

KARACHI STOCK EXCHANGE LIMITED

KSE/N-1176

NOTICE

March 03, 2015

Reproduced hereunder letter received from **KARIM COTTON MILLS LIMITED**, for information of TRE Certificate Holders of the Exchange.

The Complete Detail of Merger of Scheme of Amalgamation is available on Kse Website, (Copy of the same is also available on our Website www.kse.com.pk).

KARIM COTTON MILLS LIMITED

14/E, 2nd Floor, Writers Chambers, Mumtaz Hasan Road, Karachi – 74000

Phone No. 021-32427603 & 0300-8236902

Email: m.idrees_karim@yahoo.com

March 02, 2015

The General Manager
Karachi Stock Exchange Limited
Karachi.

Dear Sir,

Sub: REVIVAL OF KARIM COTTON MILLS LTD.

This is to inform you that the Board of Directors of the Company in their meeting held on February 28, 2015 have approved the merger of Agro Allianz (Private) Limited with and into Karim Cotton Mills Limited. We enclose herewith following:

1. Profile of Agro Allianz (Private) Limited.
2. Copy of Draft Merger Scheme.
3. Copy of audited accounts of Agro Allianz (Private) Limited for the year ended June 30, 2014.

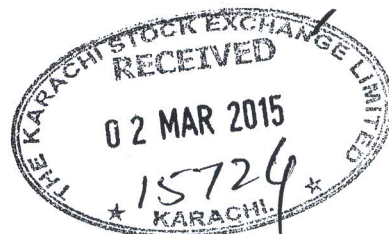
The Petition will be filed with the High Court of Sindh within two/three days.

We will keep updating your good office regarding merger progress.

Yours truly,


For **Karim Cotton Mills Limited**

C.C. To: The General Manager
Lahore Stock Exchange Limited
19-Khayaban-e-Aiwan-e-Iqbal
Lahore



DRAFT

KARIM COTTON MILLS LIMITED

SCHEME OF ARRANGEMENT

Under Section 284 to 288 of the Companies Ordinance, 1984

FOR AMALGAMATION / MERGER OF

AGRO ALLIANZ (PRIVATE) LIMITED

INTO

KARIM COTTON MILLS LIMITED

KARIM COTTON MILLS LIMITED

SCHEME OF ARRANGEMENT
Under Section 284 to 288 of the Companies Ordinance, 1984
FOR AMALGAMATION / MERGER OF

AGRO ALLIANZ (PRIVATE) LIMITED
INTO
KARIM COTTON MILLS LIMITED

TABLE OF CONTENTS

S. No.	Particulars	Page Nos.
1	Corporate Information: Karim Cotton Mills Limited (KCML)	3
2	Corporate Information: Agro Allianz (Private) Limited (AAPL)	4
3	Notice of Extraordinary General Meeting: Karim Cotton Mills Limited	5
4	Notice of Extraordinary General Meeting: Agro Allianz (Private) Limited	7
5	Statement Under Section 286(1)(A)/160(1)(b) of the Companies Ordinance, 1984	9
6	Scheme of Arrangement	20
7	Form of Proxy	27

KARIM COTTON MILLS LIMITED
CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Idrees Haji Ibrahim	Chief Executive
	Mr. Saeed Uddin Hameed Uddin	
	Mr. Muhammad Arif Abdullah	
	Mr. Abu Talib Muhammad Yunus	
	Mr. Zain ul Abidin Muhammad Yunus	
	Mr. Adnan Muhammad Ahmed	
	Mr. Abdul Wahid Umer	
Company Secretary/ Chief Financial Officer	Mr. Muhammad Siddique	
Legal Advisors	Mr. Muhammad Afzal, Advocate	
Merger Consultants	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants	
Registered Office / Shares Department	14/E, 2 nd Floor, Writers Chambers Mumtaz Hassan Road Karachi-74000	
Auditors	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants Plot No. 180, Block-A, S.M.C.H.S., Karachi – 74400	

