nor was the exemption certificate obtained from Commission (Where applicable).

Date: October 05, 2020
Lahore

HASNAIN ALI & CO
Chartered Accountants
Audit Engagement Partner: Hasnain Adam Ali



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of the Shareholders of **NAZIR COTTON MILLS LIMITED** will be held at Company's Registered Office, **61-K Gulberg III, Lahore** on October 27, 2020 (Tuesday) at 10:00 AM to transact the following business:-

Ordinary Business :

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on May 16, 2020
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2020 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors and fix their remuneration for the year ended June 30, 2021
4. To consider any other business which may be placed before the meeting with the permission of the Chair

By Order of the Board

Lahore:
Dated: October 05, 2020

(MIAN SHAHZAD ASLAM)
Chief Executive Officer

Notes:

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective, must be received at **61-K Gulberg III, Lahore** the Registered Office of the Company not later than 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
2. The Share Transfer Books of the Company will remain closed from October 21, 2020 to October 27, 2020 (both days inclusive).
3. Members are requested to immediately notify the change in their addresses, if any.
4. Accounts holders and sub-account holders holding book entry securities in respect of the company in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting are requested to bring original Computerized National Identity Card for identification purpose.
5. **Video Conference Facility**

Pursuant to the provisions of the Companies Act, 2017, the members residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide them facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address mentioned above, at least 10 days prior to the date of the meeting on the Standard Form available on the company's website: www.nazircottonmills.com



CHAIRMAN'S REVIEW

I am pleased to present the report on the overall performance of the Board of Directors and effectiveness of the role in achieving the objects of the Company.

During the year, the Board focused on the future restructuring. The Board regularly tracked the progress against the business plan. The committee of the Board worked diligently and focused on their terms of reference during the year under review.

The company is facing problem due to the close of its operation since 2009. The company decided to change the main line of business. The directors played their role in this regard efficiently.

The Board has carried out review of its effectiveness and performance which is satisfactory. The Board evaluation during the year 2020 robustly considered in all aspects of the Board including the performance of the individual director, Board Committees and the Board as a whole.

I am happy to report that your Board continues to function effectively and is focused on priorities of the Company's business.

Maqbool Husain Bhutta

(Chairman)

Lahore: October 05, 2020



DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of your company welcome you to the Annual General Meeting and are pleased to present the company's audited financial statements for the year ended June 30, 2020.

Performance Review

The year under review shows that the company has earned net loss of Rs.(7.040)Million after accounting for administrative expenses of Rs. 21.371 Million including depreciation of Rs.(14.584) Million as compared to last corresponding year's net loss of Rs.(8,320) Million.

Due to the unfavourable market condition ,the operation of the mill remained closed during the year under consideration. However, the new business of Dairy has been started.

The management is in opinion that if the unit cost of electricity become Rs. 8 per unit i.e. equal to the unit rate in the neighbor countries, then company will be able to restart it's commercial production. However, the management is in option that demand of Halal Food in the world, Due to the present situation caused by the covid 19 has been increased. So, there is bright chance of the groom the dairy business.

Financial Results

The year under review was not good as the textile industry in Pakistan is still facing difficult period. The financial results of the company for the year under the review are as under:

	2020	2019
	Rupees	Rupees
Operating Profit/(Loss)	(23,666,028)	(16,693,667)
Financial charges	(8,879)	(20,337)
Other income	14,225,102	9,564,491
(Loss)/Profit before taxation	(9,234,934)	(7,149,513)
Taxation	2,203,436	(1,170,837)
(Loss)/Profit after taxation	7,040,367	(8,320,351)
Accumulated loss brought forward	(422,770,667)	(426,457,300)
Loss available for appropriation	415,730,300	(428,967,382)

Earning / (Loss) per share

Based on net loss for the year ended June 30, 2020, the loss per share for the year ended June 30, 2020 is Rs. (0.32) as compared to the loss per share of Rs. (0.36) in the preceding year ended June 30, 2019.

Dividend

No dividend has been declared by the company during the year due to loss

Auditors' Report

Auditors' has raised their observation about going concern of company. In assessing the going concern status of the Company, management has carefully assessed a number of factors covering the operational performance of the business, the ability to implement a significant debt restructuring of the Company's existing debts and the appetite of directors & associates to continue financial support.

Based on the analysis of these, and key management efforts and decisions as mentioned above, management is comfortable that the Company will be able to continue as a going concern in the foreseeable future.



Based on analysis of theses, key management decisions as mentioned in 'future outlook' the management is comfortable that the Company will be able to continue as a going concern in the foreseeable future.

The company has applied for the change the of it's name from Nazir Cotton Mills Ltd to Nazir Multiple Industries Ltd. The process of change of name and change in Memorandum of Associations and Articles of Associations have been initiated. There some legal formalities have to be complete by the company. as soon as this process is completed, the company will be fall in the ambit of going concern.

The Adverse Opinion of the auditor is based on the Following Points, which has been discussed below:-

1. The HBL has not confirmed the loan of Rs, 13 Million.
In this context it is stated that this is not the fault of the company . The auditor should have taken additional measure for this like sent reminders to HBL and contact to State Bank of Pakistan.
2. In auditor's opinion, Mark-up should be charge on the loan of From Islamic Investment Bank.
in the point of view of the management, the amount of loan has not been decided by the court, so the calculation of mark up is not possible. Moreover, the loan is based on Islamic mode i.e. profit and loss sharing. So question of Mark-up dose not arise
3. In auditors opinion, there is a problem of cash flow while the management is in opinion that the cash flow will not be a problem in any stage of DIRY farming.
4. The negative equity have been discussed above.
The company resolved in its EGM held on May 16, 2020 that the company will start its side new business of Dairy Farming which has been started.

Future Prospects

The management is fully aware of present challenges facing the textile industry specially spinning and making their efforts to revive the operation of mills subject to support of banks.

The Covid-19 have grade impact of in the demand of the Halal Food in the world.

The Company have started it's business of fattening the Oax.

The management is in opinion that if the unit cost of electricity become Rs. 8 per unit i.e. equal to the unit rate in the neighbor countries, then company will be able to restart it's commercial production.

Corporate Governance

As required by the Code of Corporate Governance, directors are pleased to report that:

- i. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ii. Proper books of accounts of the Company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.



- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. Management feels that there is no significant doubt on the Company's ability to continue as going concern. We had already provided our reply on Auditors' Observation in this report and mitigating factors are also disclosed in detail.
- vii. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. Company has also constituted Audit Committee and HR & R Committee and its members are disclosed in annual report.
- viii. The detail of trading in shares of the Company, if any, carried out by the directors, CEO, CFO, and Company Secretary and their spouses and minor children is provided in pattern of shareholding annexed with this report.
- ix. No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of Directors' report.
- x. Key operating and financial data for last six years is annexed.
- xi. The pattern of shareholding is also annexed.
- xii. The Company has fulfilled its major statutory and financial obligations.
- xiii. No dividend or bonus shares are declared because of loss during the year.
- xiv. Company has arranged in house training programs for its directors; however, most of directors meet criteria as laid down in code of corporate governance regarding directors' training implemented and monitored.

Board of directors meeting

During the year, four (4) Meeting of the Board of Directors were held. Attendance by each Director at the Board Meetings as under:-

Name of the Directors	No. of Meetings Attended		
	BOD	HR	AC
Mian Shahzad Aslam	5	-	-
Mian Faruukh Naseem	5	-	-
Mian Aamir Naseem	5	-	-
Maqbool Hussain Bhutta	5	-	-
Mr.muhammad Asghar	5	4	4
Mr.Muhammad Abbas	5	4	4
Mr.Muhammad Irfan	5	4	4

Directors who could not attend Board Meeting due to illness or some other engagements were granted leave of absence in accordance with law.

Audit committee

The Board of Directors in compliance of Code of Corporate Governance has established an Audit Committee and the following Directors are its members.

Mr. Muhammad Irfan	Chairman
Mr. Muhammad Abbas	Member
Mr. Muhammad Asghar	Member

Acknowledgement

The directors would like to place on record their appreciation for services rendered by the employees of the company who have contributed their optimum skills and hope that the same spirit of devotion will continue in future. In addition, we thank our stakeholders for trusting us.

