

ANNUAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

KARIM COTTON MILLS LIMITED

KARIM COTTON MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. A. Majeed Ghaziani - Chief Executive
Mr. Muhammad Farrukh - Chairman
Mr. Safdar Sajjad
Mr. Abu talib Muhammad Yunus
Mr. Abdul Hafeez
Mr. Sheikh Ali Baakza
Mr. Muhammad Zain Sardar

AUDIT COMMITTEE

Mr. Abu talib Muhammad Yunus - Chairman
Mr. Safdar Sajjad - Member
Mr. Abdul Hafeez - Member

HR COMMITTEE

Mr. Safdar Sajjad - Chairman
Mr. Abdul Hafeez - Member
Mr. Abu talib Muhammad Yunus - Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Yousuf Hamdani

REGISTERED OFFICE

Unit # 1, 38-E, Shamsi Road, P.E.C.H.S
Block-6, Karachi 75400, Pakistan

AUDITORS

S.M SUHAIL & CO.
Chartered Accountants
Office# 1001-1014, Uni Center, I..I Chundrigar Road,
Karachi-74000

SHARE REGISTRAR

Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block-2, P.E.C.H.S.,
off. Shahrah-e-Qauideen, Karachi.

KARIM COTTON MILLS LIMITED
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th Annual General Meeting of KARIM COTTON MILLS LIMITED will be held on Wednesday, 25th October, 2017 at 02:00 pm at Regent Plaza Main Sharah-e-Faisal Karachi:

1. To confirm the minutes of Annual General Meeting held on 29.October, 2016
2. To receive, consider, pass and adopt the audited accounts of the company for the year ended 30th June, 2017 together with Auditors reports thereon and the Directors report to the shareholders.
3. To appoint the Auditors of the Company for the year ending 30.6.2018 and fix their remuneration.
4. To transact any other business as may be placed before the meeting with the permission of the Chair:

By order of the Board
YOUSUF HAMDANI
Company Secretary

Karachi,
October 4, 2017

Notes:

- (i) The share transfer book of the Company will remain closed from October 18, 2017 to October 25, 2017 (both days inclusive). Transfers (if any) should received at the office of Share registrar situated at Technology Trade (Pvt) Ltd, Dagia House, 241-C, Block-2, P.E.C.H.S Karachi latest by the close of business on October 17, 2017.
- (ii) A Member entitled to attend and vote at the General Meeting of Members is entitled to appoint a proxy to attend and vote on his / her behalf. A proxy must not be a Member of the Company. However, an attorney under proxy may attend and vote at the meeting without being a member.
- (iii) The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A form of proxy is enclosed. Shareholders are requested to notify any change of address immediately.
- (iv) CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company (Original CNIC / Passport is required to be produced at the time of the meeting).
- (v) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.
- (vi) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (vii) The proxy shall produce his / her original CNIC or original passport at the time of meeting.
- (viii) Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company, are requested to send the same at the earliest.

KARIM COTTON MILLS LIMITED

CHAIRMAN'S REVIEW

On behalf of the Board of Directors I am pleased to present the Chairman's Review for the year ended June 30, 2017.

Alhamdulillah, the merger process of your Company was completed in August 2017. The Board of Directors was replaced after the completion of merger process and the new management officially took control of the Company thereafter.

New Audit Committee and Human Resources & Remuneration Committee were appointed in the meeting of Board of Directors after the merger.

The Audit Committee comprises of three members and its chairman is an independent director while the other two members are non-executive director.

The Human Resources & Remuneration Committee comprises of three members and its Chairman is a non-executive director while one of the members is a non-executive director and the third member is an independent director.

The Board and the management has established adequate internal financial control arrangements. The Board and CEO are also in the process of expanding the human resource base of the Company by hiring professionals and other duly qualified and experienced personnel to cater to the growing and expanding needs of the Company.

Muhammad Farrukh
Chairman

Karachi

October 3, 2017

چیمبر مین کی جائزہ رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے میں 30 جون، 2017 کو ختم شدہ سال کے لیے چیمبر مین کی جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

الحمد للہ، آپ کی کمپنی کا انضمام اگست 2017 میں مکمل ہوا۔ انضمام کی تکمیل کے بعد بورڈ آف ڈائریکٹرز تبدیل ہونے اور اس کے بعد نئی انتظامیہ نے باضابطہ طور پر کمپنی کا نظام سنبھال لیا ہے۔

انضمام کے بعد بورڈ آف ڈائریکٹرز کے اجلاس میں نئی آڈٹ کمیٹی کے علاوہ نئی ہیومن ریسورسز اینڈ ریویژن کمیٹی مقرر کی گئی ہیں۔

آڈٹ کمیٹی تین ارکان پر مشتمل ہے اور اس کے چیمبر مین ایک آزاد ڈائریکٹر ہیں جبکہ باقی دو ارکان نان۔ ایگزیکٹو ڈائریکٹر ہیں۔

ہیومن ریسورسز اینڈ ریویژن کمیٹی بھی تین ارکان پر مشتمل ہے اور اس کے چیمبر مین نان۔ ایگزیکٹو ڈائریکٹر ہیں جبکہ کمیٹی کا ایک رکن نان۔ ایگزیکٹو ڈائریکٹر اور تیسرا رکن آزاد ڈائریکٹر ہے۔

بورڈ اور انتظامیہ نے کمپنی میں اندرونی مالی معاملات پر نگرانی کا انتظام قائم کیا ہے۔ بورڈ اور سی ای او کمپنی میں برحق ہونی ضروریات کے پیش نظر پیشہ ور مہارت سے حاصل اور دیگر اہل و تجربہ کار افراد کی تقرری کے ذریعے کمپنی میں ہیومن ریسورس کی بنیاد منسب و طاورہ وسیع بنانے کے لیے کوشاں ہیں۔

محمد فرخ

چیمبر مین

کراچی

3 اکتوبر، 2017

KARIM COTTON MILLS LIMITED

DIRECTORS' REPORT

On behalf of the Board of Directors I am pleased to present the Directors' Report for the year ended June 30, 2017.

The merger scheme was approved by the High Court in August 2017, and the process of merger of your Company was completed subsequently. The Board of Directors was replaced and the new management officially took control of the Company after completion of the merger process.

During the period from July 1, 2016 to June 30 2017 no change took place on the Board of Directors of the Company.

