

Annual Report 2018



NAZIR
COTTON MILLS LTD.



45th Annual Report and Accounts
For the year ended June 30,2018

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:

National Bank Of Pakistan
Habib Bank Limited
Muslim Commercial Bank Ltd.

Share Registrar

Corplink (Pvt) Ltd.
1-K Commercial Modal Town, Lahore.
Tel: 042-3561714, 35839182, 35916719

Registered Office:

61-K, Gulberg III, Lahore.
Ph: 042-35763736 Fax: 042-35763768

Mill:

8-Km, Faisalabad Road, Aslamabad,
Khaareyanwala, 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)

	2018	2017	2016	2015	2014	2013
Sale	-	-	-	-	-	-
Gross Profit / (Loss)	-	-	-	-	-	-
Operating Profit/(loss)	(19,504)	(23,404)	-	-	-	-
Profit/(Loss) before tax	(16,566)	(21,420)	(114,113)	(5,039)	(3,426)	(5,062)
Tax	(36)	-	-	-	-	-
Profit/(Loss) after tax	(16,602)	(21,420)	(114,113)	(5,039)	(3,426)	(5,062)
Total Assets	206,065	223,202	225,188	235,491	68,534	65,647
Current Liabilities	113,293	21,110	114,131	174,449	177,972	177,784
	92,772	202,092	141,057	61,042	(109,438)	(112,137)

REPRESENTED BY

Share Capital	(176,740)	(159,481)	(136,418)	(250,051)	(245,013)	(241,587)
Reserves	165,318	165,318	165,318	166,563	(479)	(3,545)
Equity	11,442	(5,837)	(28,900)	(83,488)	(245,492)	(245,132)
Long Term Loans & Leases	(104,194)	(196,255)	112,,157	144,530	136,054	132,995
	(92,772)	(202,092)	(141,057)	61,042	(109,438)	(112,137)

INDEPENDENT AUDITOR'S REVIEW REPORT**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of NAZIR COTTON MILLS LIMITED ("the Company") for the year ended June 30, 2018, in accordance with the requirements of Regulation 40 of the Regulations.

The responsibility for compliance with the Regulation 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 noncompliance 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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, 2018.

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
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.
9	Regulation 32 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.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 45th 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 29, 2018 (Monday) at 10:00 AM to transact the following business:-

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on July 16, 2018
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors and fix their remuneration for the year ended June 30, 2019
4. To consider any other business which may be placed before the meeting with the permission of the Chair

By Order of the Board

(MIAN SHAHZAD ASLAM)
Chief Executive

Lahore:
Dated: October 07, 2018

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 23, 2018 to October 29, 2018 (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.

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, 2018.

Performance Review

The year under review shows that the company has earned net loss of Rs.16.603 Million after accounting for administrative expenses of Rs. 19.234 Million including depreciation of Rs.11.768 Million as compared to last corresponding year's net loss of Rs.(21,420) Million.

Due to the unfavourable market condition ,the operation of the mill remained closed during the year under consideration.

The management is in opinion that if the unit cost of electricity become Rs. 9 per unit i.e. equal to the unit rate in the neighbor countries, then company will be able to restart it's commercial production.

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:

	2018	2017
	Rupees	Rupees
Operating Profit/(Loss)	(19,504,435)	(23,404,360)
Financial charges	(4,940)	(4,633)
Other income	2,943,365	1,788,680
(Loss)/Profit before taxation	<u>19,566,011</u>	<u>1,420,313</u>
Taxation	(36,792)	-
(Loss)/Profit after taxation	(16,602,803)	(21,420,313)
Accumulated loss brought forward	(433,622,468)	(12,202,155)
Loss available for appropriation	<u><u>450,225,270</u></u>	<u><u>433,622,468</u></u>

Earning / (Loss) per share

Based on net loss for the year ended June 30, 2018, the loss per share for the year ended June 30, 2018 is Rs. (0.72) as compared to the earning per share of Rs. 0.93 in the preceding year ended June 30, 2017.

Dividend

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

Auditors' Report

The auditors M/S Husnain Ali & Co. Chartered accountants in their audit report for the year ended June 30, 2018 have highlighted that the balances of bank loans Rs.92.189 million (Note # 9), remained unsubstantiated for want of confirmatory certificates from the financial institutions.

In this context, it is stated that the said balances of loan are in litigation. the cases are lying pending in various courts. The banks hesitated to confirm the amount of loan as they have right off these loan from their books as per the prudential rules of State Bank of Pakistan. The Banks did not confirm these balances intentionally after giving them a number of reminders.



The hase stated in his report that land, building and plant & machinery were revalued in prior years. Neither incremental depreciation nor deferred tax was accounted for in the financial statements as required under approved accounting standards as applicable in Pakistan. Furthermore, no exercise for assessing impairment of assets has been carried out by the management to determine the higher of fair value or value in use of the assets as required under IAS-36.

Regarding revaluation of and, building and plant & machinery and its impact on the deferred tax,, incremental depreciation and impairment of assets, the management is in opinion that this matter should be solved according to the instruction of experts of this field in the next forceable future

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.

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 Government has announced incentive for textile industries particularly in the field of sales tax and prices of gas & electricity. The Government has announced the per unit price textile sector @ Rs .9.50. In present situation, The Management is hopeful to respect its commercial production in next forceable future.

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	4	-	-
Mian Aamir Naseem	4	-	-
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.

For and on behalf of the Board

Lahore
Dated: October 07, 2018

(MIAN SHAHZAD ASLAM)
Chief Executive

ڈائریکٹرز رپورٹ

کمپنی ڈائریکٹرز نے 30 جون، 2018 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 16.603 ملین رہا جس میں انتظامی اخراجات 19.234 اور مشینوں کی گھسائی 11.768 ملین ہے جبکہ پچھلے سال کا نقصان 21.420 ملین تھا۔

رواں مالی سال میں نامناسب مارکیٹ حالات کی وجہ سے کمپنی کا کاروبار بند رہا انتظامیہ کا خیال ہے کہ اگر بجلی کا فی یونٹ نرخ 9 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

2018	2017
روپے (ہزاروں میں)	
(19,504)	(23,404)
آپریٹنگ نقصان--	
(4940)	(4633)
مالیاتی اخراجات	
(2,433)	(1,789)
متفرق آمدنی	
(19,566)	(21,420)
(نفع نقصان) ٹیکس سے پہلے	
(36)	-
ٹیکس	
(16,602)	(21,420)
(نفع نقصان) ٹیکس کے بعد	
(0.72)	(0.93)
(نفع نقصان) فی شیئر	

