

ISLAND TEXTILE MILLS LIMITED



ITM/SHARE/ 007 12020
May 04, 2020

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi-74000, Pakistan.



Disclosure of Material Information-Island Textile Mills Limited

Dear Sir,

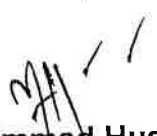
This is with reference to your Letter Ref. No. PSX/C-742-0005 dated April 29, 2020.


As requested we have enclosed following information:

1. Draft scheme of amalgamation/merger approved by the Board of Directors of the company.
2. Complete report on Valuation and Swap Ratio which forms its basis
3. Disclosure of material information posted on PUCARS post ID-145394 dated April 02, 2020 which includes following information;
 - a. Disclosure of Material Information
 - b. Extract of the Resolutions passed by the Board of Directors
 - c. KPMG Share Swap Ratio Letter

Further we will also arrange documents/information requested in point i to ix in above mentioned letter as and when available.

Yours truly,
For Island Textile Mills Limited


Muhammad Hussain
Company Secretary


Haseeb Hafeezuddeen
Chief Financial Officer

Copy to : The Director (SSED)
Securities Market Division
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue
Blue Area Islamabad.

**SCHEME OF ARRANGEMENT under ss. 279 to 283 and 285 of the
COMPANIES ACT, 2017 between**

Island Textile Mills Limited
(Hereinafter also referred to as “Island”)
and its Members; and

Salfi Textile Mills Limited
(Hereinafter also referred to as “Salfi”)
and its Members; and

Tata Energy Limited
(Hereinafter also referred to as “Tata Energy”)
and its Members; and

Tata Textile Mills Limited
(Hereinafter also referred to as “Tata Textile”)
and its Members;

FOR

**The amalgamation of Island, Salfi and Tata Energy with and into Tata Textile,
and the transfer of the entire undertaking of Island, Salfi and Tata Energy and
all their respective Assets and Liabilities to Tata Textile, in exchange for the
issue of shares of Tata Textile to the shareholders of Island, Salfi and Tata
Energy respectively, resulting in the dissolution without winding up of Island,
Salfi and Tata Energy.**

1. Interpretation

1.1. In this Scheme, unless the subject or context otherwise requires, the following expressions bear the meanings specified below:

“**Assets**” means all assets (whether tangible or intangible), properties (whether movable or immovable), rights, titles, privileges, powers, licenses, permissions, claims, and interests, including but not limited to:

i. all rights, title and interest (whether freehold, leasehold, or otherwise) in or to immovable properties, including to buildings, offices and structures;

ii. all plant, machinery, equipment, furniture, fixtures, computer hardware and software, software applications and licenses, motor vehicles, office equipment, appliances, accessories, spare parts and tools;

iii. all data, information, records, instruments, documents of title, market statistics, marketing surveys, and report, marketing research, advertising or other promotional material and information, accounting and financial data, whether physically or digitally stored on or in any medium;

iv. all claims, choses-in-action, receivables, book trade, trade debts, credit notes, promissory notes, and other debts or sums due, owing, accrued or payable (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and all receivables, investments, cash in hand or at bank, bank balances, goodwill, revaluation surplus, share premium account, capital and revenue reserves;

v. all equity, stocks, debentures, bonds, debts (and all dividend, repayment, voting, preferential and other rights associated therewith), rights under futures, options and other derivative contracts, commodities, foreign exchange and negotiable instruments;

vi. all benefits and rights under contract or deed including rights under or relating to contracts or deeds of employment, consultancy, loans, financial facilities, sale or transfer of property, insurance, franchise, distribution, trusts, indemnity, guarantee, warranty, performance, letters of credit, secrecy and non-disclosure, and including any rights and benefits under contracts and agreements already determined in the form of continuing benefits and rights, compensation, damages, rights to adjudication and choses-in-action, and the Contracts;

vii. all rights and benefits under claims, petitions, suits, applications, references, revisions, and appeals filed or pending before any court, authority, tribunal, official, regulatory officer or body;

viii. all intellectual property rights, whether registered or not, including trade mark, copyrights, patents, designs, trade secrets, technical data, processes and know-how, confidential information, results of research and development work, whether physically or digitally stored on or in any medium;

ix. all connections, equipment, installations and facilities pertaining to telecommunications, water, gas, electricity, sewerage or other utilities, and all licenses, permits and grants related thereto;

x. all regulatory and governmental rights, titles, permissions, permits, grants concessions, privileges, sanctions, approvals, licenses, registrations and no-objection certificates;

xi. without prejudice to the generality of the foregoing it shall expressly include the immovable properties listed in Schedule “A”;