AGRO ALLIANZ (PRIVATE) LIMITED
CORPORATE INFORMATION

Board of Directors	Sheikh Ali Baakza	Chief Executive
	Mr. Abdul Majeed Ghaziani	
	Mr. Muhammad Farrukh Amin	
	Mr. Muhammad Zain Sardar	
Company Secretary/ Chief Financial Officer	Mr. Shah Amin Ul Haq	
Legal Advisors	Mr. Bashir Hussain, Advocate	
Merger Consultants	Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants	
Registered Office / Shares Department	Suite No. 701, Block-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi	
Auditors	Amir Hussain Associates Chartered Accountants Suite No. 1304, 13 th Floor, Uni Center, I.I. Chundrigar Road, Karachi	

KARIM COTTON MILLS LIMITED
NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the shareholders of Karim Cotton Mills Limited (“the Company”) will be held on _____, 2015 at _____ AM/PM at Ocean Center, Talpur Road, Karachi to consider the following:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on October 31, 2014

Special Business

2. The Scheme of Arrangement for merger/amalgamation of Agro Allianz (Private) Limited into Karim Cotton Mills Limited and in that connection to consider and pass with or without modifications the following resolutions as special resolutions:

RESOLVED that the Scheme of Arrangement (“Scheme”) put before the meeting for the merger/amalgamation of Agro Allianz (Private) Limited into Karim Cotton Mills Limited be and is hereby approved in its present form and/or any modification therein, subject to the completion of legal formalities.

FURTHER RESOLVED that Mr. Muhammad Idrees Haji Ebrahim, Chief Executive/Director be and is hereby authorized to take all such steps as may be necessary or incidental for the purpose of implementing the aforesaid Scheme of Arrangement in its present and/or in modified form. They are also authorized to make any changes in the scheme of arrangement for completion of merger of the two companies.

Any other Business

3. To transact any other business with the permission of the Chair.

Karachi:
_____, 2015

By Order of the Board
Muhammad Siddique
Company Secretary

NOTES:

1. The statement U/S 286(1) (A)/ 160 (1)(b) and scheme of arrangement are appended herewith. These documents along with financial statements and other related information may also be inspected during business hours in the registered office of the Company or obtained on written request before the date of the meeting.

2. As per letter # SMD/SE/2(20/2010) dated August 13th, 2010 issued by the Securities and Exchange Commission of Pakistan, regarding actions upon orders for suspensions of trading in shares at the Stock Exchanges and complete restriction on physical transfer of shares, therefore, company have not declared any date of closure of share transfer books of the company.
3. A member eligible to attend and vote at this meeting may appoint another member his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's registered office not less than 48 hours before the time for holding the meeting.
4. Representatives of corporate members should bring the usual documents required for such purpose.

AGRO ALLIANZ (PRIVATE) LIMITED
NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the shareholders of Agro Allianz (Private) Limited (“the Company”) will be held on _____, 2015 at ____ AM/PM at Suite No. 701, Block-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi to consider the following:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on October 31, 2014

Special Business

2. The Scheme of Arrangement for merger/amalgamation of Agro Allianz (Private) Limited into Karim Cotton Mills Limited and in that connection to consider and pass with or without modifications the following resolutions as special resolutions:

RESOLVED that the Scheme of Arrangement (“Scheme”) put before the meeting for the merger/amalgamation of Agro Allianz (Private) Limited into Karim Cotton Mills Limited be and is hereby approved in its present form and/or any modification therein, subject to the completion of legal formalities.

FURTHER RESOLVED that Mr. Muhammad Farrukh Amin, Director be and is hereby authorized to take all such steps as may be necessary or incidental for the purpose of implementing the aforesaid Scheme of Arrangement in its present and/or in modified form. They are also authorized to make any changes in the scheme of arrangement for completion of merger of the two companies.