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 مشینوں کی وجہ سے جو آپریٹنگ نقصانات ہو رہے ہیں ان کو کم کیا جاسکے۔

مستقبل کے تناظر میں:

انتظامیہ کو موجودہ مشکلات کا پورا انداز ہے جو کہ ٹیکسٹائل کی صنعت خصوصاً سپینگ سیلٹرز کو درپیش ہیں اور اسی کوشش میں کہ مل دوبارہ کس طرح شرع کی جائے۔ مزید برآں حکومت نے پچھلے سال ٹیکسٹائل صنعت کو کچھ مراعات دینے کا اعلان کیا تھا خصوصاً سیلز ٹیکس اور دیگر محصولات میں کمی کی گئی ہے خصوصاً بجلی اور گیس کے نرخوں میں کمی کی گئی ہے۔ بجلی کے نرخ 9.5 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 تشریح مفروضہ جات

کمپنی کے آڈیٹرز میرسر حسین علی اینڈ کمپنی نے اس سال جون 30، 2018 کی سالانہ آڈٹ رپورٹ میں اعتراض کیا ہے کہ بنکوں کے قرض مالیتی 84.72 ملین جو کہ نوٹ نمبر 9 میں پیش کیے گئے ہیں بنکوں سے تصدیق نہیں ہوئے اس سلسلے میں کمپنی کا موقف یہ ہے کہ چونکہ بنکوں کے ساتھ قرض کے معاملات عدالتوں میں زیر التواء ہیں اور بنکوں نے اصل ذر سے زیادہ رقم کے مقدمے داخل کیے ہوئے ہیں لہذا صحیح قرض کی رقم کی تصدیق کرتے ہوئے پچھلے سال میں کمپنی نے احتیاط طریقے سے کاروبار کی آپریٹنگ کارکردگی پر اثر انداز ہونے



والے عوامل کا اندازہ لگایا ہے، کمپنی کے موجودہ قرج کی ریٹرنز اور ڈائریکٹرز اور ان کے ساتھیوں کی مالی امداد جاری رکھنے کی صلاحیت کا بھی اندازہ لگایا ہے۔ اس تجزیے، اور اہم انتظامی کوششوں اور فیصلوں، جیسا کہ اوپر بیان کیا گیا ہے، کی بنیاد پر، مینجمنٹ مطمئن ہے کہ مستقبل میں کام جاری رکھنے کے قابل ہو جائے گی۔

آڈیٹرز نے اعتراض کیا ہے کہ کمپنی نے زمین، عمارت، پلانٹ اور مشینری کی دوبارہ سے قیمت لگوائی تھی مگر اضافی گھسائی چارج نہیں کی جو کہ IAS 36 کے خلاف ہے اس ضمن میں انتظامیہ نے فیصلہ کیا ہے کہ وہ کسی ماہر اکاؤنٹس سے اگلے مالی سال میں مندرجہ بالا تبدیلی کرائے گی

انتظامیہ کو موجودہ مشکلات کا پورا اندازہ ہے جو کہ ٹیکسٹائل کی صنعت خصوصاً سپینگ سیکٹر کو درپیش ہیں اور اسی کوشش میں کہل دوبارہ کس طرح شرع کی جائے۔ مزید برآں حکومت نے پچھلے سال ٹیکسٹائل صنعت کو کچھ مراعات دینے کا اعلان کیا تھا خصوصاً سیلز ٹیکس اور دیگر محصولات میں کمی کی گئی تھی۔ اس کے علاوہ انتظامیہ پر امید ہے کہ سال 2019 میں ملک میں بجلی کی پیداوار اور مقدار میں ہوگی اور بجلی کی فی یونٹ قیمت کم ہو کر ہمسایہ ملکوں کی بجلی کی قیمت کے برابر تقریباً 9.5 روپے فی یونٹ ہوگی ہے۔ ان مفروضات کی بنیاد پر انتظامیہ پر امید ہے کہ کمپنی اپنی تجارتی پیداوار شروع کر دے گی

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 عملدرآمدگی 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 دیئے 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 تفصیلی 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 آن ریکارڈ ہے۔

11- شیئر ہولڈنگ کا پیٹرن بھی آن 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 شیئرز 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 تعینات:

بورڈ کمپنی میں تین اہم امور سرانجام دیتا ہے۔ یہ سمت فراہم کرتا ہے۔ (یعنی کمپنی کی اسٹریٹیجی سمیت 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 بچنا۔
- (ث) نگرانی کا کردار: پالیسیوں، حکمت عملی کا نفاذ اور نگرانی۔
- (ج) 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 ڈائریکٹری طرف سے اجلاس میں حاضری، حسب ذیل ہے:

حاضری

BOB	AC	HR&R	منعقد ملاقاتوں کی تعداد
5	-	-	1- میاں شہزاد اسلم
4	-	-	2- میاں فرخ نسیم
4	-	-	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 بیٹیکوں 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 2017,07



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 2018
 - b. HR and Remuneration Committee: one meeting during the financial year ended 30 June 2018.
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 Ltd.
Report on the Audit of Financial Statements

We have audited the annexed financial statements of Nazir Cotton Mills Limited ("the Company"), which comprise the statement of financial position as at 30 June 2018, 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 30 June 2018 and of the loss, the comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

The balances of bank loans amounting to Rs. 84.72 million (Note 8.1) remained unverified and unsubstantiated for want of confirmatory certificated.

Land, Building and Plant & machinery were revalued in prior years. Neither incremental depreciation nor deferred tax was accounted for in the financial statements as required under approved accounting standards as applicable in Pakistan. Furthermore, no exercise for assessing impairment of assets has been carried out by the management to determine the higher of fair value or value in use of the assets as required under IAS-36.

As adequately discussed in going concern section, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Despite the fact, the company has prepared its financial statements on going concern basis. The financial statements do not adequately disclose this fact.

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 opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has incurred after tax loss of Rs. 16.60 million (2017: Rs. 21.42 million) and its accumulated losses stood at Rs. 450.22 million (2017: Rs. 433.62 million) as at June 30, 2018. The Company's equity is negative and the total liabilities exceed total assets by Rs. 11.42 million and current liabilities exceed current assets by Rs. 94.64 million. Furthermore, the Company has temporarily closed down its business operations and the production remained suspended throughout the year. These conditions along with others indicates the existence of material uncertainty that may cause significant doubt about the company's ability to continue as going concern and the company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the basis for adverse opinion and in the material uncertainty relating to going concern section, we have determined the matters described below to the key audit matters to be communicated in our report.