Lahore
Dated: October 05, 2020

For and on behalf of the Board
(MIAN SHAHZAD ASLAM)
Chief Executive

ڈائریکٹرز رپورٹ

کمپنی ڈائریکٹرز نے 30 جون، 2019 کو اختتام پذیر ہونے والے مالی سال کے لئے، کمپنی کی سالانہ رپورٹ، آڈٹڈ فائنل رپورٹ کے ہمراہ پیش کیے ہیں۔

کمپنی پر فارمنس:

رواں مالی سال کے دوران کمپنی کا خسارا (7.040) ملین رہا جس میں انتظامی اخراجات 21.371 اور مشینوں کی گھسائی (14.584) ملین ہے جبکہ پچھلے سال کا نقصان ملین تھا۔

رواں مالی سال میں نامناسب مارکیٹ حالات کی وجہ سے کمپنی کا کاروبار بند رہا انتظامیہ کا خیال ہے کہ اگر بجلی کافی یونٹ نرخ 8 روپے ہو جائے جو کہ ہمسایہ ممالک میں ہے تو پھر مل چل سکتی ہے گزشتہ اور موجودہ سال کے آپریٹنگ نتائج کا موازنہ مندرجہ ذیل ہے:

مالی نتائج	2020	2019
	روپے (ہزاروں میں)	
آپریٹنگ نقصان--	(23,460,)	(16,694)
مالیاتی اخراجات	(9)	(20)
متفرق آمدنی	14,225	(9,564)
(نفع نقصان) ٹیکس سے پہلے	(9,235)	(7,150)
ٹیکس	(2,203)	(1171)
(نفع نقصان) ٹیکس کے بعد	(7,040)	(8,320)
(گزشتہ مجموعی نفع نقصان)	(422,770)	(426,457)
طے شدہ نفع نقصان	(415,730)	(428,967)
فی شیئر نفع نقصان	(0.36)	(0.31)

مختلف آپریٹنگ مشکلات (انرجی اور گیس کی قیمتوں میں اضافے اور پرافٹ مارجن میں کمی) کی وجہ سے مل بدستور بند رہی۔ کمپنی کی انتظامیہ آپریٹنگ ڈھانچے کی تنظیم نو کر رہی ہے تاکہ موجودہ مشینری کی وجہ سے جو آپریٹنگ نقصانات ہو رہے ہیں اُن کو کم کیا جاسکے۔

مستقبل کے تناظر میں:

انتظامیہ کو موجودہ مشکلات کا پورا انداز ہے جو کہ ٹیکسٹائل کی صنعت خصوصاً سپننگ سیکٹر کو درپیش ہیں اور اسی کوشش میں کہ مل دوبارہ کس طرح شروع کی جائے۔ مزید برآں حکومت نے پچھلے سال ٹیکسٹائل صنعت کو کچھ مراعات دینے کا اعلان کیا تھا خصوصاً سیل ٹیکس اور دیگر محصولات میں کمی کی گئی ہے خصوصاً بجلی اور گیس کے نرخوں میں کمی کی گئی ہے۔ بجلی کے نرخ 8.67 روپے فی یونٹ مقرر کیا گیا ہے۔ انتظامیہ پر امید ہے کہ اگلے سال مل اپنا کاروبار شروع کر دے گی

آڈیٹرز کے مشاہدات / اہلیت پر تبصرے

موجودہ تشریحات مفروضہ جات

کمپنی کے آڈیٹرز نے کمپنی کی موجودہ صورت حال کو سامنے رکھتے ہوئے۔ خدشہ ظاہر کیا ہے کہ کمپنی مستقبل میں اپنے جاری وجود کو برقرار نہ رکھ پائے گی۔ جس کا جواب درج ذیل ہے۔



۱۔ آڈیٹر کے بقول حبیب بینک لمیٹڈ نے 13 ملین کا قرضہ کنفرم نہیں کیا

کمپنی کے خیال میں آڈیٹر کو قرضہ کی رقم کنفرم کرانے کیلئے بار بار یاد دہانی کیلئے خط لکھنے چاہیے تھے اور سیٹ بنک کے ذریعے دباؤ ڈالنا چاہیے تھا

۲۔ آڈیٹر کے خیال میں اسلامی انوسٹمنٹ بینک کے قرضہ پر مارک اپ لگانا چاہیے تھا

انتظامیہ کا خیال ہے کہ قرضہ نفع نقصان کی بنیاد پر ہے لہذا مارک اپ کا کوئی جواز نہیں مزید برآں قرضہ کی رقم بھی معین نہیں لہذا مارک اپ کا بھی تعین نہیں ہو سکتا

۳۔ آڈیٹر کے خیال میں کمپنی کو مالی فقدان کا سامنا ہے جب کہ کمپنی کے خیال میں کوئی ایسی بات نہیں

۴۔ کاروبار جاری رہنا درج ذیل ہے

کمپنی نے اپنے غیر معمولی اجلاس منعقدہ 16 مئی 2020 کو ایک قرارداد منظور کی تھی جس کے ذریعے یہ طے پایا تھا کہ کمپنی ڈیری فارم کے طور پر اپنا متبادل کاروبار شروع کرے گے جو کہ شروع ہو چکا ہے اور امید کی جاتی ہے کہ یہ کاروبار کچھ ہی ماہ میں مکمل طور پر چالو ہو جائے گا اور کمپنی کے وجود کو جاری رکھنے میں معاون ہوگا۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کارپوریٹ گورننس کے کوڈ کے تناظر میں، ہمارے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک پر بیانات ذیل میں ہیں:

1- کمپنی کی انتظامیہ کی طرف سے تیار مالی بیانات، موجودہ امور، کاروباری معاملات کے نتائج، نقدی بہاؤ کے نتائج اور تبدیلیوں کو منصفانہ طور پر بیان کرتا ہے۔ مالی بیانات میں

اثاثہ جات اور ذمہ داریاں تخمینہ تحلیل پر پیش کئے گئے ہیں۔

2- کمپنی کے اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا گیا ہے۔

3- مالی بیانات اور اکاؤنٹنگ اندازوں کی تیاری مناسب اکاؤنٹنگ پالیسیوں کو لاگو کیا گیا ہے، اور یہ پالیسیاں مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

4- پاکستان میں قابل بین الاقوامی اکاؤنٹنگ کے معیارات کی معیارات کی مالی بیانات کی تیاری میں پیروی کی گئی ہے، اور ان پالیسیوں سے انحراف بھی ظاہر کر دیا گیا ہے۔

5- اندرونی کنٹرول کے نظام کی موثر طریقے سے عملدرآمد کی اور نگرانی کی گئی ہے۔

6- مینجمنٹ کو محسوس ہوتا ہے حالیہ تشویش کے باوجود کمپنی کی صلاحیت پر کوئی قابل ذکر شک نہیں ہے۔ ہم نے پہلے ہی اس رپورٹ میں آڈیٹرز کے مشاہدات پر جواب داخل کر دیے ہیں۔

7- لسٹنگ کے ضابطے میں کارپوریٹ گورننس کے بہترین طریقوں میں کوئی واضح انحراف موجود نہیں۔ سے تفصیلی طور پر، اضافہ ہو رہا ہے۔ کمپنی نے آڈٹ کمیٹی اور

HR & R کمیٹی تشکیل دی ہے اور اس کے اراکین کے نام سالانہ رپورٹ میں ظاہر ہیں۔

8- کمپنی کے حصص میں ٹریڈنگ کی تفصیل، اگر کوئی ہے تو، ڈائریکٹرز، CEO، CFO اور کمپنی سیکریٹری اور ان کے اہل و اعیال کی تفصیل شیئر ہولڈنگ رپورٹ میں پیٹرن کے مطابق فراہم کی جا چکی ہے۔

9- اس مالی سال کے آخر اور اس مالی سال کے درمیان، جس سے یہ مالی بیانات اور ڈائریکٹرز کی رپورٹ تعلق رکھتے ہیں، کمپنی کی مالی پوزیشن کو متاثر کرنے والی کوئی خاطر خواہ تبدیلیاں اور وعدے واقع نہیں ہوئے۔

10- اہم آپریٹنگ اور گزشتہ چھ سال کا مالیاتی ڈیٹا ان ریکارڈ ہے۔

11- شیئر ہولڈنگ کا پیٹرن بھی ان ریکارڈ ہے۔

12- کمپنی نے اہم قانونی اور مالی ذمہ داریوں کو پورا کیا ہے

13- رواں مالی سال خسارے کے باعث، کوئی منفعاتی یا بونس شیئر جاری نہیں ہوئے۔

14- کمپنی نے ڈائریکٹرز کے لئے ”مرتب کئے ہیں، تاہم اکثر ڈائریکٹرز اس ٹریڈنگ کے معاملے میں کارپوریٹ گورننس کے معیار پر پورا اترتے ہیں۔

15- رواں مالی سال کے دوران کسی ڈائریکٹر نے کارپوریٹ گورننس کی ٹریڈنگ حاصل نہیں کی

بورڈ آف ڈائریکٹرز کی سالانہ تشخیص:

بورڈ کمپنی میں تین اہم امور سرانجام دیتا ہے۔ یہ سمت فراہم کرتا ہے۔ (یعنی کمپنی کی اسٹریٹجک سمت کا تعین کرتا ہے)۔ یہ کنٹرول کرتا ہے (یعنی انتظام پر نظر رکھتا ہے) اور یہ مدد اور مشورہ فراہم کرتا ہے۔ بورڈ نے ایک اندرونی کارکردگی کی تشخیص کا طریقہ کار وضع کیا ہے جو عام طور پر ان کرداروں اور ان کے نتیجے میں آنے والی لازمی ذمہ داریوں کا جائزہ لیتا ہے