“**Contracts**” means all the contracts, deeds, share certificates, bonds, documents, correspondence, records, agreements, and instruments of any nature, relating to Island, Salfi and Tata Energy and respectively and expressly (without limitation);

“**Court**” means the court having jurisdiction for the time being in connection with this Scheme under section 279 to 283 and 285 of the Act;

“**Completion Date**” means the date on which this Scheme (once sanctioned and approved by the Court) is lodged with the Registrar of the Securities & Exchange Commission of Pakistan;

“**Effective Date**” means the start of business on 1st day of July, 2020 or another date as approved by the Court;

“**Liabilities**” means all liabilities, duties and obligations of every kind, actual or contingent, whether arising from or payable under any contract, agreement, deed, bond, statute or law, and all liens, charges (floating and fixed), pledges, hypothecations, assignments, securities, mortgages (legal and equitable), interests and claims of whatever nature, and it includes, without limitation, the Securities;

“**Act**” means the ‘Companies Act, 2017’;

“**Tata Textile Mills Ltd.**” means Tata Textile Mills Limited, a public limited company incorporated in Pakistan on April 15, 1987 under the Companies Ordinance, 1984 (repealed) (now The Companies' Act 2017) and listed on Pakistan Stock Exchange Limited having its registered office at 6th floor, Textile Plaza, M.A. Jinnah Road, Karachi, Sindh. The authorised capital of Tata Textile Mills Ltd. is Rs. 200,000,000/- divided

into 20,000,000/- ordinary shares of Rs. 10/- each out of which 17,324,750 shares are issued and fully paid up;

“Island Textile Mills Ltd.” means Island Textile Mills Limited, a public limited company incorporated in Pakistan on May 20, 1970 under the Companies Act 1913 (repealed) now Companies Act 2017 and listed on Pakistan Stock Exchange Limited having its registered office at 6th Floor Textile Plaza, M.A. Jinnah Road, Karachi, Sindh. The authorised capital of Island Textile Mills Ltd. is Rs. 10,000,000/- divided into 1,000,000 ordinary shares of Rs. 10/- each out of which 500,000 shares are issued and fully paid up;

“Salfi Textile Mills Ltd.” means Salfi Textile Mills Limited, a public limited company incorporated in Pakistan on January 05, 1968 under the Companies Act, 1913 (repealed) now The Companies' Act 2017 and listed on Pakistan Stock Exchange Limited having its registered office at 6th floor Textile Plaza, M.A. Jinnah Road, Karachi, Sindh. The authorised capital of Salfi Textile Mills Ltd. is Rs. 50,000,000/- divided into 5,000,000 ordinary shares of Rs. 10/- each out of which 3,342,570 shares are issued and fully paid up;

“Tata Energy Ltd.” means Tata Energy Limited., a company limited by shares incorporated in Pakistan on November 28, 1994 under the Companies Ordinance, 1984 (repealed) now the Companies Act, 2017 having its registered office at 6th Floor Textile Plaza, M.A. Jinnah Road, Karachi, Sindh. The authorised capital of Tata Energy Ltd. is Rs. 20,000,000/- divided into 2,000,000 ordinary shares of Rs. 10/- each out of which 1,031,250 shares are issued and fully paid up;

“Scheme” means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved by the Court;

“**Security**” or “**Securities**” means interest, right or title in and to any and all mortgage, or charges (whether legal or equitable), debentures, bills of exchange, promissory note, guarantee, lien, pledge (whether actual or constructive), hypothecation, assignment by way of security, right of set-off, undertaking or other means of securing payment or discharge of any liabilities and obligations;

“**Tax**” means all present and future taxes, duties and levies of any kind, including income tax, sales tax, stamp duties, octroi, customs or excise duty, registration charges, levies, deductions, imposts, and any other charges and withholdings whatsoever, together with any interest, mark-up or penalties payable in connection with any failure to pay or delay in paying any of the above; and

2. Object of the Scheme

2.1. The principal object of this scheme is to give effect to the following:

- i. amalgamate Island with and into Tata Textile and the transfer of the entire undertaking of Island and all its Assets and Liabilities to Tata Textile, in exchange for the issuance of ordinary shares of Tata Textile to the shareholders of Island, in accordance with Article 10 hereunder, resulting in the dissolution without winding up of Island.
- ii. simultaneously amalgamate Salfi with and into Tata Textile and the transfer of the entire undertaking of Salfi and all its Assets and Liabilities to Tata Textile, in exchange for the issuance of ordinary shares of Tata Textile to the shareholders of Salfi, in accordance with Article 10 hereunder, resulting in the dissolution without winding up of Salfi.