Following are the Key audit matter(s):

S.No.	Key audit matter(s) Companies Act, 2017	How the matter was addressed in our audit
1	<p>Companies Act, 2017 (Refer note 3.3 to the annexed financial statements)</p> <p>The provisions of the Fourth Schedule to the Companies Act, 2017, became applicable to the Company for the first time in the preparation of the annexed financial statements.</p> <p>As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result, certain amendments and additional disclosures were made in the Company's annexed financial statements.</p> <p>In view of the additional disclosures in the annexed financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.</p>	<p>We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considered the management's process to identify the additional disclosures required in the Company's annexed financial statements; • Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; and • Verified on test basis, the supporting evidence for the additional disclosures and
2	<p>Borrowings and finance costs (Refer note 8.1 to the financial statements)</p> <p>The Company has obtained range of financing facilities from different financial institutions with varying terms and tenors.</p> <p>This was considered to be a key audit matter as these affects Company's gearing, liquidity and solvency.</p> <p>Further, compliance with debt covenants is a key requirement of these financing arrangements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the design and operating effectiveness of the Company's internal controls over recording the terms and conditions of borrowings from financial institutions, including their classification as either current or non-current and associated costs. • The balances of bank loans remained unsubstantiated for want of confirmatory certificates from the financial institutions. . • The bank loans were subject to court litigation and management has not provided current mark up on bank loans, which practice in our opinion, is not in accordance with approved accounting standards as well as statutory requirements as applicable in Pakistan

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 30 June 2018, 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, 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) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) 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 been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and 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 Company's financial statements for the year ended June 30, 2017 were audited by another firm of Chartered Accountants whose report dated October 7, 2017 expressed an unqualified opinion (with emphasis of matter paragraph) thereon.

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



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

EQUITY AND LIABILITIES		2018	2017	2016
SHARE CAPITAL AND RESERVES			(Restated)	(Restated)
	Note	Rupees	Rupees	Rupees
Authorized share capital				
25,000,000 (2017 : 25,000,000)				
-ordinary shares of Rs. 10/- each		250,000,000	250,000,000	250,000,000
Issued, subscribed and paid up capital	5	230,000,000	230,000,000	230,000,000
Capital reserve		434,000	434,000	434,000
Deficit on remeasurement of available for sale investments	6	(2,778,925)	(2,122,315)	670,775
Revenue reserve - general		45,829,500	45,829,500	45,829,500
Surplus on revaluation of operating fixed assets	7	165,318,214	165,318,214	165,318,214
Accumulated loss		(450,225,270)	(433,622,468)	(412,202,155)
TOTAL EQUITY		(11,422,481)	5,836,931	30,050,334
NON - CURRENT LIABILITIES				
Long term financing	8	104,193,957	196,254,749	204,345,405
CURRENT LIABILITIES				
Trade and other payables	9	832,236	11,860,953	11,352,232
Current portion of non current liabilities	10	92,188,792	-	-
Accrued mark up on loan	11	20,235,608	9,248,965	9,248,965
Provision for taxation	12	36,792	-	1,341,384
		113,293,428	21,109,918	21,942,581
CONTINGENCIES AND COMMITMENTS	13	-	-	-
TOTAL EQUITY AND LIABILITIES		206,064,904	223,201,598	256,338,320
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	14	185,870,030	197,638,155	210,716,180
Investments	15	1,538,200	2,194,810	4,987,900
		187,408,230	199,832,965	215,704,080
CURRENT ASSETS				
Stores, spare parts and loose tools	16	1,534,873	1,805,733	1,805,733
Trade debts	17	-	-	2,827,973
Deposits, prepayments and other receivables	18	12,994,845	12,667,317	31,571,208
Cash and bank balances	19	4,126,956	8,895,583	4,429,326
		18,656,674	23,368,633	40,634,240
TOTAL ASSETS		206,064,904	223,201,598	256,338,320

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Sales - net	20	-	-
Cost of sale		-	-
Gross profit / (loss)		-	-
Administrative expenses	21	19,233,576	23,204,360
Other expenses	22	270,860	-
		19,504,436	23,204,360
Operating (loss)		(19,504,436)	(23,204,360)
Other income	23	2,943,365	1,788,680
		(16,561,071)	(21,415,680)
Finance cost	24	(4,940)	(4,633)
(Loss) before taxation		(16,566,011)	(21,420,313)
Taxation	25	(36,792)	-
(Loss) after taxation		(16,602,803)	(21,420,313)
(Loss) per share - basic & diluted	26	(0.72)	(0.93)

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
	Rupees	(Restated) Rupees
(Loss) after taxation	(16,602,803)	(21,420,313)
Other comprehensive (loss)		
Items that may be reclassified subsequently to profit or loss:		
(Deficit) arising on measurement of available for sale		
-investments to fair value	(656,610)	(2,793,090)
Total comprehensive (loss) for the year	(17,259,413)	(24,213,403)

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(16,566,011)	(21,420,313)
Adjustment for:		
Depreciation	11,768,126	13,078,025
Deficit on revaluation of investment	(656,610)	(2,793,090)
Financial charges	4,940	4,633
	<u>11,116,456</u>	<u>10,289,568</u>
Operating (loss) before working capital changes	(5,449,555)	(11,130,745)
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	270,860	-
Advances, deposits, prepayments & other receivables	(327,528)	18,903,891
Trade debts	-	2,827,973
	(56,668)	21,731,864
(Decrease)/increase in current liabilities:		
Trade and other payables	(11,028,717)	508,721
Accrued mark up on loan	10,986,643	-
	(42,074)	508,721
Cash (utilized in)/generated from operations	(5,548,297)	11,109,840
Provision for taxation	-	(1,341,384)
Financial charges paid	(4,940)	(4,633)
Net cash (utilized in)/generated from operating activities	(5,553,237)	9,763,823
CASH FLOW FROM INVESTING ACTIVITIES		
Deficit on revaluation of investment	656,610	2,793,090
Net cash utilized in investing activities	656,610	2,793,090
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing	128,000	(8,090,656)
Net cash inflow from financing activities	128,000	(8,090,656)
Net (decrease)/increase in cash and cash equivalents	(4,768,627)	4,466,257
Cash and cash equivalents at the beginning of the year	8,895,583	4,429,326
Cash and cash equivalents at the end of the year	<u>4,126,956</u>	<u>8,895,583</u>

