



FAZAL CLOTH MILLS LIMITED



Registration No. 9903492

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NOTICE OF MEETING

Notice is hereby given that the Extra Ordinary General Meeting of the shareholders of FAZAL CLOTH MILLS Limited will be held at 129/1, Old Bahawalpur Road, Multan on March 25, 2017 at 11.00 hours to consider the following agenda:

Ordinary Business

1. To confirm the Minutes of the Last Annual General Meeting held on October 31, 2016.
2. To discuss any other business with the permission of the Chair.

Special Business

1. To discuss the matter and seek approval of the shareholders of the following resolutions, with or without modifications, in compliance with section 208 of the Companies Ordinance 1984, regarding investment upto of Rs. 250 million in Associated Company Fatima Transmission Company Ltd ("FTCL") and to authorize the company to invest by way of Advance/loans in FTCL.

"RESOLVED THAT the Company be and is hereby authorized to make investment upto Rs. 250 M in Associated Company, "Fatima Transmission Company Ltd" ("FTCL") in the form of loan or advance in lumpsum or in parts subject to occurrence of default by FTCL in repayment of Term Finance it availed from its lender, NIB Bank Ltd, hence, in such case the Company be required to fulfill its guarantee / commitment / undertaking to NIB Bank under the Sponsor Support Agreement already approved by shareholders of the Company in Annual General Meeting held on October 31, 2016 to enter into for execution. This investment will be subject to mark up under the provisions of the Companies Ordinance, 1984 and will be repaid by FTCL within two years from the date of disbursement of loan by the Company.

FURTHER RESOLVED that the Directors of the Company namely Mr. Fazal Ahmed Sheikh, Mr. Sheikh Naseem Ahmad, Mr. Rehman Naseem, Mr. Amir Naseem Sheikh, Mr. Faisal Ahmed, Mr. Fahd Mukhtar and authorized officers of the Company namely, Mr. Muhammad Azam, General Manager Finance and Mr. Asad Mustafa, Company Secretary be and are each hereby authorized singly to take all steps necessary in this regard, including but not limited to negotiating and executing necessary agreements/documents, seeking any relevant regulatory approvals, and any ancillary matters thereto."

By the order of the Board

Asad Mustafa
(Company Secretary)

Dated: March 1, 2017

Place: Multan

NOTES :

1. The Shares Transfer Books of the company will remain closed from March 19, 2017 to March 25, 2017 (both days inclusive). Shares received at the Company's Registrar, M/s Vision Consulting Limited, 3-C, LDA Flats Lawrence Road, Lahore, at the close of business on March 18, 2017 will be treated in time for determining voting rights of the shareholders for attending the meeting.

Shares Deptt/Head Office: 129/1, Old Bahawalpur Road, Near Faisal Bank, Multan. Ph +92 061 4579001-7, 4781637

Fax: +92 061-4583425 E-mail: corporate@fazalcloth.com

Registered Office: 69/7, Abid Majeed Road, Survey # 248/7, Lahore Cantt, Lahore. Ph: +92 042-36684909



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2. A member eligible to attend and vote at the Meeting may appoint another person as his/her proxy to attend, and vote instead of him/her. Proxies in order to be effective must be deposited at Company's Shares Department, 129/1, Old Bahawalpur Road, Multan not later than 48 hours before the time for holding the meeting.
3. Members are requested to notify any changes in their addresses immediately.

STATEMENT U/S 160 (D) (B) OF THE COMPANIES ORDINANCE 1984

Special Business No 1.

FTCL, is a public limited unquoted company. It is an associated company of Fazal Cloth Mills Limited (the "Company") by virtue of common directorship. FTCL has obtained Term Finance Facility to the extent of Rs 500 million (" Financing Facility") from NIB Bank Limited, where against the Company along with other sponsors / associated companies have signed Sponsor Support Agreement (SSA) as Sponsors. The approval from shareholders to enter into SSA obtained in Annual General Meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commit the NIB, in case of default by FTCL, to pay amount outstanding. Therefore approval under section 208 of the Companies Ordinance, 1984 is being sought.

In Compliance of Clause (b) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012 the following information is required to be annexed with the special resolution for approval of the investment for the purpose of Section 208 of the Companies Ordinance.

