

ANNUAL REPORT

2018





CONTENTS

Company Information	4
Notice of Meeting	5
Vision/Mission Statement	6
Directors Report	7-8
Six Years' Financial Data at Glance	9
Review Report on Compliance of Code of Corporate Governance	10
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017	11-12
Independent Auditor's Report To Members	13-15
Statement Of Financial Position	16
Statement of Profit and Loss Account and Comprehensive Income	17
Cash Flow Statement	18
Statement of Changes in Equity	19
Notes to the Accounts	20-35
Pattern of Shareholding	36-37
Form of Proxy	

COMPANY INFORMATION

BOARD OF DIRECTORS	MR. JAVED ZAHUR (Chairman/Chief Executive) MRS. MUKAMILA JAVED MISS. RABIA ZAHUR MRS. MAHREEN GUL HASSAN MR. NAZIR AKHTAR MR. KHAN MUHAMMAD MR. M. TANVEER
AUDIT COMMITTEE	MISS. RABIA ZAHUR MR. NAZIR AKHTAR MR. M TANVEER
COMPANY SECRETARY	MISS. RABIA ZAHUR
CHIEF FINANCIAL OFFICER	MR. M. QADEER
AUDITORS	M/S. ANWAR, TARIQ & CO., CHARTERED ACCOUNTANTS 1ST FLOOR, 84-B-I, GHALIB ROAD, GULBERG III, LAHORE-54660 PAKISTAN
LEGAL ADVISOR	MR. QAMAR-UZ- ZAMAN
BANKERS	BANK AL-HABIB LIMITED HABIB METROPOLITAN BANK LIMITED MUSLIM COMMERCIAL BANK LIMITED AL-BARAKA BANK
REGISTERED OFFICE & MILLS	94TH K.M. LAHORE-MULTAN ROAD NEAR PUL JAURIAN, AKHTARABAD, DISTT. OKARA PAKISTAN PHONE : (049) 4500428-29
REGISTRAR	SHARES DEPARTMENT M/S. CORPLINK (PVT) LIMITED WINGS ARCADE, 1-K COMMERCIAL MODEL TOWN LAHORE. PHONE : (042) 35839182, 35887262 Fax: (042) 35869037

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th AGM of the company will be held on 31st October 2018 at 11 a.m at Registered Office 94 Km. Multan Road, Akhtarabad, Distt: Okara to transact the following business.

ORDINARY BUSINESS

1. To confirm the minutes of the last AGM of the Company.
2. To receive, consider & adopt the audited accounts of the Company for the year ended June 30th, 2018 together with Auditors' and Directors' report thereon.
3. To fix salary of CEO of Zahur Cotton Mills Ltd. as Rs: 100,000/ month w.e.f 01-07-18.
4. To appoint & fix remuneration of Auditor for the year ending June 30th, 2019.

Any other business with the permission of the chair.

BY ORDER OF THE BOARD

Lahore:
29th September, 2018

Company Secretary

NOTES:

1. The share transfer book of the company will remain closed from 24th to 31st October 2018 (both days inclusive).
2. A member eligible to attend and vote, may appoint another member as proxy to attend and vote in the meeting proxies in order to be effective.
3. Share holders are requested to immediately notify the change in address, if any.

VISION STATEMENT

To pay off entire liabilities, use of spare building for warehousing especially to pay of Liabilities at the earliest.

QUALITY MISSION STATEMENT

- We aim at maintaining the full confidence of our customers and lenders.
- Our culture stresses on employees participation to achieve quality results.
- We believe in changing with change in market conditions and technology.
- We also believe in involving our employees in up-gradation of skill and participation.

DIRECTORS' REPORT TO THE MEMBERS

The Directors welcome you to the 28th Annual General Meeting of the Company and present before you the annual report together with the audited financial statements of the Company for the year from 1st July, 2017 to 30th June, 2018.

Compliance with Corporate Governance

We are pleased to inform you that after adopting the code of corporate governance, the Company is complying with the main provisions of the said code.

Statement on Corporate and Financial Reporting Framework

- 1 The financial Statements have been prepared by the management and present fairly the state of affairs, the profit and loss account, cash flows and statement of changes in Equity.
- 2 Proper books of accounts have been maintained by the Company.
- 3 Appropriate accounting policies have been consistently applied in preparation of the financial statements and comply with accounting standards.
- 4 The system of internal control is sound and effectively implemented.
- 5 There is no material departure from the best practice of corporate governance.
- 6 Key operational and financial data of the last seven years is enclosed.
- 7 Due to the overall loss and closure of operations of the Company, the Board of Directors do not recommend any dividend or bonus shares.
- 8 During the year, four Board Meetings were held. The attendance of the directors is given below:

Name of Directors	Meetings Attended
Mr. Javed Zahur	4
Mrs. Mukamila Javed	4
Miss Rabia Zahur	4
Mr. Nazir Akhtar	4
Mr. Khan Muhammad	4
Mr. Tanveer Ahmed	4
Mrs. Mahreen Gul Hassan	4

- 9 Pattern of shareholding is annexed (same as per last year).

Auditor's Observations

- 1 The Company Voluntary de-listing and shares buy back is under process in Pakistan Stock Exchange with intimation to SECP. The auditors have raised doubts regarding the Company's ability to continue business as a going concern due to the working capital constrains and unfavorable business conditions. The management is hopeful that the favorable business opportunities will be found in the near future which will enable the company to come out of this situation. We are further confident that continued support from lenders and sponsors will enable the company to remove working capital constraints.
- 2 Most of the creditor and advance from the customers for last many years are the same and were earlier verified too.
- 3 The amount of Rs. 1,120,604/- referred by auditors, relates to Punjab Food with whom we are having issues on technical matter, therefore not shown as receivable for time being.

ZAHUR COTTON MILLS LIMITED

AUDITORS

The present auditors M/s Anwar , Tariq & Co. Chartered Accountants, retire and being eligible offer themselves for re-appointment.

Future Prospect

The management is confident to restart its production and commercial activities in future subject to favorable conditions and provision of electricity without major shut downs. The company intends to repay its liabilities through renting of vacant premises and subsequently through restart of the operations. Profitability of the Company will depend on repayment of liabilities, re-planning and startup of the project.