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE**CHIEF FINANCIAL OFFICER****DIRECTOR**



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	SHARE CAPITAL	CAPITAL RESERVES	RESERVE/(DEFICIT) ON RE MEASUREMENT OF AVAILABLE FOR SALE INVESTMENT	REVENUE RESERVE - GENERAL	SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS	ACCUMULATED (LOSS)	TOTAL
R u p e e s							
Balance as at June 30, 2016 - restated	230,000,000	434,000	670,775	45,829,500	165,318,214	(412,202,155)	30,050,334
(Loss) for the year after taxation	-	-	-	-	-	(21,420,313)	(21,420,313)
(Loss) on revaluation of investment	-	-	(2,793,090)	-	-	-	(2,793,090)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	(2,793,090)	-	-	(21,420,313)	(24,213,403)
Balance as at June 30, 2017 - restated	230,000,000	434,000	(2,122,315)	45,829,500	165,318,214	(433,622,468)	5,836,931
(Loss) for the year after taxation	-	-	-	-	-	(16,602,803)	(16,602,803)
(Loss) on revaluation of investment	-	-	(656,610)	-	-	-	(656,610)
Other comprehensive income	-	-	-	-	-	-	-
	-	-	(656,610)	-	-	(16,602,803)	(17,259,413)
Balance as at June 30, 2018	230,000,000	434,000	(2,778,925)	45,829,500	165,318,214	(450,225,270)	(11,422,481)

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

THE COMPANY & ITS OPERATIONS

- 1 Nazir Cotton Mills Limited is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and its shares are quoted on Karachi Stock Exchange of Pakistan. 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.

BASIS OF PREPARATION

2 1.1 Significant Matter

The Company has incurred after tax loss of Rs. 21.420 million and has accumulated loss of Rs. 433.62 million resulting in negative equity of Rs. 159.48 million as at June 30, 2017. Further more company has temporarily closed down its business operations and has not charged depreciation. 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. Further more it is expected that there will be excess electricity and per unit rate will be equal to neighbor countries. Management is in view that the company will restart its commercial production in foreseeable future, as the government has announced textile policy and there were some benefits announced for textile sector.

1.2 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (S.E.C.P) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

1.3 Basis of Measurement

These financial statements have been prepared under the historical cost convention except as explained in relevant notes.

1.4 Compliance with Companies Act 2017

During the year on May 30, 2017, the Companies Act 2017 (the Act) was enacted which replaced & repealed the Companies Ordinance, 1984 (the repealed Ordinance). However, the Securities & Exchange Commission of Pakistan (SECP) through its Circular No. 17 of 2017 dated July 20, 2017 has advised the companies whose financial year closes on or before June 30, 2017 to prepare their financial statements in accordance with the provisions of the repealed Ordinance.

1.5 Standard, amendments to approved accounting standards and interpretations to approved accounting standards that are effective in the current year

Following are certain new standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011, but are considered not to be relevant or did not have any significant impact on the Company's financial statements;

- a) IAS 1 (Amendments), 'Presentation of Financial Statements' is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
- b) IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.
- c) IAS 34 (Amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.
- d) IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement', is effective for annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of minimum funding requirement as an asset.
- e) IFRS 7 (Amendment), 'Financial Instruments: Disclosure', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosure and the nature and extent of risks sister with financial instruments.
- f) IFRS 7 (Amendment), 'Financial Instruments: Disclosure', is effective for annual periods beginning on or after January 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfer of financial assets, where financial assets are derecognized in their entirety, but where the entity has a continuing involvement in them (e.g. options or guarantees on the transferred assets) or where financial assets are not derecognized in their entirety.
- g) IAS 32 (Amendment), 'Classification of rights issues', issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

Property, Plant and Equipment

The Company reviews appropriateness of the rates of depreciation / useful lives and residual values used in the calculation of depreciation at each financial year end. Any change in estimate in future might effect the carrying amounts of the respective item of property, plant and equipment's with corresponding effect on the depreciation charge and impairment



Taxation

1 In making the estimate for income tax payable, the company takes into account the applicable tax laws. Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts use for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Significant judgment is exercised to determined the amount of net deferred tax liabilities to be recognized.

Provisions

2 The Company reviews its doubtful balances at each balance sheet date to assess the adequacy of the provision there against. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

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, unless otherwise stated.

2.1 Provisions

3 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.

2.2 Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

2.3 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.

2.4 Property, Plant and Equipment

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 economics 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 income on reducing balance method at the rates specified in note No.7.1 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 balance sheet date. Any impairment loss, or its reversal, is also charged to income. 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 income as and when incurred. Major renewals and improvements are capitalized.

Surplus on revaluation of fixed assets credited to the account 'Surplus on revaluation of fixed assets' shown below the equity in the balance sheet. Depreciation charge on assets which are revalued are taken to the profit and loss account and an amount equal to incremental depreciation for the year net off deferred tax is transferred from Surplus on revaluation of fixed assets to accumulated profit / (loss) through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.



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 profit and loss account.

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:

- i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017; and
- ii) 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, 2017 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:

- i) International Accounting Standard ('IAS') 7, 'Cashflow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cashflows have been, or will be classified as financing activities in the statement of cashflows. The amendment only covers statement of financial position items for which cashflows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The company has given the required disclosure in these financial statements.
- ii) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The company's current accounting treatment is already in line with the requirements of this standard.

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, 2018 but are considered not to be relevant to or have any significant effect on the company's operations and are, therefore, not detailed in these financial statements, except for the following:

- i) IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The company is yet to assess the full impact of this standard.
- ii) IFRS 15, 'Revenue from contracts with customers': (effective for periods beginning on or after January 1, 2018). This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. It is unlikely that this standard will have any significant impact on the company's financial statements.
- iii) IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). 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. The company is yet to assess the full impact of this standard.
- iv) IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the company's financial statements.



- v) IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The company is yet to assess the full impact of the interpretation.

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 Changes due to Companies Act, 2017

The Act has also brought certain changes with regard to the preparation and presentation of the company's financial statements. These changes also include change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the

- Elimination of duplicative disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

In view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact on the recognition and measurement of the amounts included in these financial statements.