- (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;**
Investment up-to Rs.250 million. Any amount called under a guarantee, indemnity, or financial engagement/undertaking under SSA shall also be considered as advances/loan.
- (iii) **purpose of loans or advances and benefits likely to accrue to the investing company and its members from such;**
To facilitate the investee company in availing financing facility from NIB Bank Ltd for setting up and operating a special purpose transmission line for supply/transmission of electricity to the Government/ WAPDA. Main benefit to the Company due to this investment is to charge mark up on this loan. As the Company is also a sponsor of the investee company hence, the Company will be entitled for potential dividends in future once its transmission line will be implemented due to such facilitation being providing by the Company for availing financing from NIB Bank Ltd as this will boost up operations, production, revenues and profitability of the investee company.
- (iv) **in case any loans or advances has already been granted to the said associated company or associated undertaking, the complete details thereof;**



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An approval of loan for the amount of Rs 300 million has been granted under the authority of special resolution by shareholders 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 period ended December 31, 2016 total Assets are Rs 754 million, total liabilities are Rs. 528 million. Loss after tax is Rs. (115,348).
- (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;**
KIBOR + 1.25%
- (vii) **rate of interest, mark up, profit, fees or commission etc. to be charged;**
2.5% above KIBOR
- (viii) **sources of funds from where loans or advances will be paid;**
It will be made from internal cash generations of the Company.
- (ix) **where loans or advances 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 to the borrowing company or undertaking, if any**
Unsecured
- (xi) **if the loans or advances 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 to be given to the investee company;**
Repayment will be made within two years of date of disbursal. The mark-up which will be charged or accrued at the rate of one month KIBOR+2.50% but not less than the borrowing cost of FCML. Markup will be payable on quarterly basis or otherwise accrued.
- (xiii) **salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment;**
Repayment will be made within two years of date of disbursal. The mark-up which will be charged or accrued at the rate of one month KIBOR+2.50% but not less than the borrowing cost of FCML. Markup will be payable on quarterly basis or otherwise accrued. In case of default by FTCL to the Company, the amount will be arranged by the directors of the FTCL as a loan to FTCL.



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(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 WAPDA/ Government. WAPDA is already suffering from approximately 4,000 Mega Watt shortfalls of electricity. Therefore, management of Sponsors initiated such steps to supply electricity to WAPDA. Company is facilitating the investee company in availing financing facility from NIB Bank Ltd for setting up its transmission line as detailed above. Company will charge mark up on this invest as loan. Company is also a sponsor of the investee company hence, the Company will be entitled for potential dividends in future once its transmission line will be implemented due to such facilitation provided by the Company and NIB Bank Ltd which will boost up operations, production, revenues and profitability of the investee company.

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



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Statement Under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2015

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.	FTCL has obtained Term Finance Facility to the extent of Rs 500 million ('Financing Facility') from NIB Bank Limited, where against the Company along with other sponsors / associated companies have signed Sponsor Support Agreement (SSA) as Sponsors. The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commit the NIB, in case of default by FTCL, to pay amount outstanding.	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. 55,200,000 being 24 % shares in equity.	NIL	Investment of Rs. 1,374 Million being 21.99% shares in equity of Fatima Energy Ltd	Investment of Rs. 4.3 Million in equity of Pakarab Energy Ltd
Reasons for not having made complete investment so far where resolution required to be implemented in specific time	Partial investment has been made, further investment will be made depending on demand received from investee company	No loan has been granted till date of this notice, as funds request has not yet been made by the investee company.	Partial investment has been made, further investment will be made depending on demand received from investee company	Partial investment has been made, further investment will be made depending on demand received from investee company
Material change in financial statements	As per unaudited financial statements for	As per unaudited financial statements for	As per financial statements for the year	As per financial statements for the year



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<p>of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.</p>	<p>the year ended June 30, 2016, the basic earnings per share was Rs. (145.25) / Shares and breakup value of share was Rs. (144.1) / share. As per latest available unaudited financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.005) / Shares and breakup value of share is Rs. 9.76 / share.</p>	<p>the year ended June 30, 2016, the basic earnings per share was Rs. (145.25) / Shares and breakup value of share was Rs. (144.1) / share. As per latest available unaudited financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.005) / Shares and breakup value of share is Rs. 9.76 / share.</p>	<p>the year ended June 30, 2016, the basic earnings per share was Rs. (145.25) / Shares and breakup value of share was Rs. (144.1) / share. As per latest available unaudited financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.005) / Shares and breakup value of share is Rs. 9.76 / share.</p>	<p>ended June 30, 2014, the basic earnings per share was Rs. (703.75) / Share and breakup value of share was Rs. (932.28) / share. As per latest available financial statements for the half year ended December 31, 2016, the basic earnings per share is Rs. (0.019) / Shares and breakup value of share is Rs. 9.80 / share.</p>	<p>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 financial statements for the year ended June 30, 2016, the total assets of the Company are Rs 87,648,222, total liabilities are Rs 74,378,852 while equity is Rs 13,057,530.</p>
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For Fazal Cloth Mills Ltd.
Good Nawaz
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