ACKNOWLEDGEMENTS

The chief Executive and directors are grateful to the company share holders and lenders for their support and guidance.

For and on behalf of the Board

Javed Zahur

(Chairman / Chief Executive)

Lahore

28th September, 2018

FINANCIAL HIGHLIGHTS**SIX YEAR FINANCIAL DATA AT GLANCE**

PARTICULARS	FOR THE YEAR ENDED 30TH JUNE					
	2018	2017	2016	2015	2014	2013
TRADING RESULTS						
Income	3,126,141	9,193,785	14,115,962	3,877,556	300,000	4,040,128
Gross Profit / (Loss)	-	-	-	-	-	-
Operating Profit / (Loss)	(1,898,198)	4,834,078	10,056,829	(2,216,636)	(2,096,008)	312,321
Profit / (Loss) Before Tax	(1,898,198)	4,834,078	10,056,829	(2,216,636)	(2,096,008)	312,321
Profit / (Loss) After Tax	(2,214,814)	2,882,001	8,012,192	(2,255,412)	(2,099,008)	(136,758)
BALANCE SHEET						
Share Capital	98,600,000	98,600,000	98,600,000	98,600,000	98,600,000	98,600,000
Accumulated Loss	(222,551,797)	(221,285,413)	(224,557,028)	(232,569,220)	(230,313,808)	(228,214,800)
Non-Current Liabilities	128,317,980	129,365,367	117,428,715	119,357,215	119,655,215	119,455,215
Operating Fixed Assets	76,347,889	78,803,636	17,318,872	18,438,801	19,558,730	20,699,807
Net Current Assets / (Liabilities)	(4,186,726)	(3,380,271)	(5,849,155)	(13,052,776)	(11,619,293)	(10,861,362)
FINANCIAL RATIOS						
Earnings / (Loss) Per Share	(0.22)	0.29	0.81	(0.23)	(0.21)	(0.01)
Dividend Per Share	Nil	Nil	Nil	Nil	Nil	Nil



Anwar, Tariq & Co.
Chartered Accountants

First Floor, 84 - B-I, Ghalib Road, Gulberg III, Lahore - 54660,
Pakistan. T : +92 (42) 35872061-3 F : +92 (42) 35872060
E - mail : anwartaqiqco@gmail.com

**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, 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 Zahur Cotton Mills Limited ("the Company") for the year ended 30th June, 2018 in accordance with the requirements of regulation 40 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, to the extent where such compliance can be objectively verified, 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 inquires of the Company 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 Director's 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 requires 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 of 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 approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not. Based on our review, we inform that:

Except for the non-compliances stated in Para 18 of annexed Statement of Compliance, 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 2018.

**LAHORE
28TH SEPTEMBER, 2018**

ANWAR, TARIQ & CO.
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER: TARIQ AYUB QURESHI

STATEMENT OF COMPLIANCE
WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

ZAHUR COTTON MILLS LIMITED
30TH JUNE 2018

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:
 - a. Male 4
 - b. Female 3

- 2 The composition of board is as follows:

Independent Directors
Nazir Akhtar
Khan Muhammad

Executive Directors
Javed Zahur
Tanveer Ahmed

Non-Executive Directors
Mukamila Javed
Rabia Zahur
Mehreen Gul Hassan

- 3 The 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 board/ shareholders as empowered by the relevant provisions of 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

- 8 The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

- 9 The Directors are conversant with relevant laws applicable to the Company and are fully aware of their duties and responsibilities. The Board has plan of arranging orientation courses for its Directors during the year to apprise them of their duties and responsibilities.

- 10 The Board has approved appointment of the Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment. The Chief Financial Officer of the company is not a member of a recognized body of professional accountants and the Company Secretary is not eligible to be appointed. The company has not appointed Head of Internal Audit.

- 11 CFO and CEO 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

Miss Rabia Zahur
Mr. Nazir Akhtar
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 per following:

Audit Committee 4

15 The Board has not set-up an internal audit function as the Company has closed its operations and laid off most of its employees.

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

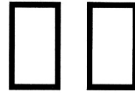
18 We confirm that all other material principles of the Regulations have been complied with except for the following, toward which reasonable progress is being made by the Company to seek compliance in the near future.

- (i) The Chairman and the CEO represent the same person and Chairman has not been elected among the non-executive directors as required under Section 192 of the Act and these Regulations.
- (ii) None of the directors of the Company has acquired certification under directors training program required as mentioned in Regulation No.20, sub-regulation 2 of the Regulations, except one qualifying for exemption on the basis of experience stated in same clause of the Regulations.
- (iii) The Chief Financial Officer and Company Secretary appointed by the Company who does not comply with the respective qualifications as required as mentioned in Regulation No.23 and 25 of the Regulations.
- (iv) The Board has not set-up an Internal Audit Function of the Company as required under Regulation No.32 of the Regulations.
- (v) The members of the audit committee of the Company does not have required qualification as required under Regulation No.28(c) of the Regulations.
- (vi) The Company has not constituted Human Resource and Remuneration Committee as required under Regulation No.29 of the Regulations.

For and on behalf of the Board



CHIEF EXECUTIVE
28TH SEPTEMBER, 2018

**Anwar, Tariq & Co.**
Chartered Accountants

First Floor, 84 - B-I, Ghalib Road, Gulberg III, Lahore - 54660,
Pakistan. T : +92 (42) 35872061-3 F : +92 (42) 35872060
E - mail : anwartaqiqco@gmail.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ZAHUR COTTON MILLS LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **ZAHUR COTTON MILLS LIMITED** ("the Company"), which comprise the statement of Financial Position as at **June 30, 2018**, and the Statement of Profit or Loss and other Comprehensive Income or Loss, 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, the Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income or Loss, the Statement of Cash Flows and the Statement of Changes in Equity together with notes forming part thereof, does not conform with Accounting and Reporting Standards as applicable in Pakistan and does not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively does not give a true and fair view of the state of the Company's affairs as at 30th June, 2018 and of the Loss and other Comprehensive Loss, the Change in Equity and its Cash Flows for the Year then ended.