3.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except as explained in relevant notes.

3.5 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee (Rs).

3.6 Critical accounting estimate and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amount 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 form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision in future period if the revision affects both current and future periods.

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

Residual values and useful lives of depreciable assets

The Company reviews appropriateness of the rates of depreciation / useful lives and residual values used in the calculation of depreciation at each financial year end. Any change in estimate in future might effect the carrying amounts of the respective item of property, plant and equipment's with corresponding effect on the depreciation charge and impairment.

Provision for taxation

In making the estimate for income tax payable, the company takes into account the applicable tax laws. Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts use for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Significant judgment is exercised to determined the amount of net deferred tax liabilities to be recognized.

Provisions and contingencies

The Company reviews its doubtful balances at each balance sheet date to assess the adequacy of the provision there against. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

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, unless otherwise stated.

4.1 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.

4.2 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.

4.3 Property, plant and equipment

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 income on reducing balance method at the rates specified in note No.7.1 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 balance sheet date. Any impairment loss, or its reversal, is also charged to income. 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 income 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 profit and loss account.

Change in accounting policy

The specific provision in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of IAS 16, 'Property, Plant and Equipment', surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of operating fixed assets stands amended as follows:

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.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

4.4 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.

4.5 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.



4.6 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.

4.7 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.

4.8 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.

4.9 Financial instruments

Financial instruments carried on the balance sheet 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.

4.10 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.

4.11 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non- financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



4.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for that sale of goods in the ordinary course of the Company's activities. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably and when specific criteria have been met for each of the Company's activities as described below:

- Local sales are recognized on dispatch of goods to customers.
- Profit on bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposits.
- Dividend on equity Investments is recognized as income when the right to receive the Dividend is established.

4.13 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheque in hand, deposits in banks and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

4.14 Related party transactions

All transactions between company and related party are accounted for at arm's length price in accordance with 'Comparable Uncontrolled Price Method'.

4.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.16 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of 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 the Company has a present legal or constructive 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 obligation cannot be measured with sufficient reliability.

4.17 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.

4.18 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.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL	Note	2018 Rupees	2017 Rupees
20,312,530 (2017: 20,312,530) ordinary shares of Rs. 10/- each fully paid up in cash		203,125,300	203,125,300
370,000 (2017: 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 (2017: 2,317,470) ordinary shares of Rs. 10/- each issued as bonus shares		23,174,700	23,174,700
		<u>230,000,000</u>	<u>230,000,000</u>

6 DEFICIT ON REMEASUREMENT OF AVAILABLE FOR SALE INVESTMENTS

Fair value reserve	<u>(2,778,925)</u>	<u>(2,122,315)</u>
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This represents the unrealized 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 profit or loss on realization. Reconciliation of fair value reserve is as under:

Balance as at 01 July	(2,122,315)	670,775
Fair value adjustment during the year	(656,610)	(2,793,090)
Balance as at 30 June	<u>(2,778,925)</u>	<u>(2,122,315)</u>



7 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	Note	2018 Rupees	2017 Rupees
Opening balance of surplus on revaluation of fixed assets		165,318,214	165,318,214
Transferred to un-appropriated profit in respect -of incremental depreciation charged during the year		-	-
Closing balance of surplus on revaluation of fixed assets		<u>165,318,214</u>	<u>165,318,214</u>

This represents surplus resulting from revaluation of land, building and plant & machinery of the company. It was revalued in the financial year ended June 30, 2015 by M/S Al-Noor consultants and evaluators, an independent valuer, resulting in surplus of Rs. 165.318 million over its book value of Rs. 46.818 million.

8 LONG TERM FINANCING

Financing from banking companies - secured	8.1	-	92,188,792
Sponsors loan - deferred	8.2	102,380,856	102,380,856
Loans from related parties - unsecured	8.3	1,813,101	1,685,101
		<u>104,193,957</u>	<u>196,254,749</u>

8.1 Financing from banking companies - secured

Habib Bank Limited	8.1.1	13,258,000	13,258,000
Islamic Investment Bank Limited	8.1.2	71,464,211	71,464,211
National Bank of Pakistan	8.1.3	7,466,581	7,466,581
		<u>92,188,792</u>	<u>92,188,792</u>

Less: Current portion shown under current liabilities

	92,188,792	-
	<u>-</u>	<u>92,188,792</u>

8.1.1 Habib Bank Limited

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



8.1.2 Islamic Investment Bank Limited

	Note	2018 Rupees	2017 Rupees
Principal		17,698,386	17,698,386
Frozen markup		20,354,000	20,354,000
Accrued markup		33,411,825	33,411,825
		71,464,211	71,464,211

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

8.1.3 National Bank of Pakistan

Principal	6,500,000	6,500,000
Accrued markup	966,581	966,581
	7,466,581	7,466,581

This is secured against pledge of stocks, hypothecation of stocks / work-in- process and stores, charge on book debts and other assets, demand promissory note and personal guarantee of all the directors except nominee directors. It carried mark up @ 3 months Kibor + 2.5% . Refer Note 33.

8.2 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 has been stated at cost.

8.3 Loans from related parties - Unsecured

Sargodha Textile Mills Limited	1,500,000	1,500,000
Silver Fiber Spinning Mills Limited	313,101	185,101
Total loan	1,813,101	1,685,101
Current portion of long term loan	-	-
	1,813,101	1,685,101

This represents unsecured with undetermined repayment period. The Company intends to repay the loans on the commencement of commercial operations.

