



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 Zahur Cotton Mills Limited for the year ended 30 June 2023 in accordance with the requirements of Regulation No. 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 a 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 30 June 2023.

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

Regulation No.	Non-compliance
6	1. Independent directors were not selected as prescribed therefore all related regulations is not complied with.





10	<p>The board has not fulfilled its responsibilities</p> <ol style="list-style-type: none">1. For adoption of corporate governance practice by the company and monitoring of effectiveness of such practices2. For preparation, adoption and monitoring of overall corporate strategy, formal code of conduct and dissemination thereof3. For formal and effective mechanism of annual appraisal of Boards' own performance, members of the board and its committee.4. For complete records of particulars of significant policies along with their dates of approval or updating thereof for significant matters/ issues/ risks. <p>The chairman did not issue letters of roles and responsibilities of each director at beginning of term of each director.</p>
16 & 17	<ol style="list-style-type: none">1. The board has not a formal and transparent policy for fixing the remuneration packages of individual directors including attending meetings of the board and its committees.
18 & 19	<ol style="list-style-type: none">1. The company has neither made an appropriate arrangement to carry out orientation for their directors nor any director got any training program.
20, 22, 23 & 24, 31	<ol style="list-style-type: none">1. The CFO and head of internal auditor do not hold prescribed prequalification criteria2. The Board has not determined roles and responsibilities of CFO, Internal Auditor and Company Secretary.
27	<ol style="list-style-type: none">1. One of member is not financial literate as prescribed2. The Audit committee did not hold required number of meeting.3. The Audit committee did not meet the external auditor and head of internal audit.4. The term of reference of audit committee is not properly prepared and maintained.
28	<ol style="list-style-type: none">1. The proper term of reference of HR and remuneration committee is not prepared and maintained.
29 & 30	<ol style="list-style-type: none">1. The board has not setup nominee and Risk Management committee and determined term of references.
35	<ol style="list-style-type: none">1. The company has not complied with requirement



	<p>of posting:</p> <ul style="list-style-type: none">a. Communication and disclosure policiesb. Code of conduct for members of board, senior management and other employeesc. Risk management policyd. Internal control policye. Whistle blowing policyf. Social responsibilitiesg. Brief synopsis of term of reference of audit committee and HR and Remuneration committeeh. The Directors' remuneration policy
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Ali Akhtar Adnan,

Chartered Accountants

Lahore

Date: 06/11/2023

UDIN: CR202310097d0JW2MVki

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of Zahur Cotton Mills Limited For the year ended June 30, 2023

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 7 as per the following,-

Total number of Directors :	
a) Male	4
b) Female	3

2. The composition of the Board is as follows,-

Composition	
a) Independent Directors	2
b) Non-Executive Directors	3
c) Executive Directors	2
d) Females Directors	3

2.1 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.

2.1 Directors Mrs Mehreen Gul Hassan, Mr Nazir Akhtar and Ms Izza Ali resigned on April 10, 2023 and Mr Javed Zahur, Mr Tanveer Ahmed and Ms Rabia Zahur, Mr Muhammad Khan resigned on June 15, 2023.

2.3 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 not prepared a code of conduct therefore has not 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 however not overall corporate strategy and significant policies of the company. The complete record of particulars of the significant policies along with their date of approval or updating has not been 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 Act and these Regulations;

	<p>meeting.</p> <p>3. The Audit committee did not meet the external auditor and head of internal audit.</p> <p>4. The term of reference of audit committee is not properly prepared and maintained.</p>	
28	<p>1. The proper term of reference of HR and remuneration committee is not prepared and maintained.</p>	
29 & 30	<p>1. The board has not setup nominee and Risk Management committee and determined term of references.</p>	
35	<p>1. The company has not complied with requirement of posting:</p> <ul style="list-style-type: none"> a. Communication and disclosure policies b. Code of conduct for members of board, senior management and other employees c. Risk management policy d. Internal control policy e. Whistle blowing policy f. Social responsibilities g. Brief synopsis of term of reference of audit committee and HR and Remuneration committee h. The Directors' remuneration policy 	



Imran Zaid
Chairman