Basis for Opinion

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 and after due verification, we report that:

- 1) As explained in Note 2.1 to the Financial Statements, the Company has prepared annexed Financial Statements on a going concern basis. The Company has incurred net loss of Rs 2.215 million as at June 30, 2018 it has accumulated losses of Rs.222.552 million as at June 30, 2018, Share Holder's equity is negative by Rs.56.089 million. The Company's current liabilities exceed its current assets by Rs.4.187 million at June 30,2018. The Company has also applied for Voluntarily Delisting from the Pakistan Stock Exchange on 8th May, 2017 but decision is still pending.The Company is unable to obtain additional finances. Further, the Company ceased its operations, almost all of the employees were laid off and these operations remained suspended during the year. Moreover, to the date of signing the audit report, the production activities remained suspended. The above explained facts and conditions indicate the existence of a material uncertainty which may cast a significant doubt on the company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not disclose this fact and have been prepared on going concern basis. However, the relevant necessary adjustments have not been made to the amounts of recorded assets, liabilities and their classifications. The financial effect of the above stated matter is not determinable.
- 2) We were unable to verify the creditors shown in note 10 amounting to Rs. 1.060 million, Advances from Customers shown in note 10 amounting to Rs. 2.112 million either through direct confirmation or alternative audit procedures.
- 3) The Company has not accounted for rent amounting to Rs.1,120,604/- accrued to the Company upto 30th June, 2018. Therefore, the income as stated in Note. 15 does not depict the exact income of the Company.

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.

ZAHUR COTTON MILLS LIMITED

Following is the Key Audit Matters:

S.No. Key Audit Matter

- 1 Compliance with Laws and Regulations - Changes in 4th Schedule
The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and changes are applicable first time to the Company's financial statements for the year ended June 30, 2018.

The changes are considered as a key audit matter because failure to comply with the requirements of the Act, 2017 could have financial and reputational impact on the Company.

Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 4.2 to the accompanying financial statements.

How the matter was addressed in our audit

Our audit procedures in respect of this area included:

Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Company and prepared document to assess the Company's compliance with the disclosure requirement of the Act, 2017.

We discussed the applicable changes with the Company's management and those charged with governance as to whether the Company is in compliance with such changes. We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance.

We ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act, 2017.

In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 4.2 to the accompanying financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of Directors' Report, Company's Corporate Information, Shareholders' Information and Financial Highlights (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:

- i) 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.
- ii) 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.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) 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.
- v) 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

- 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 and Loss and Other Comprehensive Income or Loss, the Statement of Changes in Equity and the Statement of Cash Flows together with the Notes thereon have not 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) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980. (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditor's report is Tariq Ayub Qureshi .

ZAHUR COTTON MILLS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2018

	NOTE	2018 RUPEES	RESTATED 2017 RUPEES	2016 RUPEES
<u>EQUITY AND LIABILITIES</u>				
<u>SHARE CAPITAL AND RESERVES</u>				
Authorized Capital				
20,000,000 (2017: 20,000,000) Ordinary Shares of Rs.10 each		200,000,000	200,000,000	200,000,000
<u>SHARE CAPITAL</u>				
Issued, Subscribed and Paid-up Capital				
9,860,000 (2017: 9,860,000) Ordinary Shares of Rs.10 each (Fully paid in Cash)		98,600,000	98,600,000	98,600,000
<u>REVENUE RESERVES</u>				
Accumulated Loss		(222,551,797)	(221,285,413)	(224,557,028)
<u>CAPITAL RESERVES</u>				
Deposit for Shares	6	20,066,240	20,066,240	20,066,240
Revaluation Surplus on Property, Plant and Equipment - Net Of Tax	7	47,796,950	48,745,381	-
Total Shareholders' Equity		(56,088,607)	(53,873,792)	(105,890,788)
<u>NON CURRENT LIABILITIES</u>				
Long Term Financing	8	115,514,161	116,174,161	117,428,715
Deferred Tax Liability	9	12,803,819	13,191,206	-
		128,317,980	129,365,367	117,428,715
<u>CURRENT LIABILITIES</u>				
Trade and Other Payables	10	6,302,878	6,995,252	7,999,308
Provision for Taxation		-	819,821	820,099
		6,302,878	7,815,073	8,819,407
<u>CONTINGENCIES AND COMMITMENTS</u>				
	11	-	-	-
		78,532,251	83,306,648	20,357,334
<u>ASSETS</u>				
<u>NON-CURRENT ASSETS</u>				
Property, Plant and Equipments	12	76,347,889	78,803,636	17,318,872
Long Term Deposits		68,210	68,210	68,210
		76,416,099	78,871,846	17,387,082
<u>CURRENT ASSETS</u>				
Other Receivables	13	-	1,082,907	378,830
Income Tax Refund due from the Government		122,921	-	-
Cash and Bank Balances	14	1,993,231	3,351,895	2,591,422
		2,116,152	4,434,802	2,970,252
		78,532,251	83,306,648	20,357,334

The annexed Notes from 1 to 26 form an integral part of these Financial Statements

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF PROFIT AND LOSS ACCOUNT AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2018

	NOTE	2018 RUPEES	2017 RUPEES
INCOME	15	3,126,141	9,193,785
ADMINISTRATIVE EXPENSES	16	(5,024,339)	(4,359,707)
NET (LOSS) / PROFIT FOR THE YEAR before Taxation		<u>(1,898,198)</u>	<u>4,834,078</u>
TAXATION	17	(316,617)	(1,952,077)
NET (LOSS) / PROFIT FOR THE YEAR after Taxation		<u>(2,214,814)</u>	<u>2,882,001</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		<u><u>(2,214,814)</u></u>	<u><u>2,882,001</u></u>
(LOSS)/EARNINGS PER SHARE - Basic and Diluted	18	<u><u>(0.22)</u></u>	<u><u>0.29</u></u>

The annexed Notes from 1 to 26 form an integral part of these Financial Statements

CHIEF EXECUTIVE

DIRECTOR

ZAHUR COTTON MILLS LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 30TH JUNE, 2018**