Any other Business

3. To transact any other business with the permission of the Chair.

Karachi:
_____, 2015

By Order of the Board
Shah Amin UI Haq
Company Secretary

NOTES:

1. The statement U/S 286(1) (A)/ 160 (1)(b) and scheme of arrangement are appended herewith. These documents along with financial statements and other related information may also be inspected during business hours in the registered office of the Company or obtained on written request before the date of the meeting.

2. The share transfer books of the Company will remain closed from _____, 2015 to _____, 2015 (both days inclusive). Transfers received, will be valid, at registered office of the Company Suite No. 701, Block-A, Saima Trade Tower, I.I. Chundrigar Road, Karachi by the close of business hours on _____, 2015.
3. A member eligible to attend and vote at this meeting may appoint another member his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must reach the Company's registered office not less than 48 hours before the time for holding the meeting.

STATEMENT OF INFORMATION
ACCOMPANYING NOTICE TO THE MEMBERS UNDER SECTION 286(1)(A)/160(1)(b) OF THE
COMPANIES ORDINANCE, 1984

The statement sets out the material facts about the special business to be transacted at the Extraordinary General Meeting of the Members of **Karim Cotton Mills Limited (KCML)** called for _____, 2015.

MERGER OF AAPL INTO KCML

KCML – THE EMERGING COMPANY

Karim Cotton Mills Limited (KCML) was incorporated on March 28, 1968 as private limited company and was later converted into a public limited company on December 14, 1968. Its shares are quoted on Stock Exchanges of Karachi and Lahore.

The object of the Company was to engage in the manufacturing of yarn and fabric manufacturing and it continued its operation till 30th April 1995. The Company sold its property and assets in December 1999 and settled all liabilities but could not restart its operations.

On June 16, 2004, the Securities and Exchange Commission of Pakistan (SECP) passed an order under section 309 of the Companies Ordinance, 1984 for winding up of Karim Cotton Mills Limited. However, on appeal of the Company, the Appellate Tribunal of SECP vide its order dated August 31, 2004 allowed the sponsors to revive the Company by either injecting funds themselves or selling the Company to some other sound business party for revival of the Company. The Company's efforts did not materialize and its revival remained pending.

Under the circumstances, on January 22, 2007, the Securities and Exchange Commission of Pakistan (SECP) issued another show cause notice under sub-section (b) of section 309 of the Companies Ordinance, 1984 which is still pending in abeyance.

Due to prolong unfavorable market conditions the sponsors could not manage some concrete investment plan for revival of the company. After initiating this merger scheme, KCML has requested the SECP to withdraw this show cause notice in the best interest of the shareholders.

Karachi Stock Exchange (**KSE**) by its letter dated 8 July 2014 has informed SECP about KCML's compliance with the requirements of SECP by way holding of AGM's for the year ended 30 June 2012 and 30 June 2013 and KMCL is also in the process of induction of its ordinary shares into the Central Depository System ("**CDS**") of the Central Depository Company of Pakistan Limited ("**CDC**"); KSE's outstanding fees for the period up to 30 June 2014 has also been paid by KMCL, therefore, KSE submits to SECP and seeks SECP's No Objection to enable KSE to process for removal of KMCL from Defaulter's Segment and resumption of trading in its shares. The SECP by its letter dated 12 January 2015 raised certain objections regarding the Petitioner No. 1's audited accounts for the years 2012 and 2013, it also reviewed the Memorandum of Understanding dated 3 May 2014 entered into between the Petitioner No. 1 and Petitioner No. 2 regarding the merger scheme (which information was earlier provided to the SECP by KMCL), SECP in this regard seeks from KMCL information about the status of the merger scheme. KMCL vide its letter dated 28 January 2015 responded to SECP's objections regarding audited accounts and enclosed the merger scheme and submitted that the merger scheme will be filed in the High Court of Sindh for approval. The CDC vide its letter dated 11 July 2014 declared that the Ordinary Shares of KMCL

("Shares") as CDS Eligible Securities and seeks necessary arrangements from KMCL for smooth induction of Shares into the CDS.

