Schedule "C"
to
Scheme

Aamir Salman Rizwan
chartered accountants

Our ref: BAS/ASR/2023-24/103

07 February 2024

The Board of Directors

ITANZ Technology (Private) Limited
623-B, PCSIR II,
Lahore.

Zahur Cotton Mills Limited
623-B, PCSIR II,
Lahore.

Dear Sirs,

Subject: Determination of Share Issuance Ratio in the Reverse Merger of ITANZ Technology (Pvt.) Ltd. with Zahur Cotton Mills Ltd.

Aamir Salman Rizwan Chartered Accountants (hereinafter referred to as "We", "Our", "Us", or "ASR") have been appointed to assist in the determination of Share Issuance Ratio of Zahur Cotton Mills Limited (hereinafter referred to as ZHCM) to the shareholders of ITANZ Technology (Private) Limited (hereinafter referred to as ITANZ) in the reverse merger of ITANZ and ZHCM.

1. Understanding of the Transaction

We understand that the managements of both the companies have principally agreed to achieve the amalgamation of ITANZ and ZHCM in the form of a reverse merger, the consequent transfer to and vesting in ZHCM of all assets and liabilities of ITANZ, the dissolution, without winding-up, of ITANZ, and allotment and issue of ZHCM shares to the shareholders of ITANZ (hereinafter referred to as the "Amalgamation") based on the valuations and share issuance ratio determined in this letter.

The share issuance ratio being determined on the basis of calculations and valuations set out in this letter will be used in the draft Scheme of Amalgamation, to be duly approved by the board of directors of both companies.

The draft Scheme of Amalgamation to be duly approved by the board of directors of both companies is envisaged to be effective as on the date which is sanctioned by the respective Hon'ble High Court (hereinafter referred to as the Court).

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2. About the Companies

2.1. Brief Overview

ITANZ Technology (Private) Limited

ITANZ Technology (Private) Limited/ITANZ is a private limited company engaged in the business of providing consultancy services in the field of information technology (IT) and IT-enabled services including software development, installation and implementation services, and other IT-related supplies and services. The year-end of the company is June 30th.

Zahur Cotton Mills Limited

Zahur Cotton Mills Limited/ZHCM is a public limited company quoted on the Pakistan Stock Exchange (PSX). The principal activity of the company is manufacturing and sale of grey fabric. However, after sustaining losses for several years, ZHCM has shut down its production activities, liquidated its assets and, thereafter, remained dormant. The year-end of the company is June 30th.

2.2. Share Capital of Companies

Sr. n°	Company	No. of Issued Shares at September 30, 2023	Par Value (PKR)	Issued Share Capital (PKR)
1	ITANZ	50,000	10	500,000
2	ZHCM	9,860,000	10	98,600,000

2.3. Pattern of Shareholding

Shareholding pattern of ITANZ as on September 30, 2023 was as follows:

Sr. n°	Shareholder	N° of Shares	% Holding
1	Syed Ahmed Bilal	39,000	78.00%
2	Syed Asim Zafar	5,000	10.00%
3	Muhammad Mustansar Shafiq	5,000	10.00%
4	S M Abdullah Al Muttaqui	500	1.00%
5	Afzal Pervaiz	500	1.00%
Total		**50,000**	**100.00%**

Shareholding pattern of ZHCM as on September 30, 2023 was as follows:

Sr. n°	Shareholder	N° of Shares	% Holding
1	Javed Zahur	5,077,800	51.50%
2	Directors, their Spouse, etc.	3,500	0.03%
3	Other shareholders	4,778,700	48.47%
Total		**9,860,000**	**100.00%**

[1] Interim accounts for the quarter ended September 30, 2023 were available at the time of preparing this letter.

3. Valuation of Companies

Valuation of a company is generally carried out using the following methods:

1. Breakup value[2]
2. Discounted cash flows[3]
3. Market value of shares[4]
4. Earnings multiple[5]
5. Comparable company transaction[6]

The table hereunder describes the rationale for selection or reasons for not utilization of a particular approach for valuation of ITANZ and ZHCM:

Valuation Approach	ITANZ	ZHCM
Breakup Value	Used	Not used as ZHCM's breakup value is negative due to sustained losses.
Discounted Cash Flows (DCF)	Used	Not used as ZHCM's business is dormant since many years.
Market Value of Shares	Not used as it is a Private Limited Company and hence market value is not available	Not used as ZHCM's is placed on PSX's suspended counter and its shares are not being traded on PSX.
Earnings Multiple	Used	Not used as the business is dormant since many years.
Comparable Company Transaction	Not used as private company transactions are generally not disclosed to the public	Used as a recent transaction involving acquisition of a similar dormant company (approved by the Hon'ble Lahore High Court) was identified.