	NOTE	2018 RUPEES	2017 RUPEES
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Net (Loss)/Profit before Taxation		(1,898,198)	4,834,078
Adjustments for Depreciation		2,455,747	1,008,414
Operating Profit before Working Capital Changes		557,549	5,842,492
(Increase) / Decrease in Current Assets			
Other Receivables		1,082,907	(704,077)
Increase / (Decrease) in Current Liabilities			
Trade and Other Payables		(692,374)	(1,004,056)
		390,533	(1,708,133)
Net Cash Generated from Operations		948,082	4,134,359
Income Tax Paid		(1,646,746)	(2,119,332)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(698,664)	2,015,027
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>			
Repayment of Long Term Financing		(660,000)	(1,254,554)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(660,000)	(1,254,554)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,358,664)	760,473
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		3,351,895	2,591,422
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	1,993,231	3,351,895

The annexed Notes from 1 to 26 form an integral part of these Financial Statements

CHIEF EXECUTIVE

DIRECTOR

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

PARTICULARS	NOTE	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL	REVENUE RESERVE (ACCUMULATED LOSS)	CAPITAL RESERVES		TOTAL
				SHARE DEPOSIT MONEY	REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT	
R U P E E S						
Balance as at 30th June, 2016		98,600,000	(224,557,028)	20,066,240	-	(105,890,788)
Profit for the year		-	2,882,001	-	-	2,882,001
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income for the Year ended 30th June, 2017		-	2,882,001	-	-	2,882,001
Effect of change in accounting policy	5	-	-	-	49,134,995	49,134,995
Transferred from surplus on revaluation of property plant and equipments on account of incremental depreciation - net of tax		-	389,614	-	(389,614)	-
Balance as at 30th June, 2017 - as restated		98,600,000	(221,285,413)	20,066,240	48,745,381	(53,873,792)
Loss for the year		-	(2,214,814)	-	-	(2,214,814)
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Loss for the Year ended 30th June, 2018		-	(2,214,814)	-	-	(2,214,814)
Transferred from surplus on revaluation of property plant and equipments on account of incremental depreciation - net of tax		-	948,431	-	(948,431)	-
Balance as at 30th June, 2018		98,600,000	(222,551,797)	20,066,240	47,796,950	(56,088,607)

The annexed Notes from 1 to 26 form an integral part of these Financial Statements

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2018

1 STATUS AND NATURE OF BUSINESS

Zahur Cotton Mills Limited was incorporated in Pakistan on April 21, 1990 as a public limited Company under the Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017). Its Ordinary Shares are quoted on Pakistan Stock Exchanges. The principal activity of the Company is manufacturing and selling of grey fabric which continued to remain suspended during the Year. The registered office of the company is situated at 94 KM, Multan Road, Lahore near Pul Jaurian, Akhtarabad, Distt: Okara.

2 BASIS OF PREPARATION

2.1 GOING CONCERN ASSUMPTION

The Company has earned net loss of Rs 2.215 million (2017: Net Profit of Rs. 2.882 million) as at June 30, 2018 and has accumulated losses of Rs.222.552 million (2017: Rs. 221.285 million) as at June 30, 2018. Furthermore , its total liabilities exceed its total assets by Rs.43.285 million (2017: Rs. 40.683 million) and current liabilities exceed its current assets by Rs.4.187 million (2017:Rs. 3.380 million) at June 30, 2018 resulting in liquidity problems. The operations of Company ceased and these operations remained suspended during the year due to working capital constraints and unfavorable business conditions. These factors raise doubts about the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, any adjustments, relating to the recoverability of recorded assets and liabilities have not been incorporated in these Financial Statements. As the management is confident to obtain continued support from its sponsors and lenders, therefore, these Financial Statements have been prepared on a going concern basis.

2.2 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 as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 BASIS OF MEASUREMENT

These Financial Statements have been prepared under the historical cost convention, without any adjustment for the effect of inflation on current values, using, except for Cash Flow Statement, accrual basis of accounting.

2.4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of Financial Statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts 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 the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying 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 the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgments in the next financial year are described in the following:

- a) Property, Plant and Equipment (Note 4.2)
- b) Trade Debts and Other Receivables (Note 4.7)
- c) Taxation (Note 4.21)

2.5 FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

3 STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS WHICH BECAME EFFECTIVE DURING THE YEAR ENDED JUNE 30, 2018

There were standard and amendments to the approved accounting standards which became effective during the year ended June 30, 2018 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

3.2 AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE FOR THE COMPANY'S ACCOUNTING PERIODS BEGINNING AFTER JULY 1, 2018

There are certain new standards and amendments to the approved accounting standards which will be effective for the Company for annual periods beginning on or after July 1, 2018 but are considered not to be relevant or are expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant accounting policies adopted 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.

4.2 PROPERTY, PLANT AND EQUIPMENT

Initial Recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment (except freehold land and buildings and Plant and Machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land are stated at revalued amounts and buildings on freehold land and Plant and Machinery are stated at revalued amounts less accumulated depreciation.

The costs of Property, plant and equipment include:

- (a) its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates; and

ZAHUR COTTON MILLS LIMITED

- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

Expenditure incurred to replace a significant component of an item of plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the profit and loss account as an expense when it is incurred.

Depreciation

Depreciation on all items except for land is charged on straight line method at the rates specified in respective note to the financial statements and is generally recognised in profit and loss account.

Depreciation on addition is charged from the month the asset is available for use up to the month prior to disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Revaluation surplus

Revaluation of land, building and Plant and Machinery is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of land, building and Plant and Machinery is recognized, net of tax, in other comprehensive income and presented as a separate component of equity as “ Revaluation surplus on property, plant and equipment “ except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognised in profit and loss account, in which case the increase is first recognized in profit and loss account to the extent of the decrease previously charged. Any 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 profit and loss account. The revaluation reserve is not available for distribution to the Company’s shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset’s original cost, net of tax, is reclassified from revaluation surplus to retained earnings.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation of property, plant and equipment. Previously, the Company’s accounting policy was in accordance with the provisions of the repealed Companies Ordinance 1984. Those provisions and resultant previous policy of the Company was not in alignment with the accounting treatment and presentation of revaluation of property, plant and equipment as prescribed in IAS 16 ‘Property, plant and Equipment’. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation of property, plant and equipment, accordingly the Company has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 ‘Property, Plant and Equipment’. The detailed information and impact of this change in policy is provided in note 5 to these financial statements.