9 TRADE AND OTHER PAYABLES

Other Liabilities	57,581	11,225,602
Accrued Liabilities	774,655	635,351
	832,236	11,860,953



	Note	2018 Rupees	2017 Rupees
10 CURRENT PORTION OF NON CURRENT LIABILITIES			
Current portion of long term financing from banking companies		92,188,792	-
11 ACCRUED MARKUP ON LOAN			
Accrued Mark up on loan from banking companies		10,986,643	-
Accrued Mark up on loan from related parties	11.1	9,248,965	9,248,965
		<u>20,235,608</u>	<u>9,248,965</u>

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

12 PROVISION FOR TAXATION

TAXATION

Provision for taxation		36,792	1,341,384
Less: Adjusted during the year		-	(1,341,384)
		<u>36,792</u>	<u>-</u>

13 CONTINGENCIES & COMMITMENTS

- The banking court on 24-06-2009 passed an order for execution of the consent decree in suit no. 100 of 1999 titled Habib Bank Limited vs. Nazir Cotton Mills Limited. The appeal is filed against the said order, inter alia, on the grounds that the execution petition is time barred. There is substantial likelihood of judgment in the favor of the company.
- The State Bank of Pakistan in December 29, 2004 had settled the liability of the Company towards Samba Bank Limited resulting in liability being reduced by Rs. 17.308 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. However, the Company failed to repay the installments and the Bank filed a case for recovery of its original liability. The Company filed a suit against the Bank and State Bank of Pakistan for settlement of dispute under BPD circular 29 before Honorable Sindh High Court. The Honorable Sindh High Court decided that the matter be remanded back to the State Bank of Pakistan for decision afresh under BPD circular 29. The Bank filed petition in the Honorable Supreme Court of Pakistan against judgment of Honorable Sindh High Court, which is pending for adjudication.
- Islamic Investment Bank (in liquidation) and case has been shifted from Lahore High Court to Peshawar High Court because, the liquidation process will be completed in Peshawar. This loan and mark-up account are secured by Personal guarantees of directors except nominee director and mortgage of fixed assets to the tune of Rs.20.0 million. The liquidator of Islamic Investment Bank has been appointed. The management is of the opinion that as the bank is a shareholder in the profit/(losses), therefore, the company has filed a suit against the bank to recover the share of losses amounting to Rs. 110.0 (M) and that the matter is pending in the Peshawar High Court, hence, no markup is payable.
- WAPDA had filed a suit against the company for recovering of arrears amounting to Rs. 12.4 (M). The Lahore High Court had decided the case in favor of WAPDA. The company had deposited Rs. 12.4 (M) with WAPDA for electricity case as per orders of the Lahore High Court and has filed an appeal for recovery of the said amount from WAPDA in the Supreme Court. The management is hopeful of a decision in their favor.

Commitments

Decree in favor of National Bank of Pakistan has been issued for amounting to Rs. 10.0 (M) by the Banking Court-Lahore 2011. The company is agreed to settle down the liabilities in next year. Refer to note 33.

14 PROPERTY PLANT AND EQUIPMENT

Operating fixed assets	14.1	<u>185,870,030</u>	<u>197,638,155</u>
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14.1 Operating fixed assets

	Freehold Land	Building- on Freehold Land	Plant & Machinery	Furniture & Fixtures	Electric Installation	Laboratory Equipment	Office & other Equipment	Air conditioners	Fire Fighting Equipment	Fans	Tube well	Arms and ammunition	Computers	Vehicles	Total
(Rupees)															
Year ended June 30, 2017															
Opening net book value	-	-	-	48,899	160,166	46,019	12,946	5,666	13,487	2,258	12,304	2,500	116,675	6,465	427,385
Assets transferred from held for sale	80,071,655	70,217,140	60,000,000	-	-	-	-	-	-	-	-	-	-	-	210,288,795
Depreciation charge	-	7,021,714	6,000,000	4,890	24,025	6,903	1,942	1,133	2,023	339	1,846	250	11,667	1,293	13,078,025
Closing net book value	80,071,655	63,195,426	54,000,000	44,009	136,141	39,116	11,004	4,532	11,464	1,919	10,459	2,250	105,007	5,172	197,638,155
At June 30, 2017															
Cost /revalued amount	80,071,655	70,217,140	60,000,000	915,829	9,043,541	2,207,748	544,571	156,699	1,053,552	228,154	966,025	29,885	368,983	534,536	226,338,318
Accumulated depreciation	-	7,021,714	6,000,000	871,820	8,907,400	2,168,632	533,567	152,167	1,042,088	226,235	955,566	27,635	263,976	529,364	28,700,163
Net book value	80,071,655	63,195,426	54,000,000	44,009	136,141	39,116	11,004	4,532	11,464	1,919	10,459	2,250	105,007	5,172	197,638,155
Year ended June 30, 2018															
Opening net book value	80,071,655	63,195,426	54,000,000	44,009	136,141	39,116	11,004	4,532	11,464	1,919	10,459	2,250	105,007	5,172	197,638,155
Depreciation charge	-	6,319,543	5,400,000	4,401	20,421	5,867	1,651	906	1,720	288	1,569	225	10,501	1,034	11,768,126
Closing net book value	80,071,655	56,875,883	48,600,000	39,608	115,720	33,249	9,354	3,626	9,744	1,632	8,890	2,025	94,507	4,137	185,870,030
At June 30, 2018															
Cost /revalued amount	80,071,655	70,217,140	60,000,000	915,829	9,043,541	2,207,748	544,571	156,699	1,053,552	228,154	966,025	29,885	368,983	534,536	226,338,318
Accumulated depreciation	-	13,341,257	11,400,000	876,221	8,927,821	2,174,499	535,217	153,073	1,045,808	226,522	957,135	27,860	274,476	530,399	40,468,288
Net Book value	80,071,655	56,875,883	48,600,000	39,608	115,720	33,249	9,354	3,626	9,744	1,632	8,890	2,025	94,507	4,137	185,870,030
Annual Rate of Depreciation (%)	-	10%	10%	10%	15%	15%	15%	20%	15%	15%	15%	10%	10%	20%	20%

14.1.1 Had there been no revaluation the carrying value of revalued assets as at July 01, 2018 would have been as under:

	2018 Rupees	2017 Rupees
Freehold land	7,337,167	7,337,167
Building- on freehold land	1,686,958	1,874,398
Plant and machinery	19,294,842	21,438,713
	<u>28,318,967</u>	<u>30,650,278</u>



15 INVESTMENTS

	Note	2018 Rupees	2017 Rupees
Available for sale			
Quoted:			
Sajjad Textile Mills Limited			
383,300 (2017: 383,300) Ordinary shares of Rs.10/- each	15.1	1,533,200	2,189,810
Unquoted:			
Sargodha Industrial Urban Development Co-operative Society Limited			
50 (2017: 50) Ordinary shares of Rs. 100/- each.		5,000	5,000
		1,538,200	2,194,810

15.1 The company holds 1.802% (2017: 1.802%) share holding in Sajjad Textile Mills Limited and account for this investment on fair market value.