As on the date of this report, following is the composition of the Board of Directors.

| | |
|------------------------------|---|
| Mr. Mohammad Farrukh | Non-Executive Director-Chairman |
| Mr. Abdul Majeed Ghaziani | Non-Executive Director- Chief Executive |
| Mr. Abu Talib Mohammad Yunus | Independent Director |
| Sheikh Ali Baakza | Non-Executive Director |
| Mr. Mohammed Zain Sardar | Non-Executive Director |
| Mr. Safdar Sajjad | Non-Executive Director |
| Mr. Abdul Hafeez | Non-Executive Director |

During the year the manufacturing operations of the Company remain suspended and no business operation was conducted.

The Company faces little risk or uncertainty in any area except those generally faced by local companies operating in Pakistan.

The Company has no holding or subsidiary company.

Summary of financial operations of the Company for the financial year ended June 30, 2017 is provided below:

| | Rs. |
|-------------------------------------|-------------|
| Total Revenue | Nil |
| Administrative and General Expenses | (2,899,140) |
| Other Operating Income | 13,013,656 |
| Profit Before Taxation | 10,144,516 |
| Income Tax | (3,236,645) |
| Profit After Tax | 6,877,871 |
| EPS | 5.55 |

As stated above, the Company did not carry out any operating activity during year under review. It has recorded markup due on short term loan, and incurred expenses necessary for administration and other purposes as mentioned in detail in the financial statements.

The Board and the management have established adequate internal financial control arrangements.

Acknowledgements

We would like to take this opportunity to thank the Pakistan Stock Exchange, the SECP and the CDC for their continued support and cooperation towards the Company. We hope that this support would continue in the future as well.

We would also like to thank our dedicated and talented team of executives, staff and workers for the hard work put in during the period. We expect continued efforts from our employees to achieve results in line with the revival plans.

For and on behalf of the Board

Abdul Majeed Ghaziani
Chief Executive

Karachi:

October 3, 2017

ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے میں 30 جون، 2017 کو ختم شدہ سال کے لیے ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

الحمد للہ آپ کی کمپنی کا انضمام کا مرحلہ اگست 2017 مکمل ہوا۔ بورڈ آف ڈائریکٹرز کی تبدیلی عمل میں آئی اور مذکورہ اجلاس کے بعد نئی انتظامیہ نے باضابطہ طور پر کمپنی کا نظام سنبھال لیا ہے۔

یکم جولائی 2016 سے 30 جون 2017 کے دوران کسی بھی بورڈ آف ڈائریکٹرز کو تبدیل نہیں کیا گیا۔ اس رپورٹ کی اشاعت کے دن مندرجہ ذیل بورڈ آف ڈائریکٹرز زیر ہیں۔

| | | |
|----|-------------------------|-------------------------------------|
| 1- | محترم محمد فرخ | نان ایگزیکٹو ڈائریکٹر۔ چیئرمین |
| 2- | محترم عبدالحمید غازیانی | نان ایگزیکٹو ڈائریکٹر۔ چیف ایگزیکٹو |
| 3- | محترم ابوطالب محمد یونس | انڈسٹریل ڈائریکٹر |
| 4- | محترم شیخ علی بازرہ | نان ایگزیکٹو ڈائریکٹر |
| 5- | محترم محمد زین سردار | نان ایگزیکٹو ڈائریکٹر |
| 6- | محترم صفدر سجاد | نان ایگزیکٹو ڈائریکٹر |
| 7- | محترم عبدالحمید حفیظ | نان ایگزیکٹو ڈائریکٹر |

اس سال مینیجمنٹ میں مینیجنگ ڈائریکٹر کا کام معطل رہا اور کوئی بھی کاروبار عمل نہیں ہوا۔

پاکستان میں مقامی کمپنیوں کو عام طور پر پیش آنے والے خطرات کے علاوہ کمپنی کو کسی شعبے میں کسی بڑے خطرے یا غیر یقینی صورتحال کا سامنا رہا نہیں ہے۔

کمپنی کی کوئی ہولڈنگ یا ڈبلیو کمپنی نہیں ہے۔

30 جون، 2017 کو ختم شدہ مالی سال کے لیے کمپنی کے مالی حسابات کی تفصیلات ذیل میں فراہم کی گئی ہے:

| روپے | کل آمدنی |
|-------------|-------------------------|
| Nil | انتظامی اور جزل اخراجات |
| (2,899,140) | دیگر کاروباری آمدنی |
| 13,013,656 | قبل از ٹیکس آمدنی |
| 10,144,516 | انکم ٹیکس |
| (3,236,645) | بعد از ٹیکس آمدنی |
| 6,877,871 | ای پی ایس |
| 5.55 | |

جیسا کہ اوپر بتایا گیا ہے، کمپنی میں زیر جائزہ سال کے دوران کوئی کاروباری سرگرمی نہیں ہوئی۔ کمپنی کو انتظامیہ اور دیگر مقاصد کے لیے ضروری اخراجات کی تفصیلات فنانشل اسٹیٹمنٹس میں ظاہر کی گئی ہے۔

بورڈ اور انتظامیہ نے کمپنی میں اندرونی مالی معاملات پر نگرانی کا انتظام قائم کیا ہے۔ بورڈ اور سی ای او کمپنی میں بڑھتی ہوئی ضروریات کے پیش نظر پیشہ ور مہارت کے حامل اور دیگر اہل و تجربہ کار افراد کی تقرری کے ذریعے کمپنی میں ہیومن ریسورس کی بنیاد مضبوط اور وسیع بنانے کے لیے کوشاں ہیں۔

بشکریہ

ہم پاکستان اسٹاک ایکسچینج، ایس ای سی پی اور سی ڈی سی کے شکرگزار ہیں کہ انہوں نے کمپنی کے ساتھ مسلسل تعاون کو جاری رکھا۔ ہم مستقبل میں بھی اسی تعاون کی امید رکھتے ہیں۔

ہم اپنے ایگزیکٹوز، ملازمین اور ورکرز کی انتھک جدوجہد کے بھی شکرگزار ہیں۔ ہم اپنے ملازمین کی جانب مستقبل میں بحالی کے منصوبوں کو کامیاب بنانے میں مسلسل کوششوں کی امید کرتے ہیں۔

بورڈ کی طرف سے

عبدالحمید غازیانی

چیف ایگزیکٹو

کراچی

3 اکتوبر، 2017

KARIM COTTON MILLS LIMITED
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Karim Cotton Mills Limited** as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of its profit, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention towards

- 1) note "1" to these financial statements wherein it is stated that the Company has now merged, after awarding order by the Honorable Sindh High Court in August 2016 on scheme of merger and subsequent intimation of the order to the Companies Registrar Office, the Securities and Exchange Commission of Pakistan.