- اور نظر رکھتا ہے کہ کتنے موثر طریقے سے ان ذمہ دار یوں کو ادا کیا گیا ہے۔ بورڈ کی کارکردگی کے جائزے میں بنیادی طور پر یہ دیکھا جاتا ہے کہ درج ذیل امور کو کیسے سرانجام دیا ہے۔
- (ا) بورڈ کی ساخت، اس کی تشکیل، اس کا آئین، تنوع اور کمیٹیاں، اراکین کی مہارت، بورڈ اور کمپنی کے چارٹر (قوانین) اور اجلاسوں کی تعداد اور طریقہ کار۔
- (ب) بورڈ کے محرکات اور کام کاج، بورڈ کا سالانہ کیلنڈر، معلومات کی دستیابی، سی ای او اور سینئر افسروں کے ساتھ گفت و شنیں اور مواصلات، بورڈ کا ایجنڈا، بورڈ کے اجلاس میں میل جول اور شرکت کے معیار۔
- (پ) کاروباری حکمت عملی کا نظم و ضبط، کمپنی کی حکمت عملی میں بورڈ کا کردار
- (ت) مالیاتی رپورٹنگ کا عمل، اندرونی جانچ پڑتال اور کنٹرول، متعلقہ پارٹیوں کے ساتھ غیر منصفانہ لین دین کے پیش نظر مالی اور دیگر کنٹرول کے نظام کی سالمیت، متحرک طریقہ کار اور خطرات سے نپٹنا۔
- (ث) نگرانی کا کردار: پالیسیوں، حکمت عملی کا نفاذ اور نگرانی۔
- (ث) امدادی اور مشاورتی کردار۔

بورڈ اور آڈٹ کمیٹی کے اجلاس

بورڈ آف ڈائریکٹرز، بورڈ آڈٹ کمیٹی (BAC) اور HR&R کمیٹی میں سے ہر ایک کے ڈائریکٹر کی طرف سے اجلاس میں حاضری، حسب ذیل ہے:

BOB	AC	HR&R	منعقد ملاقاتوں کی تعداد
5	-	-	1- میاں شہزاد اسلم
5	-	-	2- میاں فرخ نسیم
5	-	-	3- میاں عامر نسیم
5	-	-	4- مقبول حسین بھٹہ
5	4	4	5- محمد اصغر
5	4	4	6- محمد عباس
5	4	4	7- محمد عرفان

آڈیٹرز

کمپنی کے آڈیٹر ریٹائرڈ ہوئے اور اگلے سال دوبارہ تعیناتی کے لئے اہل ہیں۔ آڈٹ کمیٹی حسین اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی آئندہ سال کے لئے کمپنی کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اعترافیہ

بورڈ آف ڈائریکٹرز بینکوں اور مالیاتی اداروں کی امداد اور تعاون کے ساتھ ساتھ تمام ملازمین اور کمپنی کے ٹھیکیداروں کی کوششوں، لگن اور عزم اور تقسیم کاروں، ڈیلرز، سپلائرز اور اسٹیک ہولڈرز کے تعاون کا شکریہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

جناب میاں شہزاد اسلم
سی۔ ای۔ او

لاہور۔ اکتوبر 05، 2020



STATEMENT OF COMPLIANCE

with Listed Companies (Code of Corporate Governance) Regulations, 2017

The Nazir Cotton Mills Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations 2017 ("the Regulations") in the following manner:

1. The total number of directors is Seven as per the following.
 - a. Male: Seven
 - b. Female: None
2. The composition of the Board of Directors (the Board) is as follows:

a.	Category Independent	Mr. Muhammad Irfan
b.	Director Executive Directors	Mian Shahzad Aslam
c.	Non-Executive Directors	Mian Farrukh Naseem
		Mian Amir Naseem
		Maqbool Husain Bhutta
		Mr. Muhammad Abbas
		Mr. Muhammad Asghar
3. Directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision with regard to their training program. The majority of the Board members have the prescribed qualifications and experience required for exemption from training program of directors pursuant to regulation 20 of the Regulations.
10. The Board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.



11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a. Audit Committee

Mr. Muhammad Irfan	(Chairman)
Mr. Muhammad Abbas	(Member)
Mr. Muhammad Asghar	(Member)

We have appoint independent director as Chairman of the Audit Committee in due course.

b. HR and Remuneration Committee

Mr. Muhammad Asghar	(Chairman)
Mr. Muhammad Abbas	(Member)
Mr. Muhammad Irfan	(Member)

We have appointed independent director as member of HR and Remuneration Committee in due course.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the aforesaid committees were as per following:

- a. Audit Committee: Four meetings during the financial year ended 30 June 2020
- b. HR and Remuneration Committee: one meeting during the financial year ended 30 June 2020.

15. The board has not set up an internal audit function because the operation of the company has been suspended since last many years.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



INDEPENDENT AUDITOR'S REPORT

To the members of Nazir Cotton Mills Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of **Nazir Cotton Mills Limited** ("the Company"), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the effects of the matters discussed in the basis for adverse opinion paragraph the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

- (a) The balances of bank loan amounting to Rs. 13.26 million (Note 16.1.1) remained unverified and unsubstantiated for want of confirmatory certificate.
- (b) The company has not accrued mark-up on the outstanding balances of loans with financial institutions commencing from the date when the company went into litigation with these financial institutions. Further, we have been unable to calculate accurately the financial impact of such non-compliance due to lack of supporting evidences.
- (c) The Company is not able to generate sufficient cash flows from plant operations. An exercise to estimate cash flows to determine the recoverable amounts of the items of property, plant and equipment has not been carried out, Further in the absence of management's estimates of recoverable amounts of stores, spares and loose tools we have not been able to conclude on the net realizable value of the items of stores, spares and loose tools. Accordingly, we were not able to conclude whether any impairment might be necessary to the amounts shown in these financial statements for property, plant and equipment and stores, spare parts and loose tools.



- (d) We draw attention to Note 2 in the financial statements, which indicates that the Company has incurred after tax loss of Rs. 7.24 million (2019: Rs. 8.320 million) and its accumulated losses stood at Rs. 415.93 million (2019: Rs. 428.967 million) as at June 30, 2020. The Company's current liabilities exceeded current assets by Rs. 190.997 million (2019: Rs. 201.606 million). Furthermore, the Company has closed down its business operations and the production remained suspended throughout the year. The Company has been unable to arrange fresh financing for working capital and other purposes. The management of the Company did not provide us its assessment of going concern assumption used in preparation of these financial statements and the future financial projections indicating the economic viability of the Company. Because of the circumstances and events as mentioned in this paragraph we consider that the use of going concern assumption for the preparation of these financial statements is inappropriate and accordingly the financial statements should have been prepared on realizable and settlement values.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended June 30, 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) except for the possible effects of the matters discussed in the Basis for Adverse Opinion section of our report, proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the Companies Act, 2017 (XIX of 2017). However these are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Hasnain Adam Ali.

Lahore

Hasnain Ali& Co.
Chartered Accountants

Date: October 05, 2020

In case of any discrepancy on the Company's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office.



Annual Report 2020

Nazir Cotton Mills Limited

NAZIR COTTON MILLS LIMITED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

ASSETS	Note	2020 Rupees	2019 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	5	346,290,125	376,789,398
Biological assets	6	14,602,600	3,989,600
Long term investments	7	9,587,500	388,300
		<u>370,480,225</u>	<u>381,167,298</u>
CURRENT ASSETS			
Stores, spares and loose tools	8	1,534,873	1,534,873
Trade debts	9	995,684	615,760
Cash and bank balances	10	12,621,620	13,014,315
Deposits, prepayments and other receivables	11	2,814,651	165,304
		<u>17,966,829</u>	<u>15,330,252</u>
TOTAL ASSETS		<u><u>388,447,054</u></u>	<u><u>396,497,550</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 25,000,000 (2019: 25,000,000) -ordinary shares of Rs. 10/- each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid-up capital	12	230,000,000	230,000,000
Capital reserve		434,000	434,000
Surplus / (deficit) on remeasurement of available for sale investments	13	5,270,375	(3,928,825)
Revenue reserve - general		45,829,500	45,829,500
Revaluation surplus on property, plant and equipment	14	283,812,379	300,719,061
Accumulated loss		<u>(415,936,292)</u>	<u>(428,967,382)</u>
		149,409,962	144,086,354
NON - CURRENT LIABILITY			
Deferred taxation	15	30,042,783	35,475,067
CURRENT LIABILITIES			
Short term borrowings	16	208,162,985	205,303,086
Trade and other payables	17	831,324	1,656,110
Accrued mark-up	18	-	9,248,965
Provision for taxation		-	727,968
		<u>208,994,309</u>	<u>216,936,129</u>
CONTINGENCIES AND COMMITMENTS			
	19	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>388,447,054</u></u>	<u><u>396,497,550</u></u>

