



**Amin & Co.**  
CHARTERED ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZAHUR COTTON MILLS LIMITED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

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:

Sr. No	Paragraph Reference	Description
1	2	Independent directors are not selected in the manner as prescribed.
2	9	The Company has not made appropriate arrangements for orientation of their Directors.
3	9	The Board has not acquired certification under directors' training program.
4	10	Head of internal audit and CFO is not suitably qualified as prescribed.
5	15	The Company has appointed Ms. Rabia Zahur as head of internal audit whereas she is also holding position of director in the Company.

**Amin & Co**  
Chartered Accountants  
October 05, 2022  
UDIN: CR202210538uWRKTzqVg

**Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of Zahur Cotton Mills Limited For the year ended June 30, 2022**

Zahur Cotton Mills Limited has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors is 7 as per the following:

- i. Male: 04
- ii. Female: 03

2. The composition of the Board is as follows:

Independent directors**	Nazir Akhtar Khan Muhammad
Non-executive directors	Izza Ali Rabia Zahur Mehreen Gul Hassan
Executive director	Javed Zahur Tanveer Ahmed
Female directors	Izza Ali Rabia Zahur Mehreen Gul Hassan

\*Fraction (0.33) related to the requirement for number of independent directors is less than 0.5 and therefore, has not rounded up as one.

\*\* Independent directors are not selected in the manner as prescribed.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

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 and these Regulations.

7. The meetings of the Board were presided over by the Chairperson and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board has a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and these Regulations.

9. The complete Board of the company has arranged Directors' Training program.

\*No director has attained directors' training certification during the year.

10. The Board has approved appointment of the Chief Financial Officer, company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

\*Head of internal audit and CFO is not suitably qualified as prescribed, whereas we are looking for a new CFO in coming financial year.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the Financial Statements before approval of the Board.

## ZAHUR COTTON MILLS LIMITED

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

Audit Committee	
Chairman	Mr. Rabia Zahur
Member	Mr. Tanveer Ahmed
Member/ secretary	Mr. Nazir Akhtar
HR and Remuneration Committee	
Chairperson	Mehreen Gul Hassan
Member	Javed Zahur
Member / secretary	Mr. Tanveer Ahmed

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 Committee were as follows:

i. Audit Committee: 05

ii. HR and Remuneration Committee: 01

15. The Board has set up an effective Internal Audit Function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;


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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, company Secretary or Director of the company;

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 requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

19. Explanation for non-compliance with requirements, other than Regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Description	Explanation
1	Independent directors are not selected in the manner as prescribed under the Companies Act., 2017.	The board has assessed that independent directors will be selected as prescribed under Companies Act., 2017 in forthcoming election of board.
2	Head of internal audit and CFO is not suitably qualified as prescribed under Regulation 23 of the Regulation.	Board has assured appointment of qualified internal audit head and CFO.
3	Company has not made appropriate arrangements for orientation of their directors as required under Regulation 18 of the Regulations.	Board of Directors intends to arrange orientation of directors of the Company during the future years.
4	The board has not acquired certificate under directors training program as required under Regulation 19 of the Regulations.	BOD has plan for directors' training during the future years.
R	No director on the Board shall be appointed, in any capacity, in the internal audit function of the Company as required under oegulation 31(3) of the oegulations.	The Board has assured the qualified person shall be appointed in accordance with the requirement of the oegulations during the future year.

  
Mehreen Gul  
Chairperson  
Lahore  
October 19, 2022