However, after the merger no business activity has yet been commenced by the Company. The Company does not hold any manufacturing, assembling or processing facility to re-commence its business of manufacturing yarn and fabrics, and also it has not yet appointed any staff to arrange resources for the re-commencement of the business there is no employee on payroll of the Company.

The Board of directors has not yet decided about the re-commencement of the business and its related issues. Furthermore, subsequent to the yearend no step is taken to mitigate the uncertainty related to the commencement of business by the Company. Presently, the only source of income is earning of profits due on loan, provided to a related party. The provided loan is expected to be recovered fully within next 6 months, after that the Company shall be earning no income if it has not recommenced its business till the recovery. The underlying going concern assumption will depend upon the mitigating factors as mentioned in the note "1" to these financial statements.

- 2) the fact that net assets of merged company are not acquired at their fair value but acquired at their cost, however the carrying value of these assets do not materially differs from their fair value.

Our opinion is not qualified in respect of matters mentioned in above two points.

The financial statements of the company for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who expressed an unmodified opinion in their report dated October 03, 2016.

S.M. Suhail & Co.
Chartered Accountants
Karachi.

Engagement Partner: S.M.Suhail FCA

Date: October 3, 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company : **KARIM COTTON MILL LIMITED**

Year ended : **30 JUNE 2017**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 5.19.24 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

| Name | Category |
|------------------------------|---------------|
| Mr. Abdul Majeed Ghaziani | Non-Executive |
| Mr. Muhammad Farrukh | Non-Executive |
| Mr. Sheikh Ali Baakza | Non-Executive |
| Mr. Muhammad Zain Sardar | Non-Executive |
| Mr. Safdar Sajjad | Non-Executive |
| Mr. Abdul Hafees | Non-Executive |
| Mr. Abu Talib Muhammad Yunus | Independent |

The independent directors meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the board.

5. 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.

6. 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.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. 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 and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year no orientation course was held for directors.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three Members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board intends to comply with the requirement of HR and Remuneration committee comprising of one executive and two non-executive directors as soon as revival phase is completed.
18. The company is not in operation, therefore, internal audit department is not maintained.
19. 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, 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The requirement of 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of company's securities was not applicable as the trading on exchanges remained suspended.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

(Abdul Majeed Ghaziani)
Chief Executive

Karachi:
Date: October 3, 2017

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended on June 30, 2017 prepared by the Board of Directors of **Karim Cotton Mills Limited** (the Company) to comply with the requirements contained under the chapter 5 clause 5.19.24(b) of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively be verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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 Directors' statement of internal control covers all risks and controls or to form an opinion on effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code 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 related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of 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 undertaken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the note reference where it is stated in the Statement of Compliance.

| Note Reference | Description |
|-----------------------|--|
| 9 | The Board has not yet started the process of orientation for its Directors to apprise them of their duties and responsibilities. |
| 17 | The board has not formed the HR & Remuneration Committee as required by the Code. |
| 18 | The board has not setup an effective internal audit function. |

S.M. Suhail & Co.
Chartered Accountants
Karachi.

Engagement Partner: S.M.Suhail, FCA,

Date: October 3, 2017

KARIM COTTON MILLS LIMITED

Balance Sheet

As at June 30, 2017

| ASSETS | Note | 2017 (all amounts in PKR) | 2016 |
|--|------|------------------------------|---------------|
| Non-Current Assets | | | |
| Property, plant and equipment | 5 | 14,227,280 | - |
| Total Non-Current Assets | | 14,227,280 | - |
| Current Assets | | | |
| Short term loan | 6 | 198,895,535 | - |
| Taxation-net | | 18,013,600 | - |
| Cash and bank balances | 7 | 113,385 | 14,027 |
| Total Current Assets | | 217,022,520 | 14,027 |
| TOTAL ASSETS | | 231,249,800 | 14,027 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Authorized Share Capital 25,000,000 (2016: 5,000,000) Ordinary Shares of Rs. 10/- each | | 250,000,000 | 50,000,000 |
| Issued, subscribed and paid-up capital | 8 | 229,932,940 | 11,832,940 |
| Accumulated loss | | (377,055) | (12,887,828) |
| Loan from directors | 9 | 1,484,000 | 184,000 |
| Total Equity | | 231,039,885 | (870,888) |
| Current Liabilities | | | |
| Accrued liabilities | 10 | 209,915 | 884,915 |
| Total Current Liabilities | | 209,915 | 884,915 |
| Contingencies and commitments | 11 | | |
| TOTAL EQUITY AND LIABILITIES | | 231,249,800 | 14,027 |

The annexed notes from 1 to 21 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

KARIM COTTON MILLS LIMITED
Profit and Loss Account
For the year ended June 30, 2017

| REVENUE | Note | 2017 | 2016 |
|---|------|----------------------|------------------|
| | | (all amounts in PKR) | |
| Markup income | 12 | 13,013,656 | - |
| Total Revenue | | 13,013,656 | - |
| ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| Audit fee | 13 | 200,000 | 125,000 |
| Rent, Rate and Taxes | | 57,600 | 57,600 |
| Fees and subscription charges | | 5,965 | 8,550 |
| General postage and courier | | 7,540 | 10,300 |
| Legal and professional expenses | | 3,295 | - |
| Printing expenses | | 100,743 | 92,575 |
| Advertisement expenses | | 13,300 | 14,400 |
| Depreciation | | 2,510,697 | - |
| Total administrative and general expenses | | 2,899,140 | 308,425 |
| Net profit / (loss) before taxation | | 10,114,516 | (308,425) |
| Taxation | | (3,236,645) | - |
| Net profit / (loss) after taxation | | 6,877,871 | (308,425) |
| Basic & Diluted Earning Per Share | 14 | 5.55 | (0.26) |

The annexed notes from 1 to 21 form an integral part of these financial statements.