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



NAZIR COTTON MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
	Note	Rupees	Rupees
Net sales	20	2,449,035	1,300,236
Cost of sale	21	<u>(4,538,266)</u>	<u>(1,944,635)</u>
Gross (loss)		(2,089,231)	(644,399)
Administrative expenses	22	<u>(21,576,797)</u>	<u>(15,962,241)</u>
Other expenses	23	<u>-</u>	<u>(87,027)</u>
		(21,576,797)	(16,049,268)
Operating (loss)		(23,666,028)	(16,693,667)
Other income	24	<u>14,225,102</u>	<u>9,564,491</u>
		(9,440,926)	(7,129,176)
Finance cost	25	<u>(8,869)</u>	<u>(20,337)</u>
(Loss) before taxation		(9,449,795)	(7,149,513)
Taxation	26	<u>2,203,436</u>	<u>(1,170,837)</u>
(Loss) after taxation		<u>(7,246,359)</u>	<u>(8,320,351)</u>
(Loss) per share-basic and diluted	27	<u>(0.32)</u>	<u>(0.36)</u>

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



NAZIR COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
(Loss) after taxation	(7,246,359)	(8,320,351)
Other comprehensive (loss) for the year		
Items that may be reclassified to statement of profit or loss:		
Surplus/(deficit) arising on measurement of available for sale -investments to fair value	9,199,200	(1,149,900)
Items that will not be reclassified to statement of profit or loss:		
Surplus on revaluation of operating fixed assets - net of tax	-	190,691,476
Deferred tax in respect of incremental depreciation	3,370,768	1,684,978
Effect of change in rate of tax	-	581,027
	<u>3,370,768</u>	<u>192,957,482</u>
Total comprehensive (loss) / income for the year	<u>5,323,609</u>	<u>183,487,231</u>

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



NAZIR COTTON MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the year	(9,449,795)	(7,149,513)
Adjustment for non cash income and expense:		
Depreciation of property, plant and equipment	14,584,163	9,534,784
Gain on disposal of property, plant & equipment	(230,770)	-
Surplus on revaluation biological assets	(3,637,185)	-
Liability written off	(9,248,965)	-
Finance cost	8,869	20,337
	<u>1,476,112</u>	<u>9,555,121</u>
	(7,973,683)	2,405,608
Changes in working capital:		
Trade debts	(379,924)	(615,760)
Trade and other payables	(824,786)	823,874
Accrued mark-up	-	(10,986,643)
	<u>(824,786)</u>	<u>(10,162,769)</u>
Cash generated / (used in) from operations	(9,178,393)	(8,372,921)
Income taxes paid	(193,354)	(499,131)
Financial charges paid	(8,869)	(20,337)
Net cash generated / (utilised) from operating activities	<u>(9,380,616)</u>	<u>(8,892,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	19,230,770	-
Payments for the acquisition of biological assets	(6,975,815)	(3,989,600)
Payments for the acquisition of property, plant & equipment	(3,084,890)	-
Net cash generated / (used) in investing activities	<u>9,170,065</u>	<u>(3,989,600)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing from banking companies	-	(7,466,581)
Proceeds from borrowings from sponsors	3,200,000	16,359,918
Repayment of borrowings from related party	(340,101)	27,000
Net cash generated from financing activities	<u>2,859,899</u>	<u>8,920,337</u>
Net increase / (decrease) in cash and cash equivalents	2,649,348	(3,961,652)
Cash and cash equivalents at the beginning of the year	<u>165,304</u>	<u>4,126,956</u>
Cash and cash equivalents at the end of the year	<u><u>2,814,651</u></u>	<u><u>165,304</u></u>

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**NAZIR COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020**

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
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-----Rupees-----

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	<u>230,000,000</u>	<u>434,000</u>	<u>(3,928,825)</u>	<u>45,829,500</u>	<u>300,719,061</u>	<u>(428,967,382)</u>	<u>144,086,354</u>
(Loss) for the year after taxation	-	-	-	-	-	(7,246,359)	(7,246,359)
Other comprehensive income	-	-	9,199,200	-	-	3,370,768	12,569,968
Incremental depreciation-net of deferred tax	-	-	-	-	(8,252,569)	8,252,569	-
Surplus realised during the year on disposal	-	-	-	-	(8,654,112)	8,654,112	-
Balance as at June 30, 2020	<u>230,000,000</u>	<u>434,000</u>	<u>5,270,375</u>	<u>45,829,500</u>	<u>283,812,379</u>	<u>(415,936,292)</u>	<u>149,409,962</u>

The annexed notes, from 1 to 38, form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



NAZIR COTTON MILLS LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 THE COMPANY AND ITS OPERATIONS

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

The Company has been authorised by the members in an extra ordinary general meeting to enter into a new line of business of dairy farming.

1.2 IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. The company's operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

2 GOING CONCERN ASSUMPTION

The Company has incurred after tax loss of Rs. 7.25 million (2019: Rs. 8.32 million) and its accumulated losses stood at Rs. 415.94 million (2019: Rs. 428.967 million) as at June 30, 2020. The Company's current liabilities exceeded current assets by Rs. 191.03 million (2019: Rs. 201.606 million). Furthermore, the Company has 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 companies 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 year. Furthermore, 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.

3 BASIS OF PREPARATION

3.1 Statement of Compliance

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

- International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

3.2.1 Standards, amendments and interpretations to approved accounting standards that are effective in the current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant to or have any significant effect on the company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- IFRS 16, 'Leases': this standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.



3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements, except for the following:

- i) **Amendments to IFRS 9** (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.
- ii) **Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'** (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

3.2.3 Standard, amendments to approved accounting standards and interpretations that are not yet effective and are not considered relevant

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However, these are not expected to affect materially the financial statements of the Company.

3.3 Basis of measurement

These financial statements have been prepared on the historical cost convention except for certain items of property, plant and equipment that are stated at revalued amounts, and revaluation of certain financial instruments at fair values. The methods used to measure fair values are discussed further in their respective policy notes.

3.4 Functional and presentation currency

These financial statements have been prepared in Pak Rupees ('Rs.') which is the Company's functional currency. All financial information has been rounded to the nearest rupee, except when otherwise indicated.

3.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which from the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods affected.

Significant areas requiring the use of management estimates in the financial statements are stated below;

Trade debts, loans, advances, deposits, prepayments and other receivables (refer note 3.14)

Property, plant and equipment and intangible assets (refer notes 5 and 5.7)

Stock-in-trade and stores and spares (refer notes 8)

Taxation (refer note 26)

Provisions (refer note 3.10)

Impairment (refer notes 4.1.2.6)

Leases (refer note 2.5)

Revenue from contracts with customers – Note 4.1.1

Provision for expected credit losses – Note 9

Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - Note 26

Fair value of biological assets - Note 6 & 6.2

3.6 Provision for taxation



3.7 Provisions and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

3.8 Summary of significant transactions during the year

The company made following significant transactions during the year

- a) The company sold plant and machinery during the year for Rupees 19.23 million having carrying amount of Rs. 19 million and earned gain of Rupees 0.23 million.
- b) The company incurred expenditure on construction of dairy farm amounting to Rupees 3.019 million this amount includes civil work and material purchased for construction.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements.

4.1 IFRS 15 - Revenue from Contracts with Customers

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

Revenue is to be recognised in accordance with the aforementioned principle by applying the following steps:

- i) Identify the contract with a customer.
- ii) Identify the performance obligation in the contract.
- iii) Determine the transaction price of the contract.
- iv) Allocate the transaction price to each of the separate performance obligations in the contract.
- v) Recognize the revenue when (or as) the entity satisfies a performance obligation.

4.2 IFRS 9 - Financial instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

4.2.1 Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- (i) those to be measured subsequently at fair value either through Other Comprehensive Income (FVOCI), or through profit or loss (FVTPL); and
- (ii) those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- (i) It is held within business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain on derecognition is recognised in statement of profit or loss.



4.2.2 Impact of change in classification and measurement of financial assets due to adoption of IFRS9

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets at 01 July 2019:

Financial Assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Long term investments in Listed Equity	Available for sale	FVOCI	383,300	383,300
Unlisted equity security	Available for sale	FVOCI	5,000	5,000
Trade debts	Loans and receivable	Amortized cost	615,760	615,760
Short term financing	Loans and payables	Amortized cost	205,303,086	205,303,086
Markup accrued	Loans and payables	Amortized cost	9,248,965	9,248,965
Trade and other payables	Loans and payables	Amortized cost	1,656,110	1,656,110
Other receivables	Loans and receivable	Amortized cost	23,382	23,382
Due from related parties	Loans and receivable	Amortized cost	671,757	-
Cash and bank balances	Loans and receivable	Amortized cost	165,304	165,304

4.2.3 Recognition and initial measurement

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

4.2.4 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances, long term deposits, loan and advances, mark up accrued, trade debts and other receivables.



Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in unconsolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to unconsolidated statement of profit or loss. However, the Company has no such instrument at the reporting date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to unconsolidated statement of profit or loss.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCIs described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in unconsolidated statement of profit or loss.

Financial assets – Business model assessment:

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- i- contingent events that would change the amount or timing of cash flows;
- ii- terms that may adjust the contractual coupon rate, including variable-rate features;
- iii- prepayment and extension features; and
- iv- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in unconsolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in unconsolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in unconsolidated statement of profit or loss.

Financial liabilities comprise trade and other payables, long term and short term financing, dividend payable and accrued markup.

4.2.5 Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**4.2.6 Trade debts, deposits and other receivables**

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.2.7 Impairment**Financial assets**

- The Company recognizes loss allowances for ECLs on:
 - financial assets measured at amortized cost;
 - debt investments measured at FVOCI; and
 - contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The Company measured its long term advances and related markup to subsidiary and associated companies under the General approach.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.3 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.4 Taxation**Current:**

Provision of current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.



Deferred:

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination; and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

4.5 Property, plant and equipment

The Company reviews the useful lives, residual values, depreciation method and rates for each item of property, plant and equipment on regular basis by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period unto which the such benefits are expected to be available. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Property, plant & equipment is stated at cost less accumulated depreciation and impairment loss, if any, except for freehold land, building on freehold land and plant and machinery. Freehold land is stated at revalued amount. Building on freehold land and plant and machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working condition. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. Borrowing costs pertaining to the construction and erection are capitalized up to the date of completion. Depreciation on property, plant & equipment is charged to statement of profit or loss account on reducing balance method at the rates specified in note No.5.1 to the accounts to write off the cost over their estimated useful lives. Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate, at each reporting date. Any impairment loss, or its reversal, is also charged to statement of profit or loss. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the assets' carrying amount less the residual value over its estimated useful life. Normal repair and maintenance is charged to statement of profit or loss account as and when incurred. Major renewals and improvements are capitalized.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit are expected from its use or disposal. Any gain and losses on disposal or de-recognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to statement of profit or loss account.

Increases in the carrying amounts arising on revaluation of operating fixed assets are recognized, net of deferred income tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of deferred income tax, is reclassified from surplus on revaluation of operating fixed assets to unappropriated profit.

Capital work-in-progress is stated at cost accumulated up to the statement of financial position date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for intended use.

4.6 Biological assets

The Company uses fair value model for its biological assets for those biological assets for which fair value is readily determinable without undue cost or effort. The Company measures a biological asset on initial recognition and at each reporting date at its fair value less cost to sell. Changes in fair value less cost to sell is recognized in profit or loss. The fair values are based on the market price of livestock of similar age, weight and market values.

4.7 Leases

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Financial charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liabilities. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the company.



4.8 Investments

All investments are initially recognized at cost, being fair value of the consideration given including acquisition charges associated with investments and are classified as either Held for Trading or Available for Sale. After initial recognition, investments Held for Trading or Available for Sale are measured at fair value.

Gains and losses on Investments Held for Trading are recognized in income. Gains and losses on Investments Available for Sale are recognized as separate component of equity until investments are sold, disposed off or determined to be impaired, at which time the accumulated gain/loss previously reported in equity is included in income.

4.9 Stores and spares

These are valued at weighted average cost. Items in transit are valued at cost comprising invoice value and other incidental charges thereon.

4.10 Stocks-in-trade

These are value at lower of cost or net realizable value. Cost is calculated as follows

Raw materials	- at lower of weighted average cost
Work in process	- at direct material cost plus appropriate proportion of production overheads
Finished goods	- at estimated manufacturing cost
Wastes	- at net realizable value

Net realizable value signifies the prevailing market prices in the ordinary course of business less selling and distribution expenses incidental to sales.

Raw materials in transit are valued at cost comprising invoice value plus incidental charges paid thereon.

4.11 Trade and other receivables

Trade debts are recognized and carried at original invoice amount less an allowance for any uncollectible amount. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amount.

Financial instruments

Financial instruments carried on the statement of financial position include bank balances, advances, deposits, other receivables, trade and other payables, short term borrowings, mark-up, loan from ex-chief executive, etc. Financial assets and liabilities are initially recognized at fair value at the time the company becomes a party to the contractual provisions of the instruments. The particular measurement methods adopted are disclosed in the individual policy statements associated with the each item. Financial assets are derecognized when the company loses control of the contractual rights that comprise the financial asset. The company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit or loss currently.

a) Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

c) Off Setting of financial assets and financial liabilities

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to off set and the company intends either to settle on a net basis, or to realize the asset and to settle the liabilities simultaneously.

d) Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

4.12 Borrowing costs

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.



4.13 Impairment

Non- financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

4.14 Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand and cash at banks.

4.15 Related party transactions

All transactions with related parties have been carried out in the normal course of business which have been disclosed in the financial statements under relevant note.

4.16 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit and loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

4.17 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.18 Share capital

Ordinary shares are classified as equity and recognized at their fair value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

4.19 Staff retirement benefits

The company operates unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of one year of continuous services. The benefit is calculated based upon the number of completed years of service and last drawn gross salary.

4.20 Dividend Distribution

Dividend is recognized as a liability in the period in which it is declared and approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

4.21 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements.

5 PROPERTY PLANT AND EQUIPMENT

	Note	2020 Rupees	2019 Rupees
Operating fixed assets	5.1	346,290,125	376,789,398



5.1 Operating fixed assets

Freehold Land	Building- on Freehold Land	Plant & Machinery	Furniture & Fixtures	Electric Installation	Laboratory Equipment	Office & other Equipment	Air Conditioners
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(Rupees)

Year ended June 30, 2019

Cost/Revalued amount

Opening	80,071,655	117,590,229	382,164,820	915,829	9,043,541	2,207,748	544,571	156,699
Revaluation surplus arises during the year	140,966,345	24,401,396	45,634,000	-	-	-	-	-
Adjustment due to revaluation surplus	-	(71,520,764)	(342,798,820)	-	-	-	-	-
Closing value	221,038,000	70,470,862	85,000,000	915,829	9,043,541	2,207,748	544,571	156,699

Accumulated depreciation

Opening	-	66,401,934	338,424,820	876,221	8,927,821	2,174,499	535,217	153,073
Charge for the year	-	5,118,829.50	4,373,999.98	3,960.82	17,358	4,987	1,403	725
Accumulated depreciation written off	-	(71,520,764)	(342,798,820)	-	-	-	-	-
Closing balance	-	-	-	880,182	8,945,179	2,179,487	536,620	153,798

Net book value 2019

221,038,000	70,470,862	85,000,000	35,647	98,362	28,261	7,951	2,901
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Year ended June 30, 2020

Cost/Revalued amount

Opening	221,038,000	70,470,862	85,000,000	915,829	9,043,541	2,207,748	544,571	156,699
Additions	-	-	-	-	65,000	-	-	-
Disposal	-	-	(20,000,000)	-	-	-	-	-
Closing value	221,038,000	70,470,862	65,000,000	915,829	9,108,541	2,207,748	544,571	156,699

Accumulated depreciation

Opening	-	-	-	880,182	8,945,179	2,179,487	536,620	153,798
Charge for the year	-	7,047,086	7,500,000	3,565	15,566.76	4,239	1,193	580
On disposal	-	-	(1,000,000)	-	-	-	-	-
Closing balance	-	7,047,086	6,500,000	883,746	8,960,746	2,183,726	537,813	154,378

Net book value 2020

221,038,000	63,423,776	58,500,000	32,083	147,795	24,022	6,758	2,321
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Annual rate of depreciation (%)

-	10%	10%	10%	15%	15%	15%	20%
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5.2 Had there been no revaluation the carrying value of revalued assets as at June 30, would have been as under:

	2020 Rupees	2019 Rupees
Freehold land	7,171,690	7,171,690
Building- on freehold land	1,366,436	1,518,263
Plant and machinery	22,041,749	31,624,782
	30,579,876	40,314,734

5.3 Buildings and plant and machinery are located at freehold land measuring 18.618 Acres located at 8 K.M., Faisalabad Road, Near Khareanwala, Tehsil & District Sheikhupura. Punjab. Open land measuring 5 Kanals & 16 Marlas located at Mouza Jhamber, Tehsil & District Kasur.

5.4 The depreciation for the year has been allocated to administrative expense.



	Note	2020 Rupees	2019 Rupees
5.5 Movement in capital work-in-progress			
Civil work during the year		3,019,890	-
Closing balance		3,019,890	-

5.5.1 This represents payment made in respect of dairy equipments, and other related expenses in respect of construction of dairy farm.

