

## DIRECTORS' REPORT

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, 2024.

### Performance Review

The year under review shows that the company has incurred net loss after taxation of Rs. 15.998 million (2023: 23.718 million) after accounting for administrative expenses of Rs. 15.625 million (2023: 20.203 million) including depreciation of Rs. 9.524 million (2023: Rs 13.770 million).

The financial performance of your Company for the year ended June 30, 2024 is as follows:

	2024 (Rupees)	2023 (Rupees)
Sales	7,534,360	4,161,170
Gross Loss	(5,656,029)	(5,686,214)
Other operating Income	9,243,677	1,460,387
Loss before Taxation	(15,845,837)	(24,429,009)
Taxation	(152,746)	710,675
Loss after Taxation	(15,998,583)	(23,718,334)

During the year, our company has achieved sales of milk and biological assets amount to Rs. 7.534 million as compared to the previous year sales of Rs. 4.161 million and the loss after tax has been reduced to Rs. 15.998 million as compared to last year's loss after tax of Rs 23.718 million. Other income includes sale of scrap during the year. We are quite hopeful to have better future prospects when company may resume its operations.

The Company has not pay its outstanding loans as properly disclosed in Note 11 of the financial statements and discussed in point b in reply to Auditor's qualification below in our report.

The mill remained closed since 2006. The management is of the opinion that if the company is succeeded to secure the electricity connection, the company will resume its operations.

### Auditors' Report

Auditors' has raised their observation about going concern of the 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 near future.

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

### REPLY TO AUDITORS' QUALIFICATION

- Regarding Going Concern, it is stated that the company intends to commence operation, for which the company is trying to raise funds and resume electricity connection.
- Regarding not providing Mark-up on Loan, it is stated that the banks are willing to settle the loan on the principal amount of loan. And management is negotiating the settlement agreements.
- Regarding Revaluation of assets, it is stated that the proper adjustment according to revaluation has been made. Moreover, management shall provide new revaluation of report to the Auditors' in next year.
- Regarding investment in Sajjad Textile Mill Limited, it is stated that the matter will be presented before the members and impairment if needed will be made in next year.

- e) Our Sales includes sale of milk and biological assets and matter related to Income Tax Return handled by Professional expert, doing well in this regard.
- f) The matter regarding advance to WAPDA, is pending before honorable Supreme Court of Pakistan and the lawyer is hopeful for a favorable decision.
- g) Regarding compliance of code of corporate governance, it is stated that company has made best efforts to remove the discrepancies subsequent to year end like appointment of Lady Director and Independent director registered with data bank.
- h) The matter regarding written off the advance for dairy equipment, it is stated that the management has approved the provision in current year, so, it cannot be charge in previous years.
- i) The auditor has made impairment provision and classified machinery as scrap because the operations were stopped since 2006. The management shall arrange valuation during current year to have proper estimate of impairment.
- j) The management has approved the provision in current year with respect to the obsolescence of store and spares, so, it cannot be charge in previous years.
- k) The matter relating to direct confirmation from banks, it is stated that the auditor should have send them reminder and make complaints to State Bank of Pakistan.
- l) The Company has approved dairy operations as principal business activity in its EOGM in May 2020. Therefore, the sale of Biologicals assets and its related activities will be classified as Sales.
- m) The observation regarding retirement benefits for the employees, it is stated that the most of the employees are daily wages basis.
- n) The auditor's objection is not according to the facts. Because there are no rules which may be applied for valuation of Biological assets. However, we shall adopt the method as suggested by Auditors' from next year.
- o) The capital and revenue reserves were created for enhancement of operational efficiency of the company. These reserves will be utilized whenever the Company resume its operations.
- p) The nature of sponsor loan is payable on demand and company shall proceed its payment when demanded by the sponsor.

## **FUTURE OUTLOOK**

Looking ahead, we are optimistic about commencement of operations upon restoration of electricity connection and favorable market conditions.

## **EARNING PER SHARE**

Loss per share of the company for the year ended June 30, 2024 is Rs. (0.70) as compared to loss per share of Rs. (1.03) in the preceding year.

## **DIVIDEND**

The directors have not recommended any dividend in view of loss sustained by the Company during the year. However, management is quite hopeful for better future results when company become operational and shall announce dividend.

## **PRINCIPAL RISKS AND UN-UNCERTAINTIES FACING THE COMPANY**

Company's operations were closed since 2006, however following risks may be observed when company resume its spinning operations.

## **RISK FACTORS**

### **A) FOREIGN EXCHANGE RISK**

Foreign currency risk arises mainly where receivable and payable exist due to transactions entered into foreign currencies. As the dollar shows a shaky position, with an ever-increasing trend therefore, the company is exposed



to foreign currency risk on trade debts, payable and revenues, which are entered in a currency other than Pak Rupee.

**B) LIQUIDITY RISK**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements.

**C) CREDIT RISK**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter-parties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The Management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

**D) INTEREST RATE RISK**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Majority of the interest rate exposure arises from short and long-term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds.

**CHANGES DURING FINANCIAL YEAR CONCERNING THE NATURE OF THE BUSINESS OF THE COMPANY OR ITS SUBSIDIARIES AND JOINT OPERATION**

There is no change observed in the business of the company.

**MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE COMPANY BUSINESS**

Electricity connection restoration and favorable rates of raw material are key factors that affects operations of the Company.

**IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT**

Company's Spinning operations were closed since 2006. However, dairy business is operational and its biological assets have very positive impact on our environment.

**ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

Internal financials controls are in place and are adequate.