Gains and losses on disposal

Gains and losses on disposal of assets are taken to the profit and loss account, and the related revaluation surplus on property, plant and equipment, if any, is transferred directly to retained earnings.

4.3 IMPAIRMENT

The Company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.5 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.6 CONTINGENCIES AND COMMITMENTS

Capital commitments and contingencies, unless those are actual liabilities, are not incorporated in the Financial Statements.

4.7 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are recognised and carried at original invoice amount less an estimated allowance made for doubtful receivables based on review of outstanding amounts at the year end. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial organisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

4.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and bank balances, cheques in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, running finance under mark-up arrangements and short term loans which form an integral part of the Company's cash management.

4.9 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

ZAHUR COTTON MILLS LIMITED

4.10 BORROWINGS COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.11 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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 of the amount of the obligation. Provisions are reviewed periodically and adjusted to reflect the current best estimates.

4.12 EMPLOYEES RETIREMENT BENEFITS

The Company does not operate a Gratuity Scheme. However the Management has decided to charge these expenses to current revenue as and when these are incurred.

4.13 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.14 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, incentives, sales returns and trade discounts.

Revenue from Factory or Godown Lease/Rent is recognized when it becomes due.

4.15 RELATED PARTY TRANSACTIONS

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using relevant modes as admissible except in extremely rare circumstances where, subject to the approval of The Board of Directors, it is in the interest of the company to do so.

4.16 SEGMENT REPORTING

Segment reporting is based on the operating (business) segments of the company. An operating segment is a component of the company that engages in a business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

4.17 CONTINGENT LIABILITIES

Contingent liability is disclosed when:

a) there is a possible obligation that arises from 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

b) there is present 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 the obligation cannot be measured with sufficient reliability.

4.18 CONTINGENT ASSETS

Contingent assets are disclosed when there is a possible asset that arises from 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. Contingent assets are not recognised until their realisation become virtually certain.

4.19 EARNINGS PER SHARE

The Company presents earnings per share (EPS) data for its ordinary shares. 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.

4.20 DIVIDEND

Dividend distribution to the Company's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

4.21 TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account.

Current:

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalised during the year.

Deferred:

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it becomes probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

ZAHUR COTTON MILLS LIMITED

5 CHANGE IN ACCOUNTING POLICY

Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment' as applicable in Pakistan. Consequently, the Company changed its accounting policy for the revaluation of property, plant and equipment in accordance with the requirement of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for revaluation of property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation of property, plant and equipment have been changed to bring it in conformity with the requirement of IAS 16 "Property, Plant and Equipment" as explained in note 4.2 to these financial statements. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', the above explained changes in accounting policy has been accounted for retrospectively, with the restatement of the comparative information. As a result, a third statement of financial position as at the beginning of the preceding period is presented (i.e. 1 July 2016).

Statement of Financial Position

Retrospective impact of change in accounting policy

	30-Jun-17		
	As previously reported on 30-06-2017	Adjustments Increase/ (Decrease)	As restated on 1 July 2017
Revaluation surplus on 'property, plant and 'equipment (within equity)	-	48,745,381	48,745,381
Unappropriated profit	3,271,615	-	3,271,615
Net impact on equity	<u>3,271,615</u>	<u>48,745,381</u>	<u>52,016,996</u>
Revaluation surplus on 'property, plant and 'equipment (below equity)	<u>48,745,381</u>	<u>(48,745,381)</u>	<u>-</u>

The effect of the change in recognition and presentation of Rs. 47.797 million for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of revaluation surplus of property, plant and equipment of Rs. 47.797 million, previously presented below equity in the statement of financial position as at 30 June.

There was no change in the reported amount of profit and loss account and other comprehensive income as there was no decrease in the carrying amount of asset as a result of revaluation except the retrospective effect stated above for the year ended 30 June 2018. There was no cash flow impact as a result of the retrospective application of change in accounting policy and no impact on basic and diluted earnings per share for the year ended 30 June 2017 and 30 June 2018.

6 SHARE DEPOSIT MONEY has been received from Sponsor (Mr. Javed Zahur) against Right Issue.

		2018 RUPEES	2017 RUPEES
7	<u>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENTS</u>		
7.1	This is made up as follows:		
	Freehold land (Note 7.2)	17,665,900	17,665,900
	Buildings on freehold land (Note 7.3)	29,831,050	30,779,481
	Plant and Machinery (Note 7.4)	300,000	300,000
		<u>47,796,950</u>	<u>48,745,381</u>
7.2	Freehold land		
	Balance as at 01 July	17,665,900	-
	Revaluation during the year	-	17,665,900
		<u>17,665,900</u>	<u>17,665,900</u>
7.3	Buildings on freehold land		
	Balance as at 01 July	43,970,687	-
	Revaluation during the year	-	44,527,278
	Transferred to retained earnings in respect of incremental depreciation charged during the year	(1,335,818)	(556,591)
		42,634,869	43,970,687
	Related deferred tax liability (Note 9.1)	(12,803,819)	(13,191,206)
		<u>29,831,050</u>	<u>30,779,481</u>
7.4	Plant and Machinery		
	Balance as at 01 July	300,000	-
	Revaluation during the year	-	300,000
		<u>300,000</u>	<u>300,000</u>
7.5	The Company revalued its freehold Land, Buildings on freehold Land and Plant and Machinery as at 18th January, 2017. The Revaluation exercise was carried-out by independent Valuer M/S Hamid Mukhtar & Co (Pvt) Ltd. (Approved Valuer of Pakistan Banks Association Reg.), on replacement value basis. The revaluation of these Assets resulted in a surplus of Rs. 62.493 Million, which was credited to "Surplus on Revaluation of Fixed Assets Account", on that date, to comply with the requirement of the Repealed Companies Ordinance, 1984. The difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset's original cost, net of tax is reclassified from revaluation surplus to retained earnings.		
8	<u>LONG TERM FINANCING</u>		
8.1	These are unsecured and have been obtained from:		
	Related Parties -		
	Chief Executive (Note 8.2)	37,862,575	38,062,575
	Directors	28,688,131	28,688,131
		66,550,706	66,750,706
	Loan from Others (Note 8.3)	48,963,455	49,423,455
	(Note 8.4)	<u>115,514,161</u>	<u>116,174,161</u>
8.2	LOAN FROM CHIEF EXECUTIVE is made up as follows:		
	Balance at beginning of the Year	38,062,575	38,062,575
	Less: Payments during the Year	200,000	-
	Balance at end of the year	<u>37,862,575</u>	<u>38,062,575</u>