 Chief Executive

 Director

 Chief Financial Officer

KARIM COTTON MILLS LIMITED**Cash Flow Statement****For the year ended June 30, 2017**

| | 2017 | 2016 |
|--|-----------------------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | (all amounts in PKR) | |
| Profit / (loss) before taxation | 10,114,516 | (308,425) |
| Adjustments for: | | |
| Depreciation | 2,510,697 | - |
| Profit on short term loan | (13,011,857) | - |
| Operating Profit Before Working Capital Changes | (386,644) | (308,425) |
| Changes in working capital | | |
| Increase / (decrease) in current liabilities: | | |
| Accrued expenses | (915,000) | 125,000 |
| | (1,301,644) | (183,425) |
| Taxes paid | (181) | - |
| Net cash flows (used in)/generated from operations | (1,301,825) | (183,425) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loan received from director | 1,300,000 | 184,000 |
| Net cash flows generated investing activities | 1,300,000 | 184,000 |
| Net increase in cash and cash equivalent | (1,825) | 575 |
| Cash and cash equivalents acquired at merger | 101,183 | - |
| Cash and cash equivalents at beginning of the year | 14,027 | 13,452 |
| Cash and cash equivalents at end of the year | 113,385 | 14,027 |

The annexed notes from 1 to 21 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

KARIM COTTON MILLS LIMITED
Statement of Changes in Equity
For the year ended June 30, 2017

| Particulars | (all amounts in PKR) | | | |
|---|---|-----------------------|-----------------------|-------------------------|
| | Issued, Subscribed and Paid-up Capital | Accumulated Profit | Loan from director | Shareholders' Equity |
| Balance as at June 30, 2015 | 11,832,940 | (12,579,403) | - | (746,463) |
| Total comprehensive income for the year | - | (308,425) | - | (308,425) |
| Loan received during the year | - | - | 184,000 | 184,000 |
| Balance as at June 30, 2016 | 11,832,940 | (12,887,828) | 184,000 | (870,888) |
| Shares issued on merger (note 1.1) | 218,100,000 | - | - | 218,100,000 |
| Total comprehensive income for the year | - | 12,510,773 | - | 12,510,773 |
| Loan received during the year | - | - | 1,300,000 | 1,300,000 |
| Balance as at June 30, 2017 | 229,932,940 | (377,055) | 1,484,000 | 231,039,885 |

The annexed notes from 1 to 21 form an integral part of these financial statements.

 Chief Executive

 Director

 Chief Financial Officer

KARIM COTTON MILLS LIMITED
Statement of Comprehensive Income
For the year ended June 30, 2017

| | 2017 | 2016 |
|--|-----------------------------|------------------|
| COMPREHENSIVE INCOME | (all amounts in PKR) | |
| Profit / (loss) for thr year | 6,877,871 | (308,425) |
| Other comprehensive income | | |
| Gain on merger | 5,632,902 | - |
| Total Comprehensive Income for the Year | 12,510,773 | (308,425) |

The annexed notes from 1 to 21 form an integral part of these financial statements.

 Chief Executive

 Director

 Chief Financial Officer

KARIM COTTON MILLS LIMITED

Notes to and forming part of these Financial Statements For the year ended June 30, 2017

Note
1

LEGAL STATUS AND BUSINESS ACTIVITIES OF THE COMPANY

Karim Cotton Mills Limited (the Company) was incorporated as private limited company on March 28, 1968 under the repealed Companies Act, 1913 now the Companies Act, 2017. It was later converted into a public limited company on December 14, 1968. Its shares are quoted on Pakistan Stock Exchange but presently at the defaulter's counter. the main business activity of the Company is to manufacture yarn and fabrics. On April 30, 1995 it ceased its operations which is still ceased. The registered office of the Company is situated at Unit # 1, 38-E, Shamsi Road, P.E.C.H.S, Block-6, Karachi.

Subsequent to the closure of its operations on April 30, 1995 it sold its operating assets in 1999 and management is making continuous efforts to revive its operations. Since then directors have been meeting its expenses from their own resources.

Pursuant to the order dated August 31, 2004, passed by the Appellate Tribunal of the Commission, on Company's appeal suspending impugned winding up order passed on June 16, 2004 by Enforcement and Monitoring Department of SECP, the sponsors holding majority shares executed a MOU dated May 3, 2014 with M/s Agro Allianz (Private) Limited for the long awaited revival of the Company subject to the condition that the scheme shall be presented to shareholders of both the companies to merge Agro Allianz (Private) Limited (AAPL) with the Company, against issuance of shares to the shareholders of AAPL by the Company. Shareholders of both the companies have approved the scheme and the matter as petition is presented before the High Court of Sindh for necessary sanctions. During the year on August 18, 2016 the High Court of Sindh has allowed the petition as prayed through an order. Now the Company stand merged and have acquired total net assets of AAPL. However the activities of the Company are not yet re-commenced as the controls of the Company has been transferred to the new management subsequent to year end. Business activities shall be re-commenced in near future as soon as the resources are arranged.

1.1 Merger of the Company with Agro Allianz (Pvt.) Limited

the Scheme of merger of Agro Allianz (Pvt.) Limited with Karim Cotton Mills Limited was initially approved and adopted by shareholders of both the companies separately in extra ordinary general meetings held in May, 2015. However the scheme was subsequently revised in August, 2015 due to the changes in net assets of both the companies as per the audited financial statements. According to the revised scheme the SWAP ratio was 145.4:1 and the effective date of the scheme was agreed as March 31, 2016.

The sanctions order for the scheme received from the Sindh High Court on August 18, 2016. Subsequent to the sanction from Sindh High Court, the companies stand process merger and finally submitted Sindh High Court's order to Company registrar as formal intimation of completion of merger. Karim Cotton Mills Limited acquired all the assets and liabilities of Agro Allianz (Pvt.) Limited. Now, the legal status of Agro Allianz (Pvt.) Limited ceased on merger without being wound up and Karim Cotton Mills Limited is a continued merged company.

According to the revised scheme, the Karim Cotton Mills Limited has issued 21,810,000 shares of Rs. 10 each, at par value to the shareholders of the Agro Allianz (Pvt.) Limited against acquisition of complete net assets of the company.

These financial statements have been prepared as that of the amalgamated company.