In SECP's hearing
the sponsors requested SECP for time up to March 31, 2015 for presentation of the merger petition.

The authorized share capital of "KCML" is Rs. 50,000,000 divided into 5,000,000 ordinary shares of Rs.10/- each. There are 587 shareholders of "KCML" and paid up capital is Rs.11,832,940 divided into 1,183,294 ordinary shares of Rs.10/- each.

There are no property, assets and liabilities of "KCML" and its shareholder's equity is negative as a result of accumulated loss.

AGRO ALLIANZ (PRIVATE) LIMITED (AAPL) – THE MERGING COMPANY

Agro Allianz (Private) Limited was incorporated on January 22, 2013 under the Companies Ordinance, 1984 vide corporate universal identification No. 0082459. The authorized and paid up capital of the Company is Rs. 200,000,000/- and Rs. 150,000,000/- divided into 200,000 and 150,000 of Rs. 1,000/- each respectively.

The main object of the Company is to carry on the business of traders and suppliers of products, commodities and raw material in any form or shape whether manufactured or semi-manufactured or in raw form and importers, exporters, wholesalers, intending agents, etc.

The registered office of the Company is situated at Suit No. 701, Block – A, Saima Trade Tower, I.I. Chundrigar Road, Karachi.

The following are the Directors of the Company:

1. Sheikh Ali Baakza
2. Mr. Abdul Majeed Ghaziani
3. Mr. Muhammad Farrukh Amin
4. Mr. Muhammad Zain Sardar

The above sponsors have long outstanding experience of trading in commodities to their credit and group is known by the name of Unity Group of Companies. The other group companies are:

- a) Reliance Exim (Private) Limited.
- b) Unity Commodities
- c) Crystal Commodities

The group turnover for the year ended June 30, 2014 is Rs. 5.5 billion.

The Agro Allianz (Private) Limited is presently dealing in the following products:

Corn

Agro Allianz has proven its leadership in corn exports with the highest sales in 2013. Our Okara procurement facility is instrumental in procuring highest quality corn crop from Punjab. In-house quality control and review facilities ensure highest quality at each level of our trade cycle. We primarily export corn to Malaysia, Taiwan, and Vietnam.



Rapeseed Meal

Agro Allianz holds a distinct position and has become a renowned name in exporting Rapeseed Meal. Our entire range is processed under strict hygienic conditions to ensure these are free from husk or castor seeds, weevils, lumps, urea and other impurities. In order to ensure that the Rapeseed Meal remain fresh, we also take due care while packaging these before the delivery of consignments.



Infrastructure & Network:

Warehousing Facility

Warehouse spread over 10 acres of land, with RCC Sheds to store approx 12,500 metric tons of grains, well equipped with laboratory and truck weigh scale for handling of grains at Okara. This is the Company's grain accumulation centre. Silos with the capacity of 5000 MT storage capacity have been installed at this location.



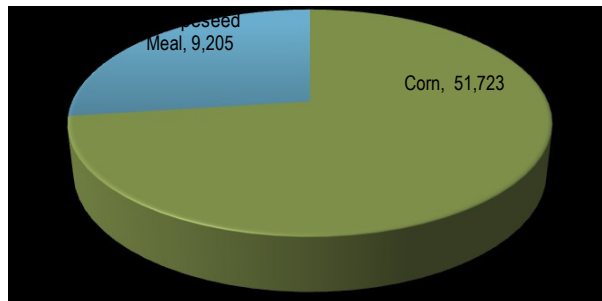
Global Network

By virtue of liaison with Maxwell Singapore, Agro Allianz has competitive advantage due to access to various untapped markets such as Taiwan, South Korea, Thailand, Indonesia, Vietnam and China.