ZAHUR COTTON MILLS LIMITED

	2018 RUPEES	2017 RUPEES
8.3 LOAN FROM OTHERS is made up as follows:		
Balance at beginning of the Year	49,423,455	49,423,455
Less: Payments during the Year	460,000	-
Balance at end of the year	<u>48,963,455</u>	<u>49,423,455</u>

- 8.4 These unsecured and interest free loans have been obtained from the Related Parties i.e. Sponsors of the Company. These loans have been obtained to meet the working capital requirements of the Company and are repayable on demand.

In view of the above fact that these loans have no definite maturity date. Therefore, the amortized cost is practically not possible to be determined. Hence, the principal amount is considered to be the fair value of this liability.

9 **DEFERRED LIABILITIES**

- 9.1 These comprise of:

Deferred Tax Liability	(Note 9.2)	12,803,819	13,191,206
		<u>12,803,819</u>	<u>13,191,206</u>

- 9.2 This represents the related deferred tax liability on Revaluation Surplus of Fixed Assets.

10 **TRADE AND OTHER PAYABLES** comprise of:

Creditors	1,059,656	1,543,740
Accrued Liabilities	3,113,611	2,892,111
Advances from Customers	2,112,002	2,397,002
Income Tax Withheld	-	144,790
Security against Godown	10,000	10,000
Others	7,609	7,609
	<u>6,302,878</u>	<u>6,995,252</u>

11 **CONTINGENCIES AND COMMITMENTS**

11.1 **CONTINGENCIES**

Rs. Nil (2017: Rs. Nil)

11.2 **COMMITMENTS**

Rs. Nil (2017: Rs. Nil)

12 PROPERTY, PLANT AND EQUIPMENTS

12.1 These are made up as follows:

PARTICULARS	C O S T			D E P R E C I A T I O N			W.D.V. AS AT 30TH JUNE, 2018	
	AS AT 1ST JULY, 2017	REVALUATION SURPLUS	AS AT 30TH JUNE, 2018	RATE %	TO 30TH JUNE, 2017	PROVIDED FOR THE YEAR		TO 30TH JUNE, 2018
	RUPEES			RUPEES				
Land - Freehold								
Cost	2,258,100	-	2,258,100	-	-	-	2,258,100	
Revaluation Surplus	17,665,900	-	17,665,900	-	-	-	17,665,900	
	19,924,000	-	19,924,000				19,924,000	
Buildings on Freehold Land								
Cost	37,330,978	-	37,330,978	3%	22,722,029	1,119,929	23,841,958	
Revaluation Surplus	44,527,278	-	44,527,278	3%	556,591	1,335,818	1,892,409	
	81,858,256	-	81,858,256		23,278,620	2,455,747	25,734,367	
Plant and Machinery								
Cost	23,219,389	-	23,219,389	5%	23,219,389	-	23,219,389	
Revaluation Surplus	300,000	-	300,000	5%	-	-	-	
	23,519,389	-	23,519,389		23,219,389	-	23,219,389	
Fire Fighting Equipment	38,566	-	38,566	10%	38,566	-	38,566	
Furniture and Fixtures	1,903,061	-	1,903,061	10%	1,903,061	-	1,903,061	
Electric Installations	2,294,667	-	2,294,667	5%	2,294,667	-	2,294,667	
Office Equipment	1,209,500	-	1,209,500	10%	1,209,500	-	1,209,500	
Vehicles	2,039,691	-	2,039,691	20%	2,039,691	-	2,039,691	
	132,787,130	-	132,787,130		53,983,494	2,455,747	56,439,241	
							76,347,889	

PARTICULARS	C O S T			D E P R E C I A T I O N			W.D.V. AS AT 30TH JUNE, 2017
	AS AT 1ST JULY, 2016	REVALUATION SURPLUS	AS AT 30TH JUNE, 2017	RATE %	TO 30TH JUNE, 2016	PROVIDED FOR THE YEAR	
	RUPEES			RUPEES			
Land - Freehold							
Cost	2,258,100	-	2,258,100	-	-	-	2,258,100
Revaluation Surplus	-	17,665,900	17,665,900	-	-	-	17,665,900
	2,258,100	17,665,900	19,924,000				19,924,000
Buildings on Freehold Land							
Cost	37,330,978	-	37,330,978	3%	22,270,206	451,823	14,608,949
Revaluation Surplus	-	44,527,278	44,527,278	3%	-	556,591	43,970,687
	37,330,978	44,527,278	81,858,256		22,270,206	1,008,414	58,579,636
Plant and Machinery							
Cost	23,219,389	-	23,219,389	5%	23,219,389	-	-
Revaluation Surplus	-	300,000	300,000	5%	-	-	300,000
	23,219,389	300,000	23,519,389		23,219,389	-	300,000
Fire Fighting Equipment	38,566	-	38,566	10%	38,566	-	-
Furniture and Fixtures	1,903,061	-	1,903,061	10%	1,903,061	-	-
Electric Installations	2,294,667	-	2,294,667	5%	2,294,667	-	-
Office Equipment	1,209,500	-	1,209,500	10%	1,209,500	-	-
Vehicles	2,039,691	-	2,039,691	20%	2,039,691	-	-
	70,293,952	62,493,178	132,787,130		52,975,080	1,008,414	78,803,636

12.2 In view of insignificant materiality level and closed operations of the Company, the management has decided not to revalue the items appearing at Nil value.