5.6 Detail of disposals of property, plant and equipment

The details of property, plant and equipment disposed of during the year are as follows:

Asset	2020				Particulars of buyer	Mode of disposal	Relationship with buyer
	Cost/Revalued amount	Carrying amount	Sale proceed	Gain			
Plant and machinery	20,000,000	19,000,000	19,230,770	230,770	Ideal Trading Company	Negotiation	None
	20,000,000	19,000,000	19,230,770	230,770			

5.7 Fair value measurements under revaluation model for property, plant and equipment

Freehold land, building on free hold land and plant & machinery are carried at valuation. Latest valuation on the basis of market values, has been carried out by independent valuers "M/S Al-Noor Consultants and Evaluators" on June 30, 2019, resulting in surplus of Rs. 211.001 million. Previously revaluation was carried out on June 30, 2015.

As per the valuation report of independent valuer as of June 30, 2019, the forced sales value of freehold land, building on freehold land and plant & machinery has been assessed at Rs. 176,830,400, Rs. 70,470,862, Rs. 63,750,000 respectively.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1)
- '-Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Unobservable inputs for the asset or liability (level 3)

5.8 FAIR VALUE HIERARCHY

Details of the Group's land, buildings and leasehold improvements and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 2	Level 3	Fair value as at June 30, 2019
Rupees.....		
Freehold land	221,038,000	-	221,038,000
Building on freehold land	-	93,961,150	93,961,150
Plant and machinery	-	85,000,000	85,000,000

5.9 SECURITY

Freehold land, buildings and plant and machinery with aggregate carrying amount of Rs.69.325 million are subject to a first charge against the loan of Rs. 13.258 million obtained from Habib Bank Limited . This charge existed at June 30, 2020. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Freehold land, buildings and plant and machinery with aggregate carrying amount of Rs.20 million are subject to a first charge against the loan of Rs. 17.70 million obtained from Islamic Investment Bank Limited . This charge existed at June 30, 2020. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

6 BIOLOGICAL ASSETS

Buffalos	3,324,100	3,144,100
Cows	821,500	731,500
Calfs	10,307,000	114,000
Bull	150,000	
	14,602,600	3,989,600



	Note	2020 Rupees	2019 Rupees
6.1 Reconciliation of changes in carrying amount			
Carrying amount at beginning of the year		3,989,600	-
Increase due to purchases		6,975,815	3,989,600
Changes in fair value less cost to sell:			
Due to price changes		3,367,185	-
Due to physical changes		270,000	-
Carrying amount at end of the year		<u>14,602,600</u>	<u>3,989,600</u>

6.2 Measurement of the fair value of biological assets

The fair value measurements of livestock have been categorised as Level 2 fair values based on observable market sales data. The fair value of cattle is determined using a market comparison technique under which market price is based on the market price of the livestock of similar age weight and market values.

7 LONG TERM INVESTMENTS

Available for sale

Quoted:

Sajjad Textile Mills Limited

383,300 (2019: 383,300) Ordinary shares of Rs.10/- each

7.1 9,582,500 383,300

Unquoted:

Sargodha Industrial Urban Development Co-operative Society Limited

50 (2019: 50) Ordinary shares of Rs. 100/- each.

5,000 5,000
9,587,500 388,300

7.1 The company holds 1.802% (2019: 1.802%) share holding in Sajjad Textile Mills Limited and account for this investment on fair market value.

8 STORES, SPARES AND LOOSE TOOLS

Stores, spares and loose tools

1,805,733 1,805,733

Less: Provision for obsolete stores, spare parts and loose tools

(270,860) (270,860)

1,534,873 1,534,873

9 TRADE DEBTS

(Unsecured and considered good)

Receivables

1,141,046 615,760

Less: Provision for expected credit losses

(145,362) -

995,684 615,760

9.1 The movement in provision for impairment of receivables is as follows:

As at June 30, 2019

615,760 -

Effect of initial application of IFRS 9

4.1.2.7 - -

Receivables

525,286 -

Charge for the year

30.6 (145,362) -

As at 30 June

995,684 -

9.2 Trade debts are non-interest bearing and are generally settled in 15-90 days. As at 30 June, the ageing analysis of trade debts is as follows:

Not past due

110,800 -

Past due

1 - 90 days

884,884 -

91-180 days

145,362 -

1,141,046 -

10 DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Deposit with WAPDA

12,418,302 12,418,302

Security deposits

73,500 73,500

Advance income tax

106,436 499,131

Other receivables

23,382 23,382

12,621,620 13,014,315



	Note	2020 Rupees	2019 Rupees
11 CASH & BANK BALANCES			
Cash on hand		1,112,970	151,380
Cash at banks:			
- On current accounts		257,544	13,692
- On saving accounts	11.1	1,444,137	232
		1,701,681	13,924
		2,814,651	165,304

11.1 The saving accounts earns interest at floating rate of interest based on daily bank deposit rates ranging from 6.50% to 11.25% (2019: 1.94% to 4.55%) per annum. The weighted average effective interest rate for short term deposits is 8.88% (2019: 3.25%) per annum.

12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

20,312,530 (2019: 20,312,530) ordinary shares of Rs. 10/- each			
-fully paid up in cash		203,125,300	203,125,300
370,000 (2019: 370,000) ordinary shares of Rs. 10/- each			
-issued as fully paid up in consideration of Property, and assets of Sargodha Textile Mills Limited as per bifurcation scheme approved by the Honorable High Court in 1974.		3,700,000	3,700,000
2,317,470 (2019: 2,317,470) ordinary shares of Rs. 10/- each			
-issued as bonus shares		23,174,700	23,174,700
		230,000,000	230,000,000

13 DEFICIT ON REMEASUREMENT OF AVAILABLE FOR SALE INVESTMENTS

Fair value reserve	5,270,375	(3,928,825)
This represents the unrealized gain / (loss) on remeasurement of available for sale investments at fair value and is not available for distribution. This will be transferred to the statement of comprehensive income on realization. Reconciliation of 'fair value reserve is as under:		
Opening balance	(3,928,825)	(2,778,925)
Fair value adjustment during the year	9,199,200	(1,149,900)
Closing balance	5,270,375	(3,928,825)

14 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

The revaluation surplus represents net cumulative increase in the carrying amount as a result of revaluation of property, plant and equipment carried at revalued amount.

Revaluation surplus at beginning of the year	300,719,061	113,571,848
Revaluation surplus arises during year-net of deferred tax	-	190,691,476
Transferred to un-appropriated profit in respect of incremental		
- depreciation charged during the year-net of deferred tax	(8,252,569)	(4,125,291)
Resultant adjustment to reduction in tax rate	-	581,027
Realised during the year on disposal	(8,654,112)	-
Revaluation surplus at end of the year	283,812,379	300,719,061

14.1 The surplus on revaluation of property, plant and equipment is not available for distribution to the sharholders in accordance with section 241 of the Companies Act, 2017.



15 DEFERRED TAXATION

The deferred tax assets and deferred tax liabilities relate to income tax in the same jurisdiction and laws allows net settlement. Therefore, they have been offset in the statement of financial position.

	Note	2020 Rupees	2019 Rupees
Deferred tax arising in respect of timing differences relating to:			
Taxable temporary difference			
Surplus on revaluation of fixed assets		32,104,299	35,475,067
Deductible temporary difference			
Accelerated tax depreciation on fixed assets		(2,061,516)	-
		<u>30,042,783</u>	<u>35,475,067</u>
Opening balance of deferred taxation		35,475,067	17,430,807
Deferred tax on revaluation surplus during year		-	20,310,265
Transferred to retained earnings in respect of			
-incremental depreciation		(3,370,768)	(1,684,978)
Resultant adjustment to reduction in tax rate		-	(581,027)
Accelerated tax depreciation on fixed assets		(2,061,516)	-
Closing balance of deferred taxation		<u>30,042,783</u>	<u>35,475,067</u>

Deferred tax asset amounting to Rs. 14.56 million (2019: Rs. 14.498 million) in respect of unused tax losses amounting to Rs. 50.22 million (2019: Rs. 49.99 million) has not been recognized because it is not probable that future taxable profits will be available against which the Company can utilize the deferred tax assets. Unused tax losses amounting to Rs. 4.77 million, Rs. 17.82 million, Rs. 13.70 million and Rs. 13.93 million will expire in year 2022, 2023, 2024 and 2025 respectively. Deferred tax assets and liabilities are temporary differences are measured at 29%.

The deferred tax income recognised in profit or loss amounts to rupees 2,061,516/- and where as the deferred tax income recognised in other comprehensive income amounts to rupees 3,370,768/-.