Our Customers:



Exports:



The AAPL is engaged in import, export and trading of animal meal used in dairy farming industry. The AAPL has commenced business w.e.f. January 23, 2013 and operating performance since inception are as under:

	2014	From
	<u>Rupees</u>	Jan 23, 2013 to
		June 30 2013
		<u>Rupees</u>
Sales	1,476,098,193	218,248,972
Gross profit	161,842,081	8,535,472
Profit before taxation	<u>79,097,595</u>	<u>4,894,242</u>
Profit after taxation	<u><u>64,336,614</u></u>	<u><u>2,711,752</u></u>

The authorized share capital of "AAPL" is Rs. 200,000,000 divided into 200,000 ordinary shares of Rs.1,000/- each and its paid up capital is Rs.150,000,000 divided into 150,000 ordinary shares of Rs.1,000/- each.

WHY THIS PROPOSAL FOR MERGER

AAPL is a newly established Private Limited Company, which started its operations in January, 2013. The sponsors of AAPL intend to list it on Stock Exchange in view of growth potential as a result of impetus provided by the Government to Agriculture and Dairy Farming in Corporate Sector. The management of KCML has approached the sponsors of AAPL proposing merger of AAPL with KCML for achievement of the goal set by AAPL sponsors which will revive KCML as well.

The stock exchanges of Karachi and Lahore had suspended trading in it shares in the bourses since October 2000 since the Company's operating activities could not be restarted after closure in 1995. The investment of the shareholders has reduced to ash. SECP has already issued a show cause notice for winding up of the KCML. If the KCML is windup, 587 shareholders of the Company as well as the 7 institutional investors will be the looser.

It is the considered opinion of both the managements that it would be in the best interest of the shareholders of both the companies if they could merge. The shareholders of AAPL will be able to avail the benefits of the listing while as a company, KCML will also stand revived as a part of amalgamated entity and the shareholders of KCML will one again enjoy the privilege of a strong running listed company.

THE BENEFITS OF THE MERGER

1. The merger of two companies will rationalize business structure, bring economies and significantly improve the flexibility, efficiency and financial strength.
2. The proposed merger will result in reducing expenses, cut down the reporting requirements, ensure savings in tax, enhance the corporate image of emerged entity and as a consequence, benefit the shareholders of merged entity.
3. The merger will result the revival of KCML and value addition of the shareholders of KCML.
4. In the result of proposed merger, shareholders of AAPL will enjoy the benefit of listing.
5. The merger is expected to bring the following benefits:
 - merger will allow increase in value of shares for the benefit of the existing shareholders of KCML, which shares otherwise hold negative value and not traded as well;
 - trading will allow the existing shareholders of KCML to trade its shares and / or sell its shares which otherwise their investment is stuck up/dead;
 - Institutional investors will get increase in value of their investment;
 - KCML will be able to expand by generating more capital by further issue of shares;
 - Merger would create a better balance sheet for the merged entity.
 - the shareholders of the merged company will experience better financial results and pay outs.
 - The merger would result in containing administrative cost leading to enhanced profitability as the merged entity would be able to carry out its operations effectively and economically due to the fact that:
 - i. a single Board of Directors to manage the affairs of the merged entity will be required;
 - ii. one Annual General Meeting will be held;
 - iii. one set of books and records for corporate affairs will be maintained and one set of forms/returns will be filed with the various Corporate Government/Regulatory Agencies;
 - iv. single assessment for income tax, filing and record keeping;
 - v. administrative, commercial and corporate staff will be reduced;
 - vi. professional tax and other such levies will be dealt as an entity; and
 - vii. organizations like EOBI, society security, local bodies and others will be dealt as one entity.
6. In addition to above, confidence of small investors on regulatory authorities will improve and it will contribute to the income of the stock exchanges.