[2] Breakup Value method involves calculating net assets of the company. It calculates how much will the Company be worth if all of its assets are sold and liabilities settled/paid for.
[3] Discounted Cash Flows method involves estimating the future cash flows expected to be generated by the business over an appropriate period and then discounting it to present value using an appropriate discount rate. This discount rate considers the time value of money, inflation, and the risk inherent in owning the business being valued.
[4] Market Value of Shares method is applicable for those companies whose shares are being traded on the stock exchange. This method uses the market value of shares to calculate the total value of the Company.
[5] Earnings Multiple method is a business valuation approach that assesses the value of a company by comparing its market price per share to its earnings per share (EPS). In case if the shares of the Company are not being traded on stock exchange then ratio of similar companies in the industry is used to estimate its market value.
[6] The recent company transaction method is a widely utilized approach in business valuation that involves analyzing the acquisition details of similar companies to estimate the value of a target company. This method assumes that the transaction value of a comparable company can be a reliable indicator of the target company's value. One key consideration in employing this method is the adjustment for changes in liabilities and the time value of money.

Valuation of ITANZ Technology (Private) Limited – ITANZ

Using the above approaches, the valuation of ITANZ is as depicted in the table below;

Sr. nº	Particulars	Total Value (PKR '000')	Value Per Share (PKR)
1	Value- Breakup Value Method	165,491	3,310
2	Value – DCF Method		
(a)	• At discount rate 24.3% **Scenario I**	1,409,213	28,184
(b)	• At discount rate 26.3% **Scenario II**	1,246,945	24,939
3	Value – Earnings Multiple Method	699,962	13,999

Final value of ITANZ is computed as the average of these three methods under both scenarios as follows:

Sr. nº	Particulars	Total Value (PKR '000')	Value Per Share (PKR)
1	Value of ITANZ at discount rate 24.3%	758,222	15,164.43
2	Value of ITANZ at discount rate 26.3%	704,132	14,082.65

Valuation of Zahur Cotton Mills Limited – ZHCM

ZHCM is at the defaulter counter of PSX and it has also ceased its operations for quite some time now. Therefore, its valuation was carried out using a recent company transaction method.

In our analysis, we examined a recent transaction where a similar company was acquired at Rs. 10.78 per share almost 2 years ago, with the acquirer assuming liabilities of Rs. 39 million. Adjusting for changes in liabilities, we calculated the Adjusted Acquisition Price for the similar company. Subsequently, to account for the time value of money, we applied a discount rate of 24.64%. The adjusted present value of the acquisition, after considering both changes in liabilities and the time value of money, yielded the following valuation of ZHCM:

Sr. nº	Particulars	Total Value (PKR '000')	Value Per Share (PKR)
1	Value of ZHCM	76,324	7.74

4. Share Issuance Ratio Range Computation

Total consideration to be paid by ZHCM to the shareholders of ITANZ will be in the form of shares.

However, the share issuance ratio will depend upon range of values of ITANZ as determined above. The number of shares of ZHCM to be issued to shareholders of ITANZ, under both scenarios, has been determined below:

Share Issuance Ratio Range Computation	Scenario I	Scenario II
Per Share Value of ITANZ (PKR)	15,164.43	14,082.65
Per Share Value of ZHCM (PKR)	7.74	7.74
Share issuance ratio (number of shares of ZHCM to be issued against each share of ITANZ)	1,959.23	1,819.46
Shares of ZHCM to be issued to ITANZ members	97,961,500	90,973,000

ZHCM will have to issue shares to the shareholders of ITANZ in the range of 97,961,500 to 90,973,000 depending upon the approval by the board of directors and members of respective companies and subject to sanction of the respective Court in accordance with the provision of Section 279 to 285 of the Companies Act, 2017.

5. Caveats

(1) This share issuance letter is subject to limitations detailed herein. This letter is to be read in totality, and not in parts, in conjunction with all the relevant documents referred herein.

(2) This letter has been prepared solely for the transaction referred above in relation to the draft Scheme of Amalgamation and accordingly, it is not to be used by any other person or for any other purpose.

(3) We have no responsibility to update this letter for events and circumstances occurring after the date of this letter.

(4) Valuation is not a precise science. It is subjective and requires the application of experience and judgment to given facts to arrive at conclusion. There is no single "right" answer, rather there are reasonable and reasoned values. Hence the actual results and the valuation are likely to be different than projected, since anticipated events do not occur as expected and the variation could be material.

(5) This letter does not in any manner address the prices at which the shares of ZHCM will transfer to the shareholders of ITANZ following the announcement of the Scheme of Amalgamation, and we express no opinion or recommendation as to how the shareholders of the companies should vote at any shareholders' meeting to be held in connection with the transfer of shares.

(6) Management representation has been obtained on future forecasts and the valuation assumptions of ITANZ and ZHCM.

(7) A draft of this letter was shared with the managements of ITANZ and ZHCM, prior to its finalization, as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in the report.

(8) All accounting matters in relation to the transaction will be the responsibility of ITANZ and ZHCM.

ASR

(9) The procedures performed for issuing this letter, do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, therefore, we do not, hereby, express an opinion or other form of assurance.

(10) This letter is based on the figures available at September 30, 2023. We have not audited the financial accounts of the companies.

(11) In rendering this letter, we have not provided legal, regulatory, tax, or accounting advice and accordingly we do not assume any responsibility or liability in respect thereof.

(12) In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of this letter or by virtue of fact that the details provided to us are incorrect or inaccurate.

(13) This letter and the information contained herein are intended for providing selected information and only in connection with the purpose mentioned above or for sharing with shareholders and management of the companies, statutory authorities, and the respective Hon'ble High Court.

Your truly,

Chartered Accountants