



Nazir Cotton Mills Ltd.

MANUFACTURER & EXPORTERS OF COTTON YARN

Ref: NCML/12/18
December 21, 2019

The Manager
Compliance and Securities Compliance-RAD
Pakistan Stock Exchange Limited
KARACHI.

Submission Regarding Notice for Non-Compliance of Clause 5.11.1(b)(i) and (l) of the PSX Regulation

Attn: Hafiz Maqsood Munshi

Dear Sir,

This is with reference to your letter No. PSX-Gen-6021 dated December 17, 2019, regarding adverse opinion by the Auditor of the company on the Financial Statement of the Company for the Year Ended June 30, 2019.

Your honor has further stated that the above adverse opinion of the independent auditors attracts the provisions of Clause 5.11.2(a) and (b) of the PSX Regulation.

In this context, we submit as under:-

The reasons for the opinion of the independent auditors are as under:-

1. The company has not accrued mark-up on the outstanding balances of loans with financial institutions as well as a related party.
2. 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.
3. 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. As referred in note 4.1.2 we have been unable to satisfy ourselves with respect to steps taken by the management for adoption of IFRS 9.

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4. Furthermore, the Company has closed down its business operations and the production remained suspended throughout the year. The Company has been unable to arrange fresh financing for working capital and other purposes. The management of the Company did not provide us its assessment of going concern assumption used in preparation of these financial statements and the future financial projections indicating the economic viability of the Company. 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.

It is clear from the above that the main reason of the adverse opinion by the independent Auditor is the close of business of the company and not any discrepancies in the record of the company.

The independent auditors gave further comments on the accounting system and record of the company as under:-

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

- a) Except for the effects of the matters discussed in the Basis for Adverse Opinion section of our report, *proper books of account have been kept* by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) Except for the effects of the matters discussed in the Basis for Adverse Opinion section of our report, *the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have 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) Except for the effects of the matters discussed in the Basis for Adverse Opinion section of our report, 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).

Moreover, as we have replied in response of your honor's letter No. PSX-Gen-6036 dated December 18, 2019 that the management is trying its best to restart the commercial production of the company and also have started side business of Dairy Farm to make the company to be going concern.

It is clear from the above that the company did not make any default relating to the Accounting Record and adoption of Law and Statue. So, your honor is requested to kindly file the proceedings initiated by your honor through above said notice

We assure you our best of co-operation

Thanking you.

Yours faithfully,

For NAZIR COTTON MILLS LTD


Maqbool Husain Bhutta
(Chief Financial Officer)

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