



NOTICE OF MEETING

Notice is hereby given that the **51st Annual General Meeting** of the Shareholders of the Company M/S. FAZAL CLOTH MILLS LIMITED will be held on Monday, October 31, 2016 at 11:00 a.m. at 129/1, Old Bahawalpur Road, Multan to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the Company held on October 31, 2015.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2016 together with the Auditors' and Director's Report thereon.
3. To consider and approve payment of final Cash Dividend for the year ended June 30, 2016 at the rate of Rs.2.50 (Rupees two and Paise fifty Only) per Ordinary Share of Rs.10.00 each (2015: Rs. 5.00) as recommended by the Board of Directors.
4. To appoint External Auditors of the Company for the Financial Year Ending **June 30, 2017** and fix their remuneration. M/s. KPMG Taseer Hadi & CO., Chartered Accountants, Lahore, External Auditors of the Company retires and being eligible offers themselves for re-appointment.
5. To transact any other business with the permission of the Chairman.

SPECIAL BUSINESS

6. To consider and if deemed fit pass the following resolution for getting shareholder approval to circulate the annual balance sheet, profit & loss account, auditor's report and Director's report etc (annual audited accounts) through CD/DVD/USB:

“Resolved that the approval be and is hereby given to allow the Company to adopt transmission of annual audited accounts, to the members at their registered address, through CD/DVD/USB instead of transmitting the said accounts in hard copies, as notified by Securities and Exchange Commission of Pakistan vide SRO No. 470 (i) / 2016 dated: May 31, 2016.”

7. To consider and if deemed fit pass the following special resolutions for alteration of the Article of Association of the Company:

“Resolved that the Articles of Association of the Company be amended by adding and altering following new clauses respectively:

44. (a) The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of other provisions of these Articles and notwithstanding anything contradictory therein.

47. An instrument appointing a proxy shall be in the form specified in regulation 39 of the Table 'A' in the First schedule to the Companies Ordinance, 1984 or schedule II of the companies (E-Voting) Regulations 2016 or in any other form which directors may approve.”

“Further Resolved that the Chief Executive Officer / Company Secretary be and are hereby fully authorized and empowered to give effect to this resolution and to do or cause to do all acts , deeds and things that may be necessary or required and to sign such documents and take such steps from time to time, as and when necessary.’”

8. To consider and authorize the Company, as Sponsor, be entered into a sponsor support agreement with Fatima Transmission Company Limited (“FTCL”) and NIB Bank Limited (“NIB”) and if deemed fit to pass with or without modification the following resolution in terms of section 208 of the Companies Ordinance 1984 as special resolution;

“Resolved that the Company, as Sponsor, be and is hereby authorized to enter into a sponsor support agreement with Fatima Transmission Company Limited (‘ FTCL’) and NIB Bank Limited (“NIB”), and other sponsor/ associated companies for availing a Term Finance amounting to PKR 500 Million by FTCL from NIB, and to execute any related agreements/documents/undertaking/commitments as necessarily required by NIB from us as sponsors on such terms as may be considered appropriate by the Directors of the Company.

Resolved further, that Mr. Fazal Ahmed Sheikh, Mr. Sheikh Naseem Ahmad, Mr. Rehman Naseem, Mrs. Mahnaz Amir Sheikh, Mr. Faisal Ahmed, Mr. Fahd Mukhtar be and are hereby authorized **singly** to sign and execute the Sponsor Support Agreement /related documents/ undertakings/ commitments and any explanation relative to sponsor support agreement on behalf of the Company.’”

9. A statement under section 160(1)(b) of the Companies Ordinance, 1984 relating to the aforesaid special business to be transacted at the said Annual General Meeting is attached.

BY ORDER OF THE BOARD

MULTAN.

Dated: October 10, 2016.