**RELATED PARTIES TRANSACTIONS**

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method. The same are disclosed in the Note # 33 of the financial statements. The Board on the recommendation of Audit Committee approved the related party transactions. The same will be presented at the Annual general meeting for the approval from the shareholders.

**CODE OF CONDUCT FOR PROTECTION AGAINST HARASSMENT AT WORK PLACE**

The Company is determined to provide clean environment working atmosphere and ensures that every employee is treated with respect and dignity. The Company is committed to encourage a positive professional work atmosphere that is essential for the professional growth of its staff.

## CORPORATE SOCIAL RESPONSIBILITY

The company recognizes that the key to successful and sustainable business is to give back to the society from where we derive economic benefits. We create value for our local community, employers and the government by providing a vast array of facilities to our employees, financial assistance to the families of our deceased employees, promoting a better work life balance and contributing regularly to the national exchequer as per law.

## CONTRIBUTION TO THE NATIONAL EXCHEQUER

To meet our social obligations towards the development of the economy of the country, the Company has contributed Rs. 41,727 in the year 2023-24 into the Government Exchequer on account of income Tax.

## ENERGY SAVINGS

When company resumed its operations, the company will take necessary steps for energy savings.

## COMPOSITION OF THE BOARD

### Total Number of Directors:

a)	Male	07
b)	Female	00

Subsequently, a female director was appointed in the director's election held on July 27, 2024

### Composition:

i)	Independent Directors	02
ii)	Non-Executive Directors	03
iii)	Executive Directors	02

## NAME OF THE DIRECTORS AND BOARD OF DIRECTORS MEETING

During the period under review, Four (04) meetings of the Board of Directors were held from July 01, 2023 to June 30, 2024. The details regarding the attendance by the Board members at these meetings has been provided below:

Name of Directors	No. of Meetings Attended
Mian Shahzad Aslam	02
Mr. Muhammad Tayyab	02
Mian Farrukh Naseem	04
Mian. Aamir Naseem	04
Mr. Maqbool Hussain Bhutta	04
Mr. Muhammad Abbas	04
Mr. Asim Mahmood Bhatti	04
Mr. Muhammad Irfan	04

## AUDIT COMMITTEE

The Board has formed an Audit Committee, which consists of the following directors:

Mr. Muhammad Irfan	Chairman
Mr. Muhammad Abbas	Member
Mr. Asim Mahmood Bhatti	Member

During the period under review, Four (4) meetings of audit committee of the company were held from July 01, 2023 to June 30, 2024 respectively and the details of the attendance at these meetings are as follows:



Name of Member	No. of Meeting Attended
Mr. Muhammad Irfan	Four (4)
Mr. Muhammad Abbas	Four (4)
Mr. Asim Mahmood Bhatti	Four (4)

#### HUMAN RESOURCE AND REMUNERATION COMMITTEE

In Compliance with the Code of Corporate Governance (CCG) Regulations, 2019 the Board of Directors has formed a Human Resource and Remuneration Committee comprising of three Directors name below. The HR & R Committee provides assistances to the Board of Directors in helping the Company's Human Resource function efficiently. Further, the HR & R Committee will also assess and makes recommendations to ensure that the Company's Human Resource policies are objectively associated with its overall business.

Mr. Asim Mahmood Bhatti	Chairman
Mr. Muhammad Irfan	Member
Mr. Muhammad Abbas	Member

Names of the members of the Committee	No. of Meeting Attended
Mr. Asim Mahmood Bhatti	One (1)
Mr. Muhammad Irfan	One (1)
Mrs. Muhammad Abbas	One (1)

#### CORPORATE GOVERNANCE

Statement of compliance as required under the listed companies' code of corporate governance regulations 2019 is annexed. The statement of compliance under the Companies Act, 2017 has not been notified.

#### PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND THE BOARD COMMITTEES

Complying with Listed Companies Code of Corporate Governance, Regulations 2019 the Board has developed a mechanism for self-evaluation of performance of the Board of Directors and board committees.

#### DIRECTORS' REMUNERATION

During the year, remuneration is paid to the Chief Executive and no remuneration is paid to the Directors as disclosed in Note 34 to the Financial Statements. No employee falls under the definition of executive as per Companies Act, 2017.

#### BOARD'S ROLE IN SUSTAINABILITY AND DE&I

The Director of Sustainability and DE&I will be responsible for developing, implementing, and overseeing strategies that promote environmental sustainability, social responsibility, and equitable practices within the organization. This role will ensure alignment with the company's overall mission and values while fostering a culture of inclusivity and environmental stewardship.

#### GENDER, RACE & DIVERSITY

The Directors are placed importance to diversity for innovation and competitiveness.

#### APPOINTMENT OF AUDITORS

The Auditors M/s Kamran & Co. Chartered Accountant, will retire and eligible for re-appointment as auditors of the Company for the next year. The Audit Committee and the Board have endorsed their re-appointment at the same remuneration of current reporting year for reconsideration of the members at the forthcoming Annual General Meeting of the Company.

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as of June 30, 2024 on the prescribed Form 20 is attached herewith.

#### **SUBSEQUENT EVENTS**

The Election of the Board of Directors was held on July 27, 2024, and five new directors, including one female director, were elected. Furthermore, two independent directors whose names are registered in the databank have also been appointed.

#### **ACKNOWLEDGMENT**

We would like to sincerely thank our dedicated employees, valued customers, and esteemed shareholders for their continued support. Together, we are confident that Nazir Cotton Textile Mills Limited will continue to thrive and excel in the dynamic landscape of the textile industry.

**For and on behalf of the Board**



**DIRECTOR**



**CHIEF EXECUTIVE**

**Lahore:**

**Dated October 04, 2024**