KARIM COTTON MILLS LIMITED

Notes to and forming part of these Financial Statements

For the year ended June 30, 2017

Note 2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. During the period Companies Act, 2017 has been promulgated. It repealed the Companies Ordinance, 1984. However as per the circular 17/2017 of Securities and Exchange Commission of Pakistan, the companies having year end on June 30th 2017 are not required to adopt the Companies Act, 2017 for their annual financial reporting of the year 2017 and shall adopt the repealed Companies Ordinance, 1984 for financial reporting for the year ended on June 30, 2017. These companies shall adopt the Companies Act, 2017 for all the subsequent reporting years. Therefore, approved accounting standards comprises of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions and directives issued under repealed Companies Ordinance, 1984. In case requirements differ, the provisions and directives of repealed Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention and on the accrual basis of accounting except otherwise specially stated in their respective notes.

2.3 Standards and amendments to standards that became effective

There are certain new and amended standards, interpretations and amendments that are mandatory for the accounting periods beginning on or after July 1, 2016. These amendments do not have any significant effect on these financial statements.

| | |
|---------|--|
| IFRS-5 | Non-current Assets Held for Sale and Discontinued Operations (Amendments resulting from September 2014 Annual Improvements to IFRSs) |
| IFRS-7 | Financial instruments (Amendments resulting from September 2014 Annual Improvements to IFRSs) |
| IFRS-10 | Consolidated financial statements (Amendments regarding the application of the consolidation exception) |
| IFRS-11 | Joint arrangements (Amendments regarding the accounting for acquisitions of an interest in a joint operation) |
| IFRS-12 | Disclosure of Interests in Other Entities (Amendments regarding the application of the consolidation exception) |
| IAS-1 | Presentation of financial statements (Amendments resulting from the |
| IAS-16 | Property, plant and equipment (Amendments regarding the clarification of acceptable methods of depreciation and amortisation and Amendments bringing bearer plants into the scope of IAS 16) |
| IAS-19 | Employee benefit (Amendments resulting from September 2014 Annual Improvements to IFRSs) |
| IAS-27 | Separate Financial Statements (Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements) |
| IAS-28 | Investments in Associates and Joint Ventures (Amendments regarding the application of the consolidation exception) |
| IAS-34 | Interim Financial Reporting (Amendments resulting from September 2014 Annual Improvements to IFRSs) |
| IAS-38 | Intangible Assets (Amendments regarding the clarification of acceptable methods of depreciation and amortisation) |
| IAS-41 | Agriculture (Amendments bringing bearer plants into the scope of IAS 16) |

KARIM COTTON MILLS LIMITED

Notes to and forming part of these Financial Statements

For the year ended June 30, 2017

2.4 Standards and amendments to published approved accounting standards that are not yet effective

standards will be effective for the Company for accounting periods beginning on or after 01 July 2017:

| | | Annual period beginning on or after |
|----------|---|---|
| IFRS-1 | First time adoption of International Financial Reporting Standards | |
| | Amendments resulting from Annual Improvements 2014–2016 Cycle (removing short-term exemptions) | January 1, 2018 |
| IFRS-2 | Share based payments | |
| | Amendments to clarify the classification and measurement of share-based payment transactions | January 1, 2018 |
| IFRS-4 | Insurance contracts | |
| | Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 1, 2018 |
| IFRS-12 | Disclosure of interest in other entities | |
| | Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope) | January 1, 2017 |
| IAS-7 | Statement of cash flows | |
| | Amendments as result of the Disclosure initiative | January 1, 2017 |
| IAS-12 | Income taxes | |
| | Amendments regarding the recognition of deferred tax assets for unrealised losses | January 1, 2017 |
| IAS-28 | Investments in associates and joint ventures | |
| | Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value | January 1, 2018 |
| IFRS-39 | Financial Instruments: Recognition and Measurement | |
| | Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to | January 1, 2018 |
| IAS-40 | Investment property | |
| | Amendments to clarify transfers or property to, or from, investment property | January 1, 2018 |
| IFRIC-22 | Foreign Currency Transactions and Advance | January 1, 2018 |
| IFRIC-23 | Uncertainty over Income tax treatment | January 1, 2019 |

2.5 Standards issued by IASB but not yet notified by SECP

Further, the following new standards have been issued by IASB which are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of application in Pakistan.

| | | Annual period beginning on or after |
|---------|---|---|
| IFRS-9 | Financial instruments | January 1, 2018 |
| IFRS-14 | Regulatory Deferral Accounts - Original issue | January 1, 2018 |
| IFRS-15 | Revenue from contracts with customers | January 1, 2018 |
| IFRS-16 | Leases - Original issue | January 1, 2019 |
| IFRS-17 | Insurance contracts - Original issue | January 1, 2021 |

KARIM COTTON MILLS LIMITED
Notes to and forming part of these Financial Statements
For the year ended June 30, 2017

Note
3 **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that effect the reported amounts of assets and liabilities and income and expenses. It also requires managements to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and 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 effects only that period, or in the period of revision and future periods, if the revision affects both current and future periods. Areas where assumptions and estimates are significant to the financial statements are:

- useful life of depreciable assets
- provision for doubtful debts and
- provision for taxation

Note
4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4.1 Taxation

Current

Provision for taxation is based on the taxable income for the year at current tax rates after taking into account tax credits and tax rebates, if any, computed in accordance with the enacted tax laws or based on turnover @1.0% or 17% of accounting profit whichever is higher.

Deferred

Deferred tax is tax attributable to the temporary differences, that is, difference between the carrying amount of assets or liability and its corresponding tax base.

The company accounts for deferred taxation using the balance sheet method. Deferred tax liability is recognized for future taxable temporary differences and deferred tax asset is recognized for future deductible temporary differences, including unutilized tax losses, to the extent when it is probable that future taxable profits will be available to offset the deferred tax asset.

However, as the deferred tax asset arised on unabsorbed tax losses exceeds the arised deferred tax liability therefore assets are only recognized to the extent of writting off arised liability and not further.

4.2 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment loss. Depreciation is charged to profit and loss account applying the reducing balance method whereby the cost of an asset is written off over its useful life at the rates specified in note 5 to the financial statements. Depreciation on additions is charged from the month the asset is available for use upto the month preceding the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the recoverable amount.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

KARIM COTTON MILLS LIMITED

Notes to and forming part of these Financial Statements

For the year ended June 30, 2017

4.2 Property, plant and equipment

Disposal of asset is recognized when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are taken to the profit and loss account.

Repairs and maintenance are charged to profit and loss account as and when incurred.