- iii. simultaneously amalgamate Tata Energy with and into Tata Textile and the transfer of the entire undertaking of Tata Energy and all its Assets and Liabilities to Tata Textile, in exchange for the issuance of ordinary shares of Tata Textile to the shareholders of Tata Energy, in accordance with Article 10 hereunder, resulting in the dissolution without winding up of Tata Energy.

2.2. It is hereby clarified that although all of the above steps will take place on the same date, the same shall be deemed to be effective as of the Effective Date.

3. Capital

- 3.1. The authorised capital of Island is Rs. 10,000,000/- (Ten Million Rupees) divided into 1,000,000 ordinary shares of Rs.10/- (Ten Rupees) each out of which 500,000 shares have been fully subscribed and paid up.
- 3.2. The authorised capital of Salfi is Rs.50,000,000 (Fifty Million Rupees) divided into 5,000,000 ordinary shares of Rs. 10/- (Ten Rupees) each out of which 3,342,570 shares have been fully subscribed and paid up.
- 3.3. The authorised capital of Tata Energy is Rs. 20,000,000 (Twenty Million Rupees) divided into 2,000,000 ordinary shares of Rs. 10/- (Ten Rupees) each out of which 1,031,250 shares have been fully subscribed and paid up.
- 3.4. The authorized capital of Tata Textile is Rs.200,000,000/- (Two Hundred Million Rupees) divided into 20,000,000 ordinary shares of Rs. 10/- (Ten Rupees) each out of which 17,324,750 shares have been fully subscribed and paid up.

4. Transfer of Assets & Liabilities

- 4.1. From the Effective Date all Assets of Island, Salfi and Tata Energy shall be transferred to and vest in (or be deemed to be transferred to and vested in, as the case may be) Tata Textile.
- 4.2. Insofar as the Assets of Island, Salfi and Tata Energy (or any part thereof) are subject to any Liabilities immediately prior to the Effective Date they shall be deemed to have been transferred subject to such Liabilities.
- 4.3. On the Effective Date, without any further act or deed, all Liabilities of Island, Salfi and Tata Energy and all Liabilities in relation to their respective Assets shall be deemed to have been created by Tata Textile as of that day.
- 4.4. From the Effective Date, the Assets and Liabilities of Island, Salfi and Tata Energy shall be deemed to be and/or assumed to be the Assets and Liabilities of Tata Textile. Simultaneously, from the Effective Date, Island, Salfi and Tata Energy shall stand released from all rights and obligations in respect of such Assets and Liabilities.

5. Substitution of Name

- 5.1. From the Effective Date, in the Contracts, and in all other contracts, deeds, share certificates, bonds, documents, correspondence, records, agreements, and instruments of any nature whatsoever in relation to Island, Salfi and Tata Energy, any and all references to Island, Salfi and Tata Energy and their Assets shall be deemed to be a reference to Tata Textile and, all such contracts, deeds, Share Certificates, Register of Members, bonds, documents, correspondence, records, agreements, and instruments shall be given effect accordingly.

6. Employees

6.1. All employees of Island, Salfi and Tata Energy shall as and from the Effective Date, become the employees of Tata Textile on the same terms and conditions on which they were employed immediately prior to the Effective Date.

6.2. The terms and conditions of service applicable to the aforesaid employees shall not in any way be less favourable to them than those applicable to them immediately prior to the transfer. The services of the aforesaid employees prior to the Effective Date shall be taken into account for the purposes of all benefits to which such employees may be eligible, including for the purpose of payment of any retrenchment compensation, gratuity and other terminal benefits.

7. Legal Proceedings

7.1. All legal actions and legal proceedings of any nature whatsoever by or against Tata Textile pending immediately prior to the Effective Date, shall not abate, be discontinued or be in anyway prejudiced by reason of the transfer of Island, Salfi and/or Tata Energy or of anything contained in this Scheme. Any legal action and/or legal proceedings in relation to Island, Salfi and/or Tata Energy shall be continued, prosecuted and/or enforced by or against Tata Textile, in the same manner and to the same extent as they would or might have been continued, prosecuted and enforced by or against Island, Salfi and/or Tata Energy, prior to the transfer.