THE SCHEME

The principal object of the Scheme is to effect merger by way of amalgamation of AAPL into KCML with effect from **January 01, 2015** (the **Effective Date**) or such other date as may be directed by the Court, by transfer to and vesting in KCML the whole of business and undertaking of AAPL together with all the property, assets, rights, liabilities, obligations of every description subsisting immediately preceding the Effective Date, without further act or deed or documents being required to be executed, registered or filed in respect of such transfer, vesting and/or assumption and to dissolve AAPL without going into winding up. However, the name of merged entity will stand simultaneously changed from Karim Cotton Mills Limited to Agro Allianz Limited (AAL) with the sanction of the scheme by the High Court as all the activities of AAPL of import, export and trading are being conducted in the name and style of AAPL and this shall serve the principal object of the scheme.

THE SWAP RATIO

Pursuant to the Scheme, as consideration for the said transfers, KCML shall issue at par and allot to the individual members of AAPL **144** (based on breakup value per share of AAPL as on June 30, 2014 which is Rs. 1,447/- on the basis of share of face value of Rs. 1,000/- each & Rs. 14.67 on the basis of share of face value of Rs. 10/- each and that of KCML is minus Rs. 2.46 on the basis of share of face value of Rs. 10/- each) fully paid-up ordinary share of the par value of Rupees 10 each in the capital of KCML for every **one** ordinary shares of Rupees 1,000 each held by them in the capital of AAPL, as on a day to be fixed by the Board of Directors of KCML following the effective date. The swap ratio is worked out as under:

Description	KCML	AAPL
Shareholders Equity as on June 30, 2014	(2,910,273)	217,048,365
Number of Shares of Rs. 10/- each	1,183,294	-
Number of Shares of Rs. 1,000/- each	-	150,000
Number of Shares equivalent to Rs. 10/- each	-	15,000,000
Breakup Value on the basis of Share of Rs. 10/- each	(2.46)	14.67
Breakup Value on the basis of Share of Rs. 1,000/- each	-	1,447

PAID UP CAPITAL AFTER MERGER

Description	KCML Rs.	AAPL Rs.	TOTAL Rs.
Paid up Capital / Shareholders Equity as on June 30, 2014	11,832,940	216,000,000	227,832,940

MERGED COMPANY PATTERN OF SHAREHOLDING

After merger the paid up capital of the merged Company will be Rs. 227,832,940/- divided into 22,783,294 ordinary shares of Rs. 10/- each. The Pattern of Shareholding of merged Company will be as under:

<u>Category of Shareholders</u>	<u>No. of Persons</u>	<u>Shareholding Share of Rs. 10/- each</u>
<u>Directors, their spouse and family members</u>	15	22,404,000
<u>Investment Companies</u>		
National Bank of Pakistan (Trusted Deptt.)	1	225,300
Investment Corporation of Pakistan	1	69,515
<u>Insurance Companies</u>		
Adamjee Insurance Company	1	2,500
Pakistan Insurance Corporation	1	200
<u>Joint Stock Companies</u>		
Fateh Textile Mills Limited	1	50
<u>Financial Institutions</u>		
Pakistan Industrial Credit & Investment Corporation Ltd.	1	16,800
Securities & Exchange Commission of Pakistan, Islamabad	1	1
Individuals Shareholders	569	64,928
TOTAL		22,783,294

APPROVAL OF SCHEME

As required by Section 284(2) of the Companies Ordinance, 1984, the resolution specified in the notice has to be passed by a majority representing three-fourth in value of the issued shares held by the members present in person or by proxy and voting at the meetings. The sanctioning of the Scheme and the making of other appropriate orders in connection therewith will be considered by the Court after the Scheme is approved by the members.