12.3 As the operations are closed, so the depreciation has been charged to the Administrative Expenses.

	2018	2017
	RUPEES	RUPEES
13 OTHER RECEIVABLES represent Lease Rentals of Godowns receivables.		
14 CASH AND BANK BALANCES comprise of:		
Cash in Hand	10,487	2,607
Cash with Banks in:		
Current Accounts	1,979,722	3,346,266
Demand Deposits	2,119	2,119
Saving Account	903	903
	1,982,744	3,349,288
	1,993,231	3,351,895
15 INCOME relates to:		
Lease Rentals of Godowns	3,126,141	9,193,785
16 ADMINISTRATIVE EXPENSES		
16.1 These comprise of:		
Directors Remuneration	780,000	780,000
Salaries and Other Benefits (Note 16.2)	204,000	204,000
Communication Expenses	29,332	25,877
Power and Fuel	45,871	57,946
Entertainment	1,850	-
Rent, Rates and Taxes	41,400	40,000
Printing and Stationery	667,906	450,000
Travelling and Conveyance	18,950	350,223
Fees and Subscriptions	85,000	713,606
Legal and Professional Charges	51,000	10,500
Advertisement	15,000	15,500
Auditors' Remuneration (Note 16.3)	100,000	100,000
Insurance Expenses	36,000	40,000
Vehicle Running and Maintenance	174,836	115,405
Repair and Maintenance	315,260	446,540
Bank Charges	2,187	1,696
Depreciation (Note 12.3)	2,455,747	1,008,414
	5,024,339	4,359,707
16.2 These include Rs. Nil (2017: Rs. Nil) in respect of Staff Retirement benefits.		
16.3 Auditors' Remuneration relates to Annual Statutory Audit of the Company.		
17 TAXATION		
17.1 This represents:		
Current Year Taxation	694,004	2,109,054
Prior Year Taxation	10,000	10,000
	704,004	2,119,054
Deferred Taxation	(387,387)	(166,977)
	316,617	1,952,077
17.2 Relationship between tax expense and accounting (Loss)/Profit		
Accounting (Loss)/Profit before taxation	(1,898,198)	4,834,078
Tax at the enacted tax rate of 30% (2017: 31%)	(569,459)	1,498,564
Tax effect of Exempt Income	(243,839)	(741,019)
Tax effect of items not deductible for Tax Purposes	1,507,302	1,351,509
Effect of prior year taxation	10,000	10,000
Deferred Taxation	(387,387)	(166,977)
	316,617	1,952,077
17.3 Income Tax assessments of the Company upto Tax Year 2017 have either been completed or have been filed under self assessment scheme in accordance with the provisions of Income Tax Ordinance, 2001, hence deemed to be assessed as declared.		

ZAHUR COTTON MILLS LIMITED

17.4 No future taxable income adjustable against Unused tax losses is expected to be available in near foreseeable future. Therefore, the management has decided not to recognize Deferred Tax Assets in respect of the following Temporary Differences:

Accelerated Depreciation		4,649,476	4,640,801
Unabsorbed Tax Depreciation		66,553,185	67,808,874
Unused Business Tax Losses	(Note 17.5)	2,017,295	2,839,244
		<u>73,219,956</u>	<u>75,288,919</u>

17.5 The Expiry Dates for the Unused Business Tax Losses are as follows:

30th June, 2018		-	1,612,386
30th June, 2019		2,448,829	2,448,829
30th June, 2020		954,931	954,931
30th June, 2021		1,096,707	1,096,707
30th June, 2022		2,342,879	2,342,879
30th June, 2023		112,845	-
		<u>6,956,191</u>	<u>8,455,732</u>

18 (LOSS)/EARNINGS PER SHARE

18.1 BASIC (LOSS)/EARNINGS PER SHARE

Net (Loss)/Profit attributable to Ordinary Shareholders		<u>(2,214,814)</u>	<u>2,882,001</u>
---	--	--------------------	------------------

Weighted Average Number of Ordinary Shares Outstanding during the Year

NUMBER OF SHARES

	<u>9,860,000</u>	<u>9,860,000</u>
--	------------------	------------------

(Loss)/Earnings per Share

RUPEES	RUPEES
<u>(0.22)</u>	<u>0.29</u>

18.2 DILUTED (LOSS)/EARNINGS PER SHARE

There is no dilution effect on the basic (Loss)/Earnings per share as the Company has no such commitments.

19 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

19.1 "Executive" is an Employee of the Company other than Chief Executive and Directors, whose Basic Salary exceeds Five Hundred Thousand (2017: Five Hundred Thousand) Rupees in a Financial Year. However, none of the Employees qualified to be an Executive of the Company. The aggregate amount charged in these Financial Statements for Remuneration, including certain Benefits to the Chief Executive and Director of the Company is as follows:

PARTICULARS	2018		2017	
	RUPEES		RUPEES	
	CHIEF EXECUTIVE	DIRECTOR	CHIEF EXECUTIVE	DIRECTOR
Managerial Remuneration	545,455	163,636	545,455	163,636
Medical Allowance	54,545	16,364	54,545	16,364
	<u>600,000</u>	<u>180,000</u>	<u>600,000</u>	<u>180,000</u>
Number of Persons	1	1	1	1

19.2 In addition to above, Chief Executive is provided with running, repair and maintenance of his Vehicle and payment of his mobile phone bills.

19.3 The aggregate amount charged in Financial Statements for the year against fees for attending four board meetings and four audit committee meetings is Rs. Nil (2017: Rs. Nil).

20 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the Associated undertakings, directors of the Company, key Management Personnel. The Company in the normal course of business carries out transactions with various related parties. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Amounts due to related parties are shown under Note No. 7 to the Financial Statements. Remuneration of directors and key management personnel is disclosed in Note No. 18. There are no other transactions with related parties except shown in Note 7 and 18.

21 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations without considering the fair value of the collateral available there against.