16 SHORT TERM BORROWINGS

Financing from banking companies - secured	16.1	84,722,211	84,722,211
Sponsors loan	16.2	121,940,774	118,740,774
Loans from related parties - unsecured	16.3	1,500,000	1,840,101
		<u>208,162,985</u>	<u>205,303,086</u>

16.1 Financing from banking companies - secured

Habib Bank Limited	16.1.1	13,258,000	13,258,000
Islamic Investment Bank Limited	6.1.2	71,464,211	71,464,211
		<u>84,722,211</u>	<u>84,722,211</u>

16.1.1 Habib Bank Limited

The loan is secured against first E/M charge for PKR 69.325 million on land measuring 35 Kanals 12 Marlas, together with factory building, plant & machinery located at 11 K.M. Sheikhpura, Faisalabad Road Kharianwala, Distt. Sheikhpura and hypothecation charge of PKR 243.860 million on current assets 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 than the agreement would stand cancelled and the bank would be entitled to recover the original outstanding amount without any reduction. The Company failed to repay the installments and the Bank filed a suite for recovery of its original liability for Rs. 39,741,015 on October 22, 1999 which was consent decreed for PKR 40,080,000 on January 26, 2001. 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.

16.1.2 Islamic Investment Bank Limited

Principal	17,698,386	17,698,386
Frozen markup	20,354,000	20,354,000
Accrued markup	33,411,825	33,411,825
	<u>71,464,211</u>	<u>71,464,211</u>

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 million.



16.2 This represents unsecured and interest free loan obtained from sponsors of the Company to meet the Company's past B.M.R. plans and liquidity problem, with undetermined repayment period. Due to non availability of a defined repayment schedule, this loan is repayable on demand. The maximum aggregate amount due at the end of any month during the year was Rs. 121.9 million (2019: Rs. 118.7 million).

	Note	2020 Rupees	2019 Rupees
16.3 Loans from related parties - Unsecured			
Sargodha Textile Mills Limited	16.3.1	1,500,000	1,500,000
Silver Fiber Spinning Mills Limited	16.3.2	-	340,101
Total loan		<u>1,500,000</u>	<u>1,840,101</u>

16.3.1 This represents unsecured, interest free and repayable on demand. The maximum aggregate amount due at the end of any month during the year was Rs. 1.5 million (2019: Rs 1.5 million).

16.3.2 The maximum aggregate amount due at the end of any month during the year was Rs. 340,101 (2019: Rs. 671,757).

17 TRADE AND OTHER PAYABLES

Other liabilities	177,579	57,580
Accrued liabilities	653,745	1,598,530
	<u>831,324</u>	<u>1,656,110</u>

18 ACCRUED MARK-UP

Accrued mark up on loan from related parties	18.1	-	9,248,965
		<u>-</u>	<u>9,248,965</u>

18.1 This represents markup payable on loan from related parties @ 14% in prior years.

19 CONTINGENCIES & COMMITMENTS

- 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 on January 12, 2007 before the Banking Court No. II, Lahore. The appeal is filed by Nazir Cotton Mills Limited before the Lahore High Court Lahore 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 million 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 million before the Lahore High Court Lahore. The Lahore High Court had decided the case in favor of WAPDA. The company had deposited Rs. 12.4 million 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.
- d) Pakistan Stock Exchange had placed the Company in defaulter's segment. The company has suspended commercial production / business operations in its principle line of business throughout the year and show cause notice is also issued by commission for winding up.

Commitments

There are no commitments at the year end.

	Note	2020 Rupees	2019 Rupees
20 NET SALES			
Sale of milk		<u>2,449,035</u>	<u>1,300,236</u>
21 COST OF SALE			
Salaries, wages and benefits		805,673	654,484
Utilities		675,736	193,988
Other direct expenses		<u>3,056,857</u>	<u>1,096,163</u>
		<u>4,538,266</u>	<u>1,944,635</u>



	Note	2020 Rupees	2019 Rupees
22 ADMINISTRATIVE EXPENSES			
\ Director's remuneration		2,400,000	2,400,000
Salaries, wages and benefits		2,550,035	2,219,821
Traveling and conveyance		150,258	115,275
Printing and stationery		50,190	67,724
Postage, telephone and telex		54,428	33,170
Vehicle running and maintenance		-	21,980
Repair and maintenance		122,220	50,201
Entertainment		30,898	39,435
Rent, rates and taxes		152,000	144,000
Electricity, water and gas		332,475	101,268
Fees and subscription		389,808	537,800
Legal and professional		61,744	46,000
Auditors' remuneration	22.1	187,500	150,000
Newspapers and periodicals		24,378	26,940
Advertisement		104,978	189,850
Provision for loss allowance		145,362	-
Miscellaneous expenses		236,360	283,993
Depreciation on property, plant and equipment	5.4	14,584,163	9,534,784
		<u>21,576,797</u>	<u>15,962,241</u>
22.1 Auditors' remuneration			
Annual statutory audit		125,000	100,000
Interim review and other certification		62,500	50,000
		<u>187,500</u>	<u>150,000</u>
23 OTHER EXPENSES			
Bank balances - written off		-	87,027
24 OTHER INCOME			
Profit on bank deposits		1,085,432	165,516
Bank loan waived		-	6,013,306
Gain on sale of property, plant and equipment		230,770	-
Gain on fair value measurements of biological assets		3,637,185	-
Liability written off		9,248,965	-
Miscellaneous		22,750	3,385,669
		<u>14,225,102</u>	<u>9,564,491</u>
25 FINANCE COST			
Bank charges		8,869	20,337
26 TAXATION			
- Current	26.1	36,736	727,968
- Prior year adjustment		(178,655)	442,869
- Deferred taxation		(2,061,516)	-
		<u>(2,203,436)</u>	<u>1,170,837</u>

26.1 Income tax for the year is calculated at minimum tax under section 113 at rate of 1.50% of turnover. No numerical calculation has been presented on account of minimum tax. Last year tax expense was calculated under separate block of income.



26.2 In determining the income tax liabilities, management is required to estimate the deductibility of certain expenses. Management believes that the tax positions are sustainable and provision for current tax for the year is sufficient.

Year	Provision as per financial statements	Assessed amount of tax liability	Difference between provision and assessed amount
2017	-	-	-
2018	36,792	487,774	(450,982)
2019	727,968	582,375	145,593

27 LOSS PER SHARE - BASIC & DILUTED

(Loss) after taxation	(7,246,359)	(8,320,351)
Weighted average number of ordinary shares	23,000,000	23,000,000
Loss per share - basic	(0.32)	(0.36)

27.1 There is no dilution effect on the basic earning per share.

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits to the chief executive and executives of the Company were as follows:

	2020			2019		
	Chief Executive	Executive Directors	Executive	Chief Executive	Executive Directors	Executive
Managerial Remuneration	2,400,000	-	-	2,400,000	-	-
House Rent	-	-	-	-	-	-
Medical	-	-	-	-	-	-
	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>	<u>-</u>	<u>-</u>
Number of persons	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

28.1 No meeting fee has been paid to chief executive and any director during the year.

28.2 Executives are defined as employees with basic salary exceeding Rs. 1,200,000 per annum. No employee of the company qualifies as an executive.

29 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise subsidiaries, associated companies, companies where directors also hold directorship, retirement benefits fund and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balance	2020	2019
.....Rupees.....				
Sponsor loan	Director	Loan received	4,559,351	16,359,918
		Amount due at year end	121,940,774	118,740,774
Silver Fiber Spinning Mills Limited	Associate	Loan received	-	27,000
		Loan repaid	340,101	-
Sargodha Textile Mills Limited	Associate	Amount due at year end	1,500,000	1,500,000



30 FINANCIAL RISK MANAGEMENT

30.1 *Financial risk factors*

The company is exposed to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the company's finance department under policies approved by the Board of Directors ('BOD'). The company's finance department evaluates and hedges financial risks based on principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the BOD. All treasury related transactions are carried out within the parameters of these policies.

The company's overall risk management procedures to minimise the potential adverse effects of financial market on the company's performance are as follows:

30.2 Risk management strategy relating to biological assets

The company exposed to the following risks relating to biological assets

(i) Regulatory and environmental risk

The company has established environmental policies and procedures aimed at compliance with local environmental and other laws.

(ii) Supply and demand risk

The company exposed to risk arising from fluctuations in the price and sales volumes of milk. Management performs regular industry trend analysis for projected volumes and pricing.

(iii) Climate and other risks

The company exposed to risk of damage from climate changes, diseases and other natural forces. The company has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and perform industry disease surveys.

30.3 Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The company is not exposed to any significant currency risk.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) *Interest rate risk*

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has no significant long-term interest-bearing assets. The company's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the company to cash flow interest rate risk. At the reporting date, the interest rate profile of the company's interest bearing financial instruments was:

		2020 Rupees	2019 Rupees
Fixed financial instruments			
Financial assets			
Bank balances-saving accounts	11.1	1,444,137	232
Financial liabilities		-	-
Net exposure		<u>1,444,137</u>	<u>232</u>
Floating rate instruments			
Financial assets			
Trade debts - overdue		-	-
Financial liabilities			
Short term borrowings - secured	16.1	(84,722,211)	(84,722,211)
Short term borrowings - unsecured	16.3	(1,500,000)	(1,500,000)
Sponsor loan	16.2	(121,940,774)	(118,740,774)
		<u>(208,162,985)</u>	<u>(204,962,985)</u>
Net exposure		<u>(206,718,848)</u>	<u>(204,962,753)</u>



30.4 Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the statement of financial position date would not affect profit or loss of the company.