FINANCIAL RESULTS – PREMERGER - AUDITED

AGRO ALLIANZ (PRIVATE) LIMITED	Audited 30.06.2014	KARIM COTTON MILLS LIMITED	Audited 30.06.2014
Operating Results		Operating Results	
Sales	1,476,098,193	Sales	-
Gross Profit	163,554,199	Gross Profit	-
Net profit before tax	79,097,596	Net loss before tax	(1,067,442)
Net profit after tax	64,336,614	Net loss after tax	(1,067,442)
Financial Data		Financial Data	
Fixed assets	64,081,824	Fixed assets	-
Current assets	152,966,541	Current assets	14,142
Current Liabilities	-	Current Liabilities	(2,924,415)
NET ASSETS EMPLOYED	217,048,365	NET ASSETS EMPLOYED	(2,910,273)
Shareholders Equity :		Shareholders Equity :	
Ordinary Capital	150,000,000	Ordinary Capital	11,832,940
Un-appropriated profit	67,048,365	Un-appropriated loss	(14,743,213)
Shareholders' Equity	217,048,365	Shareholders' Equity	(2,910,273)

PROJECTED FINANCIALS FOR FIVE YEARS – AFTER MERGER

OPERATING RESULTS

	(Rupees '000)				
	2015 Rupees	2016 Rupees	2017 Rupees	2018 Rupees	2019 Rupees
Sales	1,549,903	1,627,398	1,708,768	1,794,207	1,883,917
Gross profit	171,732	180,319	189,334	198,801	208,741
Profit before Tax	82,930	86,944	91,146	95,546	100,151
Net profit	67,431	70,670	74,059	77,604	81,312
Profit available for appropriation	67,431	70,670	74,059	77,604	81,312
Earnings per share (Rs)	2.96	3.10	3.25	3.41	3.57
Expected dividend payout	10%	15%	20%	25%	25%
Expected breakup value per share of Rs. 10/- each	13	16	19	23	26

FINANCIAL DATA

(Rupees '000)

	2015 Rupees	2016 Rupees	2017 Rupees	2018 Rupees	2019 Rupees
ASSETS					
NON CURRENT ASSETS					
Tangible fixed assets	60,109	56,382	52,886	49,608	46,532
CURRENT ASSETS					
Trade Receivable – secured	213,273	223,937	235,134	246,890	259,235
Trade Stock	24,487	25,711	26,997	28,346	29,764
Advances, deposits and other receivables	6,183	6,493	6,817	7,158	7,516
Taxation – Net	22,866	24,009	25,210	26,470	27,793
Cash and bank balances	90,572	158,278	228,807	302,314	378,956
	357,381	438,428	522,965	611,178	703,264
TOTAL ASSETS	417,490	494,810	575,851	660,786	749,796
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVE					
Authorized share capital					
25,000,000 ordinary shares of Rs. 10/- each	250,000	250,000	250,000	250,000	250,000
Issued, subscribed and paid up capital	227,833	227,833	227,833	227,833	227,833
Un-appropriated profit	53,737	124,407	198,465	276,069	357,381
	281,570	352,240	426,298	503,902	585,214
CURRENT LIABILITIES					
Trade and other payable	635	635	635	635	635
Loans from Directors	108,648	113,966	119,550	125,413	131,569
Short Term Finance / Loan	26,637	27,969	29,368	30,836	32,378
	135,920	142,570	149,553	156,884	164,582
	417,490	494,810	575,851	660,786	749,796

DIRECTORS AND THEIR HOLDING

The shares held by the directors in each company are as under:

Agro Allianz (Private) Limited		Karim Cotton Mills Limited	
Name	Shares Held Rs. 1,000/- each	Name	Shares Held Rs. 10/- Each
	Nos.		Nos.
Sheikh Ali Baakza	74,999	Mr. Muhammad Idrees Haji Ebrahim	468,223
Mr. Abdul Majeed Ghaziani	37,500	Mr. Saeed Uddin Hameed Uddin	3,400
Mr. Muhammad Farrukh	37,500	Mr. Muhammad Arif Abdullah	2,500
Mr. Muhammad Zain Sardar	1	Mr. Abdu Talib Muhammad Yunus	3,000
		Mr. Zainul Abedin Muhammad Yunus	2,500
		Mr. Abdul Wahid Umer	2,500
		Mr. Adnan Muhammad Ahmed	2,500
	150,000		484,623