Exposure to Credit Risk

The Company monitors its exposure to credit risk on an ongoing basis at various levels. The Company believes that it is not exposed to any major credit risk as its operations have been closed down and its exposure relates to organizations with good credit history. The carrying amount of respective financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is as follows:

	2018	2017
	RUPEES	RUPEES
Long Term Deposits	68,210	68,210
Other Receivables	-	1,082,907
Bank Balances (Note 14)	<u>1,982,744</u>	<u>3,349,288</u>
	<u><u>2,050,954</u></u>	<u><u>4,500,405</u></u>

21.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or experience difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company manages liquidity risk by maintaining sufficient cash balances and the availability of financing through related parties.

21.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Interest rate risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant Long Term Interest bearing assets except for minor Saving and Demand Deposit accounts amounting to Rs. 3,022 on which rate of return is minimal. No interest rate risk arises to the Company as its has no interest bearing long term and short term borrowings. Therefore the Company is not exposed to any interest rate risk or fair value interest rate risk.

ZAHUR COTTON MILLS LIMITED

21.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and financial liabilities reported in the Financial Statements approximate their fair values.

21.5 Financial assets and Financial liabilities

Interest / Mark-up bearing			Non-interest / Mark-up bearing			Total
Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
R			U P			E E S

FINANCIAL ASSETS

Long Term

Deposits	-	-	-	-	68,210	68,210	68,210
Other							
Receivables	-	-	-	-	-	-	-
Cash and Bank							
Balances	3,022	-	3,022	1,990,209	-	1,990,209	1,993,231
30th June, 2018	3,022	-	3,022	1,990,209	68,210	2,058,419	2,061,441
30th June, 2017	3,022	-	3,022	4,431,780	68,210	4,499,990	4,503,012

FINANCIAL LIABILITIES

Long Term

Financing	-	-	-	-	115,514,161	115,514,161	115,514,161
Trade and							
Other Payables	-	-	-	6,302,878	-	6,302,878	6,302,878
30th June, 2018	-	-	-	6,302,878	115,514,161	121,817,039	121,817,039
30th June, 2017	-	-	-	6,995,252	116,174,161	123,169,413	123,169,413

22 Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its business. The capital structure of the Company is mainly equity based with financing through long term borrowings from related parties.

There was no change to the Company's approach to capital management during the year.

	2018	2017
23 NUMBER OF EMPLOYEES	NO. OF EMPLOYEES	
Average employees during the Year	3	3
Number of employees at end of the Year	3	3

24 RATED CAPACITY AND ACTUAL PRODUCTION

24.1 These comprise of:

No. of Looms Installed		10	10
No. of Looms Worked		None	None
Rated Capacity converted into 50 Picks	Square Meters	1,417,324	1,417,324
Actual Production converted into 50 Picks	Square Meters	Nil	Nil

24.2 The operation of the Company remained closed during the year due to unavailability of funds and unfavorable business conditions.

25 FIGURES in these Financial Statements have been rounded off to the nearest Rupee.

26 DATE OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on 28th September, 2018 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

ZAHUR COTTON MILLS LIMITED

**THE COMPANIES ORDINANCE 1984
(Section 236 (1) and 464)
PATTERN OF SHAREHOLDING**

FORM 34

1. Incorporation Number

2. Name of Company **ZAHUR COTTON MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **6/30/2018**

4. No of Shareholders	From	To	Total shares held
	Shareholding		
180	1	100	18,000
5768	101	500	2,760,800
133	501	1,000	128,600
40	1,001	5,000	95,100
4	5,001	10,000	34,900
2	10,001	15,000	23,000
1	20,001	25,000	21,700
1	25,001	30,000	30,000
1	45,001	50,000	50,000
2	50,001	55,000	102,800
1	150,001	155,000	151,500
1	395,001	400,000	397,600
1	430,001	435,000	432,100
1	635,001	640,000	635,500
1	4,975,001	4,980,000	4,978,400
6,137			9,860,000

5. Categories of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers and their spouses and minor children	5,428,500	55.0558%
5.2 Associated Companies, Undertakings and related parties	0	0.0000%
5.3 NIT and ICP	637,000	6.4604%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions	151,500	1.5365%
5.5 Insurance Companies	500	0.0051%
5.6 Modarabas and mutual Funds	0	--
5.7 Share holders holding 10 %	5,613,900	56.9361%
5.8 General Public		
a. Local	3,632,500	36.8408%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	10,000	0.1014%

6. Signature of Company secretary

7. Name of Signatory

8. Designation **Company Secretary**

9. NIC Number

10. Date **30** **6** **2018**

**Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018**

Sr. No	Name	No. of Shares Held	Percentage
--------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail): - -

Mutual Funds (Name Wise Detail) - -

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

1. MR. JAVED ZAHUR	4,978,400	50.4909%
2. MRS. MUKAMILA JAVED	397,600	4.0325%
3. MISS RABIA ZAHUR	50,500	0.5122%
4. NAZIR AKHTAR	500	0.0051%
5. MR. KHAN MUHAMMAD	500	0.0051%
6. MRS MEHREEN GUL HASSAN	500	0.0051%
7. MR. TANVEER AHMAD	500	0.0051%

Executives: - -

Public Sector Companies & Corporations: - -

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: 152,000 1.5416%

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

1 MR. JAVED ZAHUR	4,978,400	50.4909%
2 NATIONAL BANK OF PAKISTAN	635,500	6.4452%

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
	None	Nil	Nil

Form of Proxy

The Company Secretary
Zahur Cotton Mills Limited
94-K.M. Lahore-Multan Road
Near Pul Jaurian, Akhtarabad,
Distt.Okara

I/We _____

of _____

member(s) of ZAHUR COTTON MILLS LIMITED do hereby

appoint _____ of _____

(or failing him) _____ of _____

(who are also members of the Company) as proxy to attend: and vote on my/our behalf at the 28th Annual General Meeting of the Company to be held on 31st October 2018 at 11:00 hrs. at the Registered Office of the Company, 94th KM Lahore-Multan Road, Near Pul Jaurian, Akhtarabad, Distt. Okara or at any adjournment thereof.

Signed on the _____ day of _____ 2018.



Signature of first-named Shareholder

Important:

1. Instrument of Proxy will not be considered as valid unless they are deposited or received at the Company's Registered Office at least 48 hours before the time of holding the meeting.
 2. No person shall act as proxy unless he/she is a member of the Company.
-
-