30.5 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from deposits with banks, trade and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of these credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2020 Rupees	2019 Rupees
Trade debts	995,684	615,760
Deposits, prepayments and other receivables	12,621,620	13,014,315
Bank balances	1,701,681	13,924
	<u>15,318,985</u>	<u>13,643,999</u>
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	110,800	-
Past due but not impaired:		
1 to 90 days	884,884	-
	<u>995,684</u>	<u>-</u>

30.6 Trade debts

The company applies the IFRS 9 general approach to measure expected credit losses. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and days past due. On these basis loss allowance as at June 30, 2020 was determined as follows:

	Current	1-90	91-180	181-Above days	Total
June 30, 2020					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount	110,800	884,884	-	145,362	1,141,046
Loss allowance	-	-	-	145,362	995,684

30.7 Credit quality of financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate:

	Rating			2020	2019
	Short Term	Long Term	Rating Agency		
Al-Baraka Bank (Pakistan) Limited	A-1	A	JCR-VIS	1,633,864	-
MCB Bank Limited	A-1+	AAA	PACRA	67,817	13,924
				<u>1,701,681</u>	<u>13,924</u>

31 SENSITIVITY ANALYSIS

31.1 Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the company.

31.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

32 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.



(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, the Company's ability to continue as going concern is disclosed in note 2 to the financial statements, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The gearing ratio as at June 30, 2020, and June 30, 2019 is as follows:

	2020 Rupees	2019 Rupees
Borrowings - notes 16	208,162,985	205,303,086
Less: Cash and cash equivalents	(2,814,651)	(165,304)
Net debt	205,348,334	205,137,782
Total equity (includes surplus on revaluation on operating fixed assets)	149,409,962	144,086,354
Gearing ratio	58%	59%

In accordance with the terms of agreement with the lenders of finances (as referred to in note 16 to these financial statements), the Company is required to comply with certain financial covenants in respect of capital requirements which the Company has complied with throughout the reporting period.

33 PLANT CAPACITY AND ACTUAL PRODUCTION

	2020 Rupees	2019 Rupees
No. of spindles installed	28,800	28,800
No. of spindles worked	=	-
Installed capacity at 20's count based on number of shifts worked.	Kgs -	-
Actual production of yarn on different counts.	Kgs -	-
Actual production of yarn converted into 20's count	Kgs =	-
Number of shifts worked	-	-
The company has suspended its operations as result of financial constraints.		

34 NUMBER OF EMPLOYEES

Total employees of the company at year end were 15 (2019: 13) and average employees of the company during the year were 14 (2019: 17).

Employees working in in the company's factory at year end were 13 (2019: 11) and average employees working in compay's factory during the year were 12 (2019: 15).

35 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors and authorised for issue on October 05, 2020

36 EVENTS AFTER THE END OF THE REPORTING DATE

There are no reportable events after the reporting date.

37 CORRESPONDING FIGURES

Corresponding figures have been reclassified wherever necessary to reflect better presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.

38 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



Annual Report 2020

Nazir Cotton Mills Limited

THE COMPANIES ACT, 2017
(Section 227(2)(f))

FORM 34

PATTERN OF SHAREHOLDING

1.1 Name of the Company **NAZIR COTTON MILLS LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2020**

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
46	1	100	731
197	101	500	94,974
113	501	1,000	112,011
315	1,001	5,000	989,151
123	5,001	10,000	1,012,558
50	10,001	15,000	648,258
29	15,001	20,000	534,250
11	20,001	25,000	257,100
12	25,001	30,000	331,999
10	30,001	35,000	330,440
7	35,001	40,000	267,584
5	40,001	45,000	217,165
2	45,001	50,000	96,500
1	50,001	55,000	52,000
2	55,001	60,000	112,500
1	60,001	65,000	64,500
1	70,001	75,000	73,888
4	75,001	80,000	314,500
1	80,001	85,000	85,000
1	85,001	90,000	88,500
2	95,001	100,000	195,001
3	105,001	110,000	329,070
1	110,001	115,000	113,500
1	115,001	120,000	117,000
2	125,001	130,000	255,689
1	135,001	140,000	138,500
2	140,001	145,000	288,076
1	145,001	150,000	148,609
1	155,001	160,000	156,200
1	165,001	170,000	170,000
2	175,001	180,000	353,154
1	185,001	190,000	185,553
1	260,001	265,000	263,500
1	280,001	285,000	285,000
1	300,001	305,000	300,500
1	350,001	355,000	350,440
1	460,001	465,000	462,500
1	465,001	470,000	467,882
1	585,001	590,000	586,500
1	620,001	625,000	625,000
1	655,001	660,000	657,554
1	710,001	715,000	714,700
1	750,001	755,000	754,580
1	790,001	795,000	793,000
1	820,001	825,000	822,700
2	920,001	925,000	1,844,881
1	1,315,001	1,320,000	1,320,000
1	2,270,001	2,275,000	2,273,302
1	2,340,001	2,345,000	2,344,000
967			23,000,000



2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	6,407,263	27.8577%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	1,000	0.0043%
2.3.5 Insurance Companies	0	0.0000%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Shareholders holding 10% or more	4,727,302	20.5535%
2.3.8 General Public		
a. Local	14,862,255	64.6185%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	1,729,482	7.5195%

Nazir Cotton Mills Limited
CATEGORIES OF SHAREHOLDERS
AS ON 30th June, 2020

ONLY FOR INFORMATION
NOT FOR PRINTING

S.No.	NAME	HOLDING	% AGE
<u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u>			
1	MR. SHAHZAD ASLAM	2,273,302	9.8839
	MIAN SHAHZAD ASLAM (CDC)	2,344,000	10.1913
	MIAN SHAHZAD ASLAM (CDC)	110,000	0.4783
2	MR. FARRUKH NASEEM (CDC)	921,881	4.0082
3	MR. AAMIR NASEEM (CDC)	754,580	3.2808
4	MR. MUHAMMAD ASGHAR	500	0.0022
5	MR. MUHAMMAD IRFAN	2,000	0.0087
6	MR. MUHAMMAD ABBAS	500	0.0022
7	MR. MAQBOOL HUSSAIN BHUTTA	500	0.0022
		6,407,263	27.8577
<u>ASSOCIATED COMPANIES</u>			
		0	0.0000
<u>NIT & ICP</u>			
		0	0.0000

**FINANCIAL INSTITUTION**

1 INVEST CAPITAL INVESTMENT BANK LIMITED

1,000	0.0043
1,000	0.0043

MODARABA & MUTUAL FUNDS

0	0.0000
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JOINT STOCK COMPANIES

1 SHAKARGANJ MILLS LIMITED
 2 HARVEST SMARTRENT SECURITIES (PVT.) LTD.
 3 HIGHLINK CAPITAL (PVT.) LTD.
 4 FAIR EDGE SECURITIES (PVT) LTD.
 5 MAZHAR HUSSAIN SECURITIES (PVT) LIMITED
 6 UNITED CAPITAL SECURITIES PVT. LTD.
 7 DARSON SECURITIES (PVT) LIMITED
 8 KAI SECURITIES (PVT) LIMITED
 9 DURVESH SECURITIES (PVT) LTD.
 10 DOSSLANI'S SECURITIES (PVT) LIMITED (CDC)
 11 SAAO CAPITAL (PVT) LIMITED (CDC)
 12 SALIM SOZER SECURITIES (PVT.) LIMITED (CDC)
 13 SARGODHA JUTE MILLS LIMITED (CDC)
 14 SHADAB INNOVATIONS (PRIVATE) LIMITED (CDC)
 15 TARIQ CAPITAL (PRIVATE) LIMITED (CDC)

30,100	0.1309
19,000	0.0826
14,000	0.0609
1,500	0.0065
8,000	0.0348
31,000	0.1348
110,000	0.4783
8,500	0.0370
3,500	0.0152
1,500	0.0065
1,500	0.0065
467,882	2.0343
923,000	4.0130
100,000	0.4348
10,000	0.0435
1,729,482	7.5195

EXECUTIVE

0	0.0000
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SHARES HELD BY THE GENERAL PUBLIC (LOCAL)

14,862,255	64.6185
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SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)

0	0.0000
14,862,255	64.6185

TOTAL: 23,000,000 100.0000

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No. Name

Holding

% AGE

1 MR. SHAHZAD ASLAM

4,727,302

20.5535

4,727,302**20.5535****SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL**

S. No. Name

Holding

% AGE

1 MR. SHAHZAD ASLAM

4,727,302

20.5535

2 SEEMA SAJJAD (CDC)

1,320,000

5.7391

6,047,302**26.2926**

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No. NAME

SALE

PURCHASE

1 MIAN SHAHZAD ASLAM

0

239,888