4.3 Offsetting of financial assets and liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.4 Stock-in-Trade

Stock -in-trade, except for stock -in- transit, are valued at the lower of cost and net realizable value.

Stock in transit is valued at cost comparing invoice value plus other charges there on.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make a sale.

4.5 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances. Bad debts are written off as and when identified.

4.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value as applicable. For the purposes of cash flow statements, cash and cash equivalents comprise cash in hand, balance with banks and short term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

4.7 Provisions

Provision are recognized when the company has a present legal or constructive obligation as result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4.8 Contingencies and Commitments

Contingent liabilities are not recognized in the these financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

4.9 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit and loss account.

The carrying amount of the Company's non-financial assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

KARIM COTTON MILLS LIMITED

Notes to and forming part of these Financial Statements

For the year ended June 30, 2017

4.10 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.11 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. 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.

4.12 Revenue recognition

Export Sales are recorded on the date of clearance of goods by custom.
Profit on deposits placed with banks are recognized on accrual basis.

4.13 Financial Instruments

Financial assets

The company's principal financial assets are cash and bank balances, trade debtors and other receivables. These are stated at nominal value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include creditors, loans and other liabilities. These are stated at nominal value.

Offsetting of Financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the financial statements if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

KARIM COTTON MILLS LIMITED
Notes to and forming part of these Financial Statements
For the year ended June 30, 2017

| 5 | Property, Plant and Equipments | (Amounts in Rupees) | | |
|----------------------|--------------------------------|---------------------|-------|--|
| Description | Plant, equipment and storage | Vehicles | Total | |
| Depreciation rate% | 15% | 15% | | |
| FOR YEAR 2017 | | | | |

COST:

| | | | |
|-------------------------------|-------------------|----------------|-------------------|
| Balance at beginning of year | - | - | - |
| Transferred on merger | 26,800,000 | 800,000 | 27,600,000 |
| Balance at end of year | 26,800,000 | 800,000 | 27,600,000 |

DEPRECIATION :

| | | | |
|---|-------------------|----------------|-------------------|
| Accumulated depreciation at beginning of year | - | - | - |
| Transferred on merger | 10,547,182 | 314,841 | 10,862,023 |
| Charge for the year | 2,437,923 | 72,774 | 2,510,697 |
| Balance at end of year | 12,985,105 | 387,615 | 13,372,720 |

| | | | |
|------------------------------|-------------------|----------------|-------------------|
| CARRYING VALUE - 2017 | 13,814,895 | 412,385 | 14,227,280 |
|------------------------------|-------------------|----------------|-------------------|

| 5.1 | Reconciliation of carrying values: | (Amounts in Rupees) | | | |
|------------------------------|-------------------------------------|---------------------------|-----------------------------------|-------------------------------|--|
| Particulars | Carrying value at beginning of year | WDV transferred on merger | Depreciation Charged for the year | Carrying value at end of year | |
| FOR YEAR 2017 | | | | | |
| Plant, equipment and storage | - | 16,252,818 | 2,437,923 | 13,814,895 | |
| Vehicles | - | 485,159 | 72,774 | 412,385 | |
| TOTAL | - | 16,737,977 | 2,510,697 | 14,227,280 | |

| Note | SHORT TERM LOAN - Unsecured | 2017 | 2016 |
|------|--|-----------------------------|----------|
| 6 | | (all amounts in PKR) | |
| | Cost | 185,883,678 | - |
| | Accrued markup | 13,011,857 | - |
| | Total Short Term Loan - Unsecured | 198,895,535 | - |

The above loan relates to Ayesha Solvent Plant (Pvt.) Limited. It is unsecured and repayable on demand and shall be recovered fully within subsequent one year. The sum is subject to markup @ 7% per annum.

| Note | CASH AND BANK BALANCES | 2017 | 2016 |
|------|-------------------------------------|-----------------------------|---------------|
| 7 | | (all amounts in PKR) | |
| | Cash in hand | 3,123 | 655 |
| | Cash at banks | | |
| | - Saving account | 32,816 | - |
| | - Current account | 77,446 | 13,372 |
| | | 110,262 | 13,372 |
| | Total Cash And Bank Balances | 113,385 | 14,027 |

KARIM COTTON MILLS LIMITED
Notes to and forming part of these Financial Statements
For the year ended June 30, 2017

| Note | ISSUED, SUBSCRIBED AND PAIDUP | 2017 | 2016 | 2017 | 2016 |
|------|--|---------------------------|------------------|-----------------------------|-------------------|
| 8 | CAPITAL | (Number of Shares) | | (all amounts in PKR) | |
| | Issued fully paid against cash | 1,183,294 | 1,183,294 | 11,832,940 | 11,832,940 |
| | Issued on merger | 21,810,000 | - | 218,100,000 | - |
| | Total Issued, Subscribed and Paidup Capital | 22,993,294 | 1,183,294 | 229,932,940 | 11,832,940 |

Reconciliation

| | | | | |
|---|--|--|--------------------|-------------------|
| Balance at beginning of year | | | 11,832,940 | 11,832,940 |
| 1,183,294 shares of Rs. 10/- each fully paid against cash | | | | |
| Shares issued during the year | | | | |
| 21,810,000 shares of Rs. 10/- each issued on acquisition of net assets of Agro Allianz (Pvt.) Limited | | | 218,100,000 | - |
| Balance at end of year | | | 229,932,940 | 11,832,940 |

| Note | LOAN FROM DIRECTORS | 2017 | 2016 |
|------|---------------------|-----------------------------|------|
| 9 | | (all amounts in PKR) | |

| | | | |
|--|--|------------------|----------------|
| | Unsecured and interest free | 1,484,000 | 184,000 |
| | Total Accrued and Other Liabilities | 1,484,000 | 184,000 |
| | The loan is provided by directors to meet the expenses of the Company. It is interest free, unsecured and repayable at the discretion of the Company on the availability of the funds. | | |

| Note | ACCRUED AND OTHER LIABILITIES | 2017 | 2016 |
|------|-------------------------------|-----------------------------|------|
| 10 | | (all amounts in PKR) | |

| | | | |
|--|--|----------------|----------------|
| | Auditors' remuneration payable | 200,000 | 875,000 |
| | Unclaimed dividend | 9,915 | 9,915 |
| | Total Accrued and Other Liabilities | 209,915 | 884,915 |

| Note | CONTINGENCIES AND COMMITMENTS |
|------|-------------------------------|
| 11 | |

The Company has complied with the requirements of law in respect of holding of meetings and filing of accounts with Pakistan Stock Exchange Limited. However there were some delay in filing of accounts for the year 2011 and 2012 with the PSX on which penalty @ 5,000 per day (aggregate Rs. 4.05 million) is leviable. The management has applied to PSX for waiver since the delay was not intentional, and there being no assets and liabilities left so it had no financial implication. The Company expects that PSX shall not burden the Company with penalty in view of successful revival of the Company expected to be completed in the near future and has not recognized any provision.