Sd/-
Asad Mustafa
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22, 2016 to October 31, 2016 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company’s Share Registrar, M/s. Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, at the close of business on October 21, 2016 will be considered in time for the purpose of above entitlement and to determine voting rights of the shareholders for attending the meeting.
2. A member eligible to attend, speak and vote at this meeting may appoint another member as his/her proxy and CDC shareholders shall attach an attested copy of his/her Computerized National Identity Card (CNIC) / Passport. Proxies, in order to be effective, must reach at the Company’s Registered Office not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed. Representatives of corporate members should bring the usual documents required for such purpose.
3. The Members, who desire for receiving the audited financial statements and AGM Notice through e-mail, are requested to send their written consent on a Standard Request Form available on website <www.fazalcloth.com/downloads.php> in order to avail this facility.
4. Shareholders are requested to notify / submit the following information & documents, in case of book entry securities in CDS to their respective CDS participants and in case of physical shares to our Share Registrar, if not earlier provided / notified:-
 - a. Change in their addresses;
 - b. Dividend mandate information i.e. Title of Bank Account, Bank Account No., Bank’s Name, Branch Address and Cell / Landline No(s). of the Transferee(s) towards direct dispatch of cash dividend cheque(s) to their bankers;
 - c. Valid and legible copies of CNIC for printing of CNIC number(s) on their Dividend Warrant(s) as required vide SRO 831 (I)/2012 dated July 05, 2012. In case of non-submission of valid & legible copy of CNIC, the Company will be constrained to withhold the Dividend Warrant(s) under Section 251(2) of the Companies Ordinance, 1984;
 - d. Valid and legible copies of National Tax Number (NTN) or NTN Certificate(s) of corporate entities and must quote the company name and their respective folio numbers thereon while sending the copies;
 - e. Pursuant to requirement of the Finance Act, 2015 effective July 01, 2015, the ‘Filer’ & ‘Non-Filer’ shareholders will pay tax on dividend income @12.5% and 20% respectively. Therefore, please ensure that their name(s) have been entered into Active Taxpayers List (ATL) provided on website www.fbr.gov.pk of the Federal Board of Revenue (FBR), despite the fact that the shareholder is a filer, before the payment date of cash dividend i.e. **November 27, 2016**, otherwise tax on cash dividend will be deducted @20 % instead of 12.5%
 - f. As per clarification of FBR, each shareholder is to be treated individually as either a ‘Filer’ or ‘Non-Filer’ and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing within 10 days from entitlement date i.e. October 21, 2016 as follows, to our Share Registrar, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Folio/CDCA/c #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name & CNIC No.	Shareholding Proportion (No. of Shares)	Name & CNIC No.	Shareholding Proportion (No. of Shares)

- g. Related reference from law or valid tax exemption certificate issued by the concerned Commissioner of Inland Revenue is to be furnished to the Company / Share Registrar in order to avail tax exemption otherwise tax will be deducted under the provisions of laws.
- h. For any query / information, the shareholders may contact with the Company Secretary at the above Head Office and / or Mr. Abdul Ghaffar Ghaffari of Share Registrar, Vision Consulting Ltd, 3-C, LDA Flats, Lawrence Road, Lahore, Ph. Nos. (042) 36283096-97.
- i. The audited financial statements for the year ended June 30, 2016 are available on website of the Company <www.fazalcloth.com>.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 31, 2016.

Item # 6 regarding circulating of Annual Audited Accounts

The SECP has allowed companies to circulate the annual audited accounts to its members through CD / DVD / USB at their registered addresses after approval by members. Printed copy of above referred accounts shall be provided to such members who opt for having hard copy on the Request Form which is available on the website of the Company i.e., <http://fazalcloth.com>

Item # 7 regarding e-voting

Shareholders have the right to be part of the decision - making process of their Company to the extent provided by the Law. The SECP defines the process of e-voting as per Companies (E-Voting) Regulations, 2016. The Directors have recommended alteration in the Articles of Association by adding and altering new clauses 44(a) and 47 respectively which will give members the option to be part of decision making by appointing both members and non-members as proxy in case of e-voting in the general meeting of the Company through electronic means.

Item No 8. Company, as Sponsor, be entered into a support agreement

FTCL has obtained Term Finance Facility to the extent of Rs 500 million (“ Financing Facility”) from NIB Bank Limited, where against Fazal Cloth Mills Limited (FCML) along with other sponsors / associated companies have signed Sponsor Support Agreement (SSA) as Sponsors. The Company as sponsor commit the NIB, in case of default by FTCL, to pay amount outstanding as per sponsor support agreement and therefore approval under section 208 of the Companies Ordinance , 1984 is being sought.

Information under Clause (b) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012.

- (i) **name of the associated company or associated undertaking along with criteria based on which the associated relationship is established;**
Fatima Transmission Company Limited (“FTCL”) is Associated Undertaking based on common directorship.

- (ii) **amount of loans or advances / financial undertaking/commitment;**
Fazal Cloth Mills Ltd (“the Company”) as sponsor will give financial undertaking/commitment as required under sponsor support agreement.
- (iii) **purpose of loans or advances / financial undertaking/commitment and benefits likely to accrue to the investing company and its members from such Financial Guarantee;**
To facilitate the FTCL (the Investee Company) in availing the financing facility for a period of 10 years for development of transmission line in time.
- (iv) **in case any loans or advances has already been granted to the said associated company or associated undertaking, the complete details thereof;**
An approval of loan for the amount of Rs 300 million has been granted under the authority of special resolution by shared holders on October 31, 2015. The said loan amount is repayable within one year of disbursement in lump sum amount or in tranches at markup KIBOR+1%.
- (v) **financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements;**
Based on latest unaudited financial statements, for year ended June 30, 2016 total Assets are Rs701.7 million, total liabilities are Rs. 577.7 million. Loss after tax is Rs. 5 million.
- (vi) **average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period;**
N/A
- (vii) **rate of interest, mark up, profit, fees or commission etc. to be charged;**
N/A
- (viii) **sources of funds from where loans or advances / financial undertaking/commitment, in case of default by FTCL will be paid;**
It will be made from internal cash generations of the Company. However, the company does not expect such default by FTCL will occur.
- (ix) **where loans or advances / financial undertaking/commitment are being granted using borrowed funds,-**
- I. justification for granting loan or advance out of borrowed funds;**
N/A
- II. detail of guarantees I assets pledged for obtaining such funds, if any; and**
N/A
- III. repayment schedules of borrowing of the investing company;**
N/A
- (x) **particulars of collateral security to be obtained against loans or advances / financial undertaking/commitment to the borrowing company or undertaking, if any**
N/A
- (xi) **if the loans or advances / financial undertaking/commitment carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;**