16 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools		1,805,733	1,805,733
Less: Provision for obsolete stores, spare parts and loose tools		(270,860)	-
		1,534,873	1,805,733

17 TRADE DEBTS

Receivables		-	2,827,973
Less: Provision for doubtful debts	17.1	-	(2,827,973)
		-	-

17.1 The company has filed a suit against outstanding debtors of company and decree has been obtained from honorable court but no recovery has still been made by the Company.

18 TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Deposit with WAPDA		12,418,302	12,418,302
Security deposits		73,500	73,500
Advance income tax		479,661	102,788
Other receivables		23,382	72,727
		12,994,845	12,667,317

19 CASH & BANK BALANCES

Cash in hand		136,898	31,103
Cash at banks:			
-Current accounts		105,501	109,033
-Saving accounts	19.1	3,884,557	8,755,447
		3,990,058	8,864,480
		4,126,956	8,895,583

19.1 Profit on balances in saving accounts ranged from 1.94% to 4.55% (2017: 1.95% to 4.00%) per annum.



	Note	2018 Rupees	2017 Rupees
20 SALES - NET		-	-
The business operations of the Company remained suspended, hence there are no sales or cost of sales.			
21 ADMINISTRATIVE EXPENSES			
Director's remuneration		2,400,000	2,400,000
Staff salaries and other benefits		2,819,403	3,190,826
Traveling and conveyance		79,390	60,250
Printing and stationery		4,870	78,835
Postage, telephone and telex		34,157	55,493
Vehicle running and maintenance		-	127,810
Repairs and maintenance		93,150	136,010
Entertainment		35,700	229,560
Rent, rates and taxes		204,140	155,325
Electricity, water and gas		343,223	143,009
Fees and subscription		894,797	457,124
Legal and professional		190,950	140,000
Auditors' remuneration	21.1	125,000	55,000
Newspapers and periodicals		27,795	21,760
Advertisement		35,000	20,000
Provision for debts		-	2,827,973
Miscellaneous expenses		177,875	27,360
Depreciation	14.1	11,768,126	13,078,025
		<u>19,233,576</u>	<u>23,204,360</u>
21.1 Auditors' remuneration			
Statutory audit fee		125,000	140,000
22 OTHER EXPENSES			
Provision for obsolete stores, spare parts and loose tools		270,860	-
23 OTHER INCOME			
Profit on bank deposits		356,212	109,300
Miscellaneous income		2,587,153	1,679,380
		<u>2,943,365</u>	<u>1,788,680</u>
24 FINANCE COST			
Bank charges		4,940	4,633
		<u>4,940</u>	<u>4,633</u>
25 TAXATION			
-Current	25.1	36,792	-

25.1 The provision for taxation is based on minimum tax under section 113 of the Income Tax Ordinance, 2001.



26 LOSS PER SHARE - BASIC & DILUTED	Note	2018 Rupees	2017 Rupees
(Loss) after taxation		(16,602,803)	(21,420,313)
Weighted average number of ordinary shares		23,000,000	23,000,000
Loss per share - basic		(0.72)	(0.93)

26.1 There is no diluted effect on the basic earning per share.

27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts during the year for remuneration includes benefits to Chief Executive Officer, directors and Executives is as under:

	2018 Rupees CEO/Directors/Executives	2017 Rupees
Managerial Remuneration	2,400,000	2,400,000
House Rent	-	-
Medical	-	-
	<u>2,400,000</u>	<u>2,400,000</u>
Total Number(s)	<u>1</u>	<u>1</u>

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

27.2 The chief executive is provided with the free use of company maintained cars.

27.3 Executive are defined as employees with basic salary exceeding Rs. 500,000 per annum. No employee of the company qualifies as executive.

28 TRANSACTIONS WITH RELATED PARTIES

The related parties include major shareholders, entities having directors in common with the Company, directors, other key management personnel and employees benefit plans. Transaction with related parties, other than remuneration and benefits to key management personnel under terms of their employment are as under:

29 FINANCIAL RISK MANAGEMENT

29.1 *Risk management framework*

The Company's activities expose it to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.



29.2 Fair Value

The carrying values of the financial assets and financial liabilities approximate their fair values except for Deferred sponsors' loan and loan from related parties disclosed in note.10 to the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

29.3 Financial Risk Factors

The Company has exposures to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

28.3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from long term security deposits, loans and advances to employees, deposits, trade debts, other receivables and bank balances .

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	Rupees	Rupees
Cash in hand	136,898	31,103
Deposits, prepayments and other receivables	12,994,845	12,667,317
Bank balances	3,990,058	8,864,480
	<u>17,121,801</u>	<u>21,562,900</u>

28.3.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.



Following is the maturity analysis of financial liabilities:

Non - derivative financial liabilities

Trade and other payables

Long term financing

Accrued mark up on loan

June 30, 2018

Non - derivative financial liabilities

Trade and other payables

Long term financing

Accrued mark up on loan

June 30, 2017

	Rupees Up to 1 year	Rupees Up to 5 year
	832,236	-
	92,188,792	104,193,957
	20,235,608	-
	113,256,636	104,193,957
	-	-
	92,188,792	112,156,613
	-	9,248,965
	92,188,792	121,405,578

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effectively as at June 30, 2015. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

29.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is exposed to interest rate and currency risks.

a) 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. The company is not significantly expose to currency risk as the company does not maintain bank accounts in foreign currencies.

b) Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts.

30 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.

The Company's objectives when managing capital are:

- (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 1.1 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.

	2018 Rupees	2017 Rupees
PLANT CAPACITY AND ACTUAL PRODUCTION		
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	-	-

Reason for low production is due to closure of mills for some period as a result of financial constraints.

32 NUMBER OF EMPLOYEES

2018				
Permanent		Contractual		
Head office	Mills	Head office	Mills	Total

Total number of employees as at the year end - - 2 19 21

2017				
Permanent		Contractual		
Head office	Mills	Head office	Mills	Total

Total number of employees as at the year end - - 2 19 21

33 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on October 07, 2018.

34 EVENT AFTER THE BALANCE SHEET DATE

The outstanding liability of National Bank Of Pakistan amounting to Rs.12,439,918 in respect of court decree has been settled by the Company on July 26, 2018.