| Note | MARKUP INCOME | 2017 | 2016 |
|------|---------------|-----------------------------|------|
| 12 | | (all amounts in PKR) | |

| | | | |
|--|----------------------------|-------------------|----------|
| | Markup on loan | 13,011,857 | - |
| | Markup on bank deposit | 1,799 | - |
| | Total Markup Income | 13,013,656 | - |

| Note | AUDIT FEE | 2017 | 2016 |
|------|-----------|-----------------------------|------|
| 13 | | (all amounts in PKR) | |

| | | | |
|--|------------------------|----------------|----------------|
| | Annual audit | 150,000 | 75,000 |
| | Half yearly review | 50,000 | 50,000 |
| | Total Audit Fee | 200,000 | 125,000 |

KARIM COTTON MILLS LIMITED
Notes to and forming part of these Financial Statements
For the year ended June 30, 2017

| Note | | 2017 | 2016 |
|------|--|----------------------|-----------|
| 14 | BASIC AND DILUTED EARNING PER SHARE | (all amounts in PKR) | |
| | Weighted average number of shares | 1,239,814 | 1,183,294 |
| | Net profit for the year | 6,877,871 | (308,425) |
| | Total Basic and Diluted Earning / (loss) Per Share | 5.55 | (0.26) |
| | There is no dilutive effect on earning per share | | |

| Note | |
|------|--|
| 15 | REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS |
| | Chief executive and all the directors have consented to not to receive any remuneration during the period of discontinued operations. The remuneration shall be charged when the Company re-commences its business |
| | There were no other executive appointed in the Company. |

| Note | | 2017 | 2016 |
|------|---|----------------------|---------|
| 16 | RELATED PARTY TRANSACTIONS AND ACCOUNT BALANCES | (all amounts in PKR) | |
| | Details of transctions made with related parties | | |
| | Loan received from directors | 1,300,000 | - |
| | Markup income from Ayesha Solvent Plant (Pvt.) Limited (Associated Company) | 13,011,857 | - |
| | Details of account balances with related parties | | |
| | Assets | | |
| | Loan to Ayesha Solvent Plant (Pvt.) Limited (Associated Company) | 198,895,535 | - |
| | Liabilities | | |
| | Payable to directors | 1,484,000 | 184,000 |

| Note | |
|------|--|
| 17 | FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES |

17.1 Financial Risk Management

The Company's activities exposes it to a variety of financial risks:

- Market risk (including fair value interest rate risk, fuel price risk and currency risk)
- Credit risk
- Liquidity risk

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance

17.2 Market Risk

Market risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

i) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

There is no Foreign currency risk arises on the financial assets of the Company primarily.

KARIM COTTON MILLS LIMITED
Notes to and forming part of these Financial Statements
For the year ended June 30, 2017

| | |
|------|---|
| Note | FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES |
| 17 | |

ii) Interest Rate Risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments.

The Company is not exposed to interest rate risk as markup rate on loan is fixed.

17.3 Credit risk:

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from trade debts, loans and advances, deposits, investments, bank balances and other other receivables. To reduce the exposure toward the credit risk, comprehensive consumer category wise credit limits and terms have been established.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparts failed to perform as contracted. The Company believes that it is not exposed to major concentration of credit risk. However majority of the assets relates to one related party (Ayesha Solvent Plant (Pvt.) Limited amounting to Rs. 198.896 million out of total assets of Rs. 231.250 million.

17.4 Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

| | 2017 | Maturity | Maturity | TOTAL |
|-----------------------------|------|----------|-----------|-----------|
| | | upto 1 | after 1 | |
| | | year | year | |
| Non Interest Bearing | | | | |
| Loan from directors | | - | 1,484,000 | 1,484,000 |
| Unclaimed dividend | | 9,915 | - | 9,915 |
| Other payable | | 200,000 | - | 200,000 |

| | 2016 | Maturity | Maturity | TOTAL |
|-----------------------------|------|----------|-----------|-----------|
| | | upto 1 | after 1 | |
| | | year | year | |
| Non Interest Bearing | | | | |
| Loan from directors | | - | 184,000 | 184,000 |
| Unclaimed dividend | | 9,915 | (870,888) | (860,973) |
| Other payable | | 875,000 | - | 875,000 |

The management forecasts the liquidity of the Company on basis of expected cash flows considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining committed line of credit from a highly reputable bank. The management believes that it is not exposed to any significant level of liquidity risk.

KARIM COTTON MILLS LIMITED
Notes to and forming part of these Financial Statements
For the year ended June 30, 2017

Note 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

17.5 Fair Value Financial Instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

Note 18 CAPITAL RISK MANAGEMENT

The objective of the company when managing the capital is to safeguard its ability to continue as a going concern and to provide expected returns to its shareholders by maintaining optimum capital structure to minimize cost of capital. To maintain or adjust the capital structure, the company may issue new equity, maintain dividend payouts to its shareholders or sell assets to reduce debts.

The company manages capital by maintaining gearing ratio at certain levels. The ratio is calculated as long term borrowings as disclosed in the balance sheet, divided by total capital. Total capital is calculated as equity as shown in the balance sheet plus long term borrowings.

The gearing ratio of the company is as follows:

| GEARING RATIO | 2017 | 2016 |
|----------------------|----------------------|-------------|
| | (all amounts in PKR) | |
| Long term borrowings | 1,484,000 | 184,000 |
| Total equity | 229,555,885 | (1,054,888) |
| Total capital | 231,039,885 | (870,888) |
| Gearing Ratio | 0.006 | (0.211) |

Note 19 NUMBER OF EMPLOYEES

| NUMBER OF EMPLOYEES | 2017 | 2016 |
|---|---------------------|------|
| | Number of Employees | |
| Number of employees including contractual employees at the end of year | - | 1 |
| Average number of employees including contractual employees during the year | - | 1 |

Note 20 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

Note 21 GENERAL

Figures have been rounded off to the nearest Rupee.