N/A

- (xii) repayment schedule and terms of loans or advances / financial undertaking/commitment to be given on behalf of the investee company;**

N/A

- (xiii) salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment;**

FTCL has obtained Term Finance Facility to the extent of Rs 500 million (“ Financing Facility”) from NIB Bank Limited, where against Fazal Cloth Mills Limited (FCML) along with other sponsors / associated companies have signed Sponsor Support Agreement (SSA) as Sponsors. The Company as sponsor commit the NIB, in case of default by FTCL, to pay amount outstanding as per sponsor support agreement.

- (xiv) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;**

The Directors have no special interest except their personal shareholding.

- (xv) any other important details necessary for the members to understand the transaction; and**

As detailed in point (xiii) above.

- (xvi) in case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely,-**

I. a description of the project and its history since conceptualization;

Fazal Cloth Mills Limited (“FCML”), Fatima Holding Company Limited (“FHCL”) and Reliance Weaving Mills Limited (“RWML”) (collectively the “Sponsors”) are the associated companies and have established FTCL which will set up and operate a special purpose transmission line for supply/transmission of electricity to associated & group companies as well including the FCML and it will charge use of system charges (wheeling charges) against use of transmission line for transmission of power. This will also boost profitability of the FCML as currently the Company is using alternative power generation sources which are expensive and bearing frequent electricity load shedding which affecting the production. On the other hand WAPDA is already suffering from approximately 4,000 Mega Watt shortfalls of electricity. Therefore, management of Sponsors initiated such steps to avoid enslavement on WAPDA.

II. starting date and expected date of completion;

Construction starting date: June, 2015.

Expected completion date: June 30, 2017.

III. time by which such project shall become commercially operational;

Tentative Commercial Operation Date: June, 2017.

IV. expected return on total capital employed in the project; and

N/A

V. funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;

N/A

Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of Investee Company	Fatima Transmission Company Limited (FTCL)		Fatima Energy Limited (FEL)	Pakarab Energy Limited (PEL)
Total investment approved	Rs. 70 Million Equity investment (approx. 37.50 % of total paid-up capital) was approved in EOGM on June 23, 2015 for the period of Three (3) years.	Rs. 300 Million loan was approved in AGM on October 31, 2015 and will be repayable within one year from date of disbursement	Rs. 2,650 Million Equity investment (approx. 37.50 % of total paid-up capital) was approved in EOGM on May 30, 2014 for the period of Three (3) years.	Rs. 3,000 Million Equity investment (approx. 24 % of total paid-up capital) was approved in EOGM on June 23, 2015 for the period of Three (3) years.
Amount of investment made to date	Investment of Rs. 70,000,000 has been made against this approval as on June 30, 2016	NIL	Investment of Rs. 1,374.21 Million being 24.24% shares in equity of Fatima Energy Ltd	NIL
Reasons for not having made complete investment so far where resolution required it to be implemented in specific time	NA	No loan has been granted till June 30, 2016, as funds request has not yet been made by the investee company.	Partial investment has been made in investee company. further investment will be made depending on demand received from investee company	No Investment has been made till June 30, 2016, as funds request has not yet been made by the investee company.
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	As per unaudited financial statements for the half year ended June 30, 2015, the basic earning per share was Rs. (8.87) / Shares and breakup value of share was Rs. 1.132 / share. As per latest available unaudited financial statements for the year ended June 30, 2016, the basic earning per share is Rs. (145.25) / Shares and breakup value of share is Rs. (144.1) / share.	As per unaudited financial statements for the half year ended June 30, 2015, the basic earning per share was Rs. (8.87) / Shares and breakup value of share was Rs. 1.132 / share. As per latest available unaudited financial statements for the year ended June 30, 2016, the basic earning per share is Rs. (145.25) / Shares and breakup value of share is Rs. (144.1) / share.	As per financial statements for the half year ended June 30, 2015, the basic earning per share was Rs. (0.15) / Share and breakup value of share was Rs. 9.68 / share. As per latest available audited financial statements for the year ended June 30, 2016, the basic earning per share is Rs. (0.081) / Shares and breakup value of share is Rs. 9.8 / share.	As per financial statements for the half year ended June 30, 2015, total assets of the company were Rs 335,157, total liabilities were Rs 383,127 while equity was Rs(47,970) . As per latest available unaudited financial statements for the year ended June 30, 2016, the total assets of the Company are Rs 87,436,382, total liabilities are Rs 74,378,852 while equity is Rs 13,057,530.