35 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. Reclassifications made are as follows:

Mark up payable on loan from banking companies previously presented under 'Trade and other payables' now shown under 'Accrued mark up on loan'.	Rupees 10,986,643
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36 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



FORM - 34
PATTERN OF HOLDINGS OF SHARES
HELD BY THE SHARE HOLDERS AS AT 30.06.2018

No. of Share Holders	Share Holdings		Total Shares Held
	From	To	
42	1	100	760
218	101	500	106,067
149	501	1,000	148,011
371	1,001	5,000	1,175,600
147	5,001	10,000	1,207,612
60	10,001	15,000	797,136
37	15,001	20,000	710,550
15	20,001	25,000	361,100
13	25,001	30,000	357,198
12	30,001	35,000	391,940
7	35,001	40,000	268,640
8	40,001	45,000	345,684
5	45,001	50,000	243,700
1	50,001	55,000	55,000
3	55,001	60,000	170,200
1	60,001	65,000	64,500
2	75,001	80,000	155,500
2	80,001	85,000	170,000
1	85,001	90,000	88,500
1	90,001	95,000	92,000
2	95,001	100,000	200,000
3	105,001	110,000	329,070
2	125,001	130,000	255,689
2	140,001	145,000	288,076
2	145,001	150,000	297,218
2	155,001	160,000	311,700
3	175,001	180,000	533,154
1	235,001	240,000	240,000
1	260,001	265,000	265,000
1	270,001	275,000	272,500
2	275,001	280,000	553,053
2	295,001	300,000	595,551
1	300,001	305,000	300,500
1	335,001	340,000	340,000
1	390,001	395,000	392,000
1	445,001	450,000	449,362
1	490,001	495,000	492,500
1	620,001	625,000	625,000
1	655,001	660,000	657,554
1	750,001	755,000	754,580
1	790,001	795,000	793,000
2	920,001	925,000	1,844,881
1	1,075,001	1,080,000	1,080,000
1	2,020,001	2,025,000	2,020,500
1	2,195,001	2,200,000	2,199,414
1,132			23,000,000



2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	6,009,875	26.1299%
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 Share holders holding 10% or more	4,329,914	18.8257%
2.3.8 General Public		
a. Local	14,795,663	64.3290%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	2,193,462	9.5368%

Sr. No.	Name	No. of Shares Held	Percentage
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Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

- -

Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. SHAHZAD ASLAM	4,329,914	18.8257
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

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

1,000 0.0043

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

1	MR. SHAHZAD ASLAM	4,329,914	18.8257
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All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
1	MIAN SHAHZAD ASLAM (CDC)	-	1,674,000
2	MR. FARRUKH NASEEM (CDC)	-	350,203
3	MR. AAMIR NASEEM (CDC)	-	404,580



Annual Report 2018

Nazir Cotton Mills Limited

AS ON 30th June, 2018

CATEGORIES OF SHAREHOLDERS

ONLY FOR INFORMATION
NOT FOR PRINTING

S. No.	NAME	HOLDING	% AGE
<u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u>			
1	MR. SHAHZAD ASLAM	2,199,414	9.5627
	MIAN SHAHZAD ASLAM (CDC)	2,020,500	8.7848
	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
		6,009,875	26.1299

ASSOCIATED COMPANIES

NIT & ICP

FINANCIAL INSTITUTION

1	INVEST CAPITAL INVESTMENT BANK LIMITED	1,000	0.0043
		1,000	0.0043

MODARABA & MUTUAL FUNDS

JOINT STOCK COMPANIES (CDC)

1	HARVEST SMARTRENT SECURITIES (PVT.) LTD.	19,000	0.0826
2	UNITED CAPITAL SECURITIES PVT. LTD.	31,000	0.1348
3	SHAKARGANJ MILLS LIMITED	30,100	0.1309
4	HIGHLINK CAPITAL (PVT.) LTD.	14,000	0.0609
5	FAIR EDGE SECURITIES (PVT) LTD.	1,500	0.0065
6	MAZHAR HUSSAIN SECURITIES (PVT) LIMITED	8,000	0.0348
7	DARSON SECURITIES (PVT) LIMITED	110,000	0.4783
8	KAI SECURITIES (PVT) LIMITED	8,500	0.0370
9	DURVESH SECURITIES (PVT) LTD.	3,500	0.0152
10	DOSSLANI S SECURITIES (PVT) LIMITED (CDC)	1,500	0.0065
11	SAAO CAPITAL (PVT) LIMITED (CDC)	1,500	0.0065
12	SALIM SOZER SECURITIES (PVT.) LIMITED (CDC)	449,362	1.9537
13	SARGODHA JUTE MILLS LIMITED (CDC)	923,000	4.0130
14	SHADAB INNOVATIONS (PRIVATE) LIMITED (CDC)	100,000	0.4348
15	NADEEM INTERNATIONAL (PVT.) LTD. (CDC)	492,500	2.1413
		2,193,462	9.5368

EXECUTIVE

SHARES HELD BY THE GENERAL PUBLIC (LOCAL)

SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)

14,795,663	64.3290
0	0.0000
14,795,663	64.3290

TOTAL: 23,000,000 100.0000

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

S. No. Name

S. No.	Name	Holding	% AGE
1	MR. SHAHZAD ASLAM	4,329,914	18.8257
		4,329,914	18.8257

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

S. No. Name

S. No.	Name	Holding	% AGE
1	MR. SHAHZAD ASLAM	4,329,914	18.8257
		4,329,914	18.8257

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 (CDC)	0	1,674,000
2	MR. FARRUKH NASEEM (CDC)	0	350,203
3	MR. AAMIR NASEEM (CDC)	0	404,580

NAZIR COTTON MILLS LTD.

FORM OF PROXY

The Corporate Secretary,
NAZIR COTTON MILLS LIMITED,
61-K, Gulberg III, Lahore.

I/We _____

of _____ being a member(s) of

NAZIR COTTON MILLS LIMITED, and holder of _____ ordinary shares

as per share Registered Folio No. _____ Hereby appoint

Mr./Mrs./Miss _____

of _____

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 43rd Annual General Meeting of the Company to be held at the Registered office, 61-K, Gulberg III, Lahore. on Friday 26th October, 2018 at 10.00 a.m. and at every adjournment thereof.

As witness my hand this _____ day of _____ 2018.

Signed by the said in the presence of _____

Signature

Witness

Signature

Affix
Revenue Stamp

Note : (1) Proxies in order to be effective, must be received at the Company's Registered Office not less than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

(2) Signature must agree with the specimen signature registered with Company.

(3) No Person shall act as Proxy unless he/she is a member of the Company.

Registered Office: | 61-K, Gulberg III, Lahore.
| Ph: 042-35763736, 35773742 Fax: 042-35763768