Chief Executive

Director

Chief Financial Officer

KARIM COTTON MILL LIMITED

PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at

| | |
|---|---|
| 3 | 0 |
|---|---|

| | |
|---|---|
| 0 | 6 |
|---|---|

| | | | |
|---|---|---|---|
| 2 | 0 | 1 | 7 |
|---|---|---|---|

| 1. No of shareholders | Shareholdings | Total shares held |
|--|---|-------------------|
| 491 | shareholding from 1 to 100 shares | 26,511 |
| 67 | shareholding from 101 to 500 shares | 16,013 |
| 11 | shareholding from 501 to 1,000 shares | 9,650 |
| 12 | shareholding from 1,001 to 5,000 shares | 32,350 |
| 1 | shareholding from 5,001 to 10,000 shares | 5,900 |
| 2 | shareholding from 10,001 to 100,000 shares | 86,315 |
| 2 | shareholding from 100,001 to 200,000 shares | 313,177 |
| 2 | shareholding from 200,001 to 500,000 shares | 693,523 |
| 0 | shareholding from 500,001 to 1,000,000 shares | --- |
| 2 | shareholding from 1,000,001 to 10,000,000 shares | 10,905,000 |
| 1 | shareholding from 10,000,001 to 15,000,000 shares | 10,904,855 |
| (Add appropriate slabs of shareholdings) | | |
| 591 | Total | 22,993,294 |

| 2. Categories of shareholders | Share held | Percentage |
|---|-------------------|-------------|
| Directors, Chief Executive Officer, and their spouse and minor children. | 21,810,000 | 94.85% |
| Associated Companies, undertakings and related parties. | -- | -- |
| NIT and ICP | -- | -- |
| Banks Development Financial Institutions, Non Banking Financial Institutions. | 311,615 | 1.35% |
| Insurance Companies | 2,700 | 0.01% |
| Joint Stock Companies | 50 | 0.01% |
| Private Limited Companies | -- | -- |
| Share holders holding 10% or more | -- | -- |
| General Public | | |
| a. Local | 868,928 | 3.78% |
| b. Foreign | -- | -- |
| Others (to be specified) | 1 | 0.00% |
| TOTAL : | 22,993,294 | 100% |

KARIM COTTON MILLS LIMITED
KEY OPERATION & FINANCIAL DATA
FOR THE LAST SEVEN YEARS

| PARTICULARS | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|----------------------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | RUPEES | | | | | | | |
| Operating income | 13,013,656 | - | - | - | - | - | - | - |
| Other Income | (2,899,140) | - | - | - | - | - | - | - |
| Operating expenses | (308,425) | (308,425) | 2,163,810 | (1,067,442) | (180,670) | (304,207) | (247,530) | (247,053) |
| Operating Profit / (Loss) | 10,114,516 | (308,425) | 2,163,810 | (1,067,442) | (180,670) | (304,207) | (247,530) | (247,053) |
| Taxation | (3,236,645) | - | - | - | - | - | - | - |
| NET (LOSS) FOR THE YEAR | 6,877,871 | (308,425) | 2,163,810 | (1,067,442) | (180,670) | (304,207) | (247,530) | (247,053) |
| Earning / (Loss) per shares Rs. | 5.55 | (0.26) | 1.83 | (0.90) | (0.15) | (0.26) | (0.21) | (0.21) |
| FINANCIAL | | | | | | | | |
| Paid up Capital | 229,932,940 | 11,832,940 | 11,832,940 | 11,832,940 | 11,832,940 | 11,832,940 | 11,832,940 | 11,832,940 |
| Un-appropriated profit / (Loss) | (377,055) | (12,887,828) | (12,579,403) | (14,743,213) | (13,675,771) | (13,495,101) | (13,190,894) | (12,943,364) |
| Loan from directors | 1,484,000 | 184,000 | - | - | - | - | - | - |
| | 231,039,885 | (870,888) | (746,463) | (2,910,273) | (1,842,831) | (1,662,161) | (1,357,954) | (1,110,424) |
| Current Liabilities | 209,915 | 884,915 | 759,915 | 2,924,415 | 1,856,915 | 1,676,915 | 1,439,415 | 1,191,915 |
| | 231,249,800 | 14,027 | 13,452 | 14,142 | 14,084 | 14,754 | 81,461 | 81,491 |
| Long Term Deposits | 231,249,800 | 14,027 | 13,452 | 14,142 | 14,084 | 14,754 | 63,380 | 18,111 |
| Current Assets | 231,249,800 | 14,027 | 13,452 | 14,142 | 14,084 | 14,754 | 81,461 | 81,491 |

KARIM COTTON MILLS LIMITED

FORM OF PROXY 47TH ANNUAL GENERAL MEETING

I/We _____ of _____ in the district of _____ being a member(s) of KARIM COTTON MILLS LIMITED and holder of _____ ordinary shares as per Share Register Folio No. _____ and / or CDC Participant ID No. _____ and A/c No. _____ hereby appoint _____ of _____ or failing him/her _____ of _____ who is/are also member(s) of KARIM COTTON MILLS LIMITED vide Registered Folio No. _____ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 25th October, 2017 at 2.00 P.m and/or any adjournment thereof at Regent Plaza Main Sharah-e-Faisal Karachi:

Affix Five
Rupees Revenue Stamp

Signature _____

(Signature should agree with the specimen signature registered with the Registrar)

Signed on _____

1. Witness Signature _____

2. Witness Signature _____

Name _____

Name _____

CNIC _____

CNIC _____

NOTE:

1. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
2. In the case of bank or company, the proxy form must be executed under its common seal and signed by its authorized person.
3. If this proxy form is signed under power of attorney then a notarilly certified copy of that power of attorney/authority must be deposited along with this proxy form.
4. Proxy form duly completed and signed, must be received at the registered office of the company at Unit # 1, 38-E, Shamsi Road, P.E.C.H.S Block-6, Karachi at least 48 hours before the time of holding the meeting.
5. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the company, all such instruments of proxy shall be rendered invalid.
6. In case of CDC account holders:
 - i) The proxy form shall be witnessed by two persons whose names, address and NIC numbers shall be mentioned on the form
 - ii) Attested copies of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iii) The proxy shall produce his original NIC or Original passport at the time of meeting.