8. Licenses, Permits, and Approvals

8.1. All licenses, permits, quotas, rights, permissions, concessions, privileges, sanctions, approvals, licenses, registrations and entitlements held by Island, Salfi and/or Tata Energy, shall, with effect from the Effective Date, stand vested in and transferred to Tata Textile without any further act or deed, and shall be appropriately amended/transferred/mutated by the relevant authorities in favour of such.

9. Tax

- 9.1. With effect from the Effective Date, all Liabilities in relation to Tax with regards to Island, Salfi and Tata Energy and their respective Assets shall become the Liabilities of Tata Textile and Island, Salfi and Tata Energy shall cease to have any Tax liabilities from such date.
- 9.2. With effect from the Effective Date, all rights of Island, Salfi and Tata Energy to refunds, credits, advance payments or any other benefits shall stand transferred to Tata Textile. Where any such Tax refund or benefit is due to Island, Salfi and Tata Energy after the Effective Date, the same shall become due to Tata Textile.

10. Consideration

- 10.1. In consideration for the transfer of the entire undertaking of Island and all its respective Assets, Tata Textile shall as of the Effective Date, issue to all the shareholders of Island, 15,100,000 fully paid-up ordinary Tata Textile shares of Rs. 10/-, in the ratio of 30.2 Tata Textile shares for each Island share held by each shareholder immediately prior to the Effective Date.
- 10.2. In consideration for the transfer of the entire undertaking of Salfi and all its respective Assets, Tata Textile shall as of the Effective Date, issue to all the shareholders of Salfi, 17,381,364 fully paid-up ordinary Tata Textile shares of Rs. 10/-, in the ratio of 5.2 Tata Textile shares for each Salfi share held by each shareholder immediately prior to the Effective Date.
- 10.3. In consideration for the transfer of the entire undertaking of Tata Energy and all its respective Assets, Tata Textile shall as of the Effective Date, issue to all the shareholders of Tata Energy, 6,187,500 fully paid-up ordinary Tata Textile shares of Rs. 10/-, in the ratio of 6 Tata Textile shares for each Tata Energy share held by each shareholder immediately prior to the Effective Date.

11. Scheme's Effect

- 11.1. As and from the Completion Date, the provisions of this Scheme shall be effective and binding by operation of law.
- 11.2. The transfer of Assets and Liabilities, and the issuance of fresh shares in Tata Textile in terms of this Scheme shall not:
- 11.2.1. Constitute (or be deemed to constitute) any assignment, transfer, devolution, conveyance, alienation, parting with possession, issuance of bonus shares, or other disposition under any applicable law including Tax law (other than as contemplated under Section 282 of the Act); give rise to any forfeiture; and/or
 - 11.2.2. Give rise to any right of first refusal or pre-emptive right to any person.
- 11.3. As and from the date on which an order by the Court sanctioning this Scheme is filed with the Registrar of Companies, the terms of this Scheme shall be binding on Island, Salfi, Tata Energy and Tata Textile and also on the shareholders and creditors of each of the above, and on any and all other persons including persons having any contractual or other right against, or obligation to, any one of more of them.

12. Dissolution of Island, Salfi and Tata Energy

- 12.1. The transfer of Assets and Liabilities under the terms of this Scheme shall result in the immediate dissolution without winding up of Island, Salfi and Tata Energy without any further act or deed and its name shall be struck off the register of companies maintained by the Securities & Exchange Corporation of Pakistan.

13. Miscellaneous

- 13.1. This Scheme is subject to the sanction of the Court and may be sanctioned in its present form or with any modification thereof or addition thereto as the Court may approve and this Scheme with such modification or addition, if any, is also subject to any conditions which the Court may impose.
- 13.2. If the Court requires Island, Salfi, Tata Energy and Tata Textile to consent to any modification to this Scheme, such consent may be given on their behalf by their respective Chief Executive Officers or their legal counsel.

SCHEDULE "A"
LIST OF IMMOVABLE PROPERTIES

1. Details of immovable property of Island

The following immovable property of Island, as listed hereunder, is without prejudice and in addition to the "Assets" as defined under this Scheme.

Location	Total Area (Acres)
PLOT NO. A/12 & A/15, S.I.T.E., KOTRI SINDH	13.73

2. Details of immovable property of Salfi

The following immovable property of Salfi, as listed hereunder, is without prejudice and in addition to the "Assets" as defined under this Scheme.

Location	Total Area (Acres)
PLOT NO.HX-1, LANDHI INDUSTRIAL AREA, KARACHI.	18.80
Plot No. W5/02	5
Plot No. W5/03	5
TOTAL:	28.80