BOARD OF DIRECTORS OF KCML AFTER MERGER

Mr. Muhammad Idrees Haji Ebrahim
Sheikh Ali Baakza
Mr. Abdul Majeed Ghaziani
Mr. Muhammad Farrukh
Mr. Muhammad Zain Sardar
Mr. Saeed Uddin Hameed Uddin
Mr. Muhammad Arif Abdullah

DIRECTORS INTEREST

All the directors of KCML and AAPL are interested in this merger to the extent of shares held by them in the respective companies. The effect of the Scheme on the interest of these directors does not differ from its effect on the like interest of other shareholders.

The Directors have no other interest in the special business and/or resolutions except as specified herein above.

COMPENSATION FOR LOSS OF OFFICE

No compensation is payable to any of the directors of KCML for the loss of office as Director of that company after the merger.

SCHEME OF ARRANGEMENT

Under Section 284 TO 288 of the Companies Ordinance, 1984

FOR AMALGAMATION / MERGER OF

AGRO ALLIANZ (PRIVATE) LIMITED

INTO

KARIM COTTON MILLS LIMITED

PART I

DEFINITIONS

In this Scheme, unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against each below:

"KCML"	means Karim Cotton Mills Limited, a public company listed on Karachi and Lahore stock exchanges having its registered office at Karachi.
"AAPL"	means Agro Allianz (Private) Limited, a private limited company having its registered office at Karachi.
"Court"	means the Honourable Sindh High Court, Karachi.
"Scheme"	means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved or condition imposed by the Court.
"Effective Date"	means the day on which the Scheme becomes operative in accordance with clause 1 of this Scheme.
"AAPL-Undertaking"	means the business being conducted and authorized to be conducted by AAPL and all the properties, assets, authorized capital, privileges, powers, bank accounts, trade marks, patents, licenses, permissions, permits, rights, liabilities and obligations of AAPL.

The headings and marginal notes are inserted for convenience and shall not affect the construction of this Scheme.

PART II

COMPANIES AND CAPITAL OF THE COMPANIES

AAPL AAPL was incorporated on January 22, 2013 as private limited company. AAPL is engaged in import, export and trading of animal meal used in dairy farming industry. The animal meal is imported from India as well as it is purchased locally and then exported to China and Malaysia.

The authorized share capital of "AAPL" is Rs. 200,000,000 divided into 200,000 ordinary shares of Rs.1,000/- each and its paid up capital is Rs.150,000,000 divided into 150,000 ordinary shares of Rs.1,000/- each.

KCML KCML was incorporated on March 28, 1968 as private limited company and was later converted into a public limited company on December 14, 1968. It is public limited company listed on stock exchanges of Karachi and Lahore.

The Company remained engaged in the manufacturing of yarn and fabric manufacturing operation till 30th April 1995. During December 1999 the company sold its property and assets.

On June 16, 2004, the Securities and Exchange Commission of Pakistan (SECP) passed an order under section 309 of the Companies Ordinance, 1984 for winding up of Karim Cotton Mills Limited. However, on appeal of the Company, the Appellate Tribunal of SECP then suspended the order u/s 309 of the Companies Ordinance, 1984 vide its order dated August 31, 2004 and allowed the sponsors to revive the Company by either injecting funds themselves or enter into arrangement with some sound business party who should also revive the Company.

On January 22, 2007, the Securities and Exchange Commission of Pakistan (SECP) issued another show cause notice under sub-section (b) of section 309 of the Companies Ordinance, 1984. Due to prolonged unfavorable market conditions the sponsors could not succeed in this respect and could not, therefore, submit any concrete investment plan for revival of the company during the intervening period.

Karachi Stock Exchange (**KSE**) by its letter dated 8 July 2014 has informed SECP about KCML's compliance with the requirements of SECP by way holding of AGM's for the year ended 30 June 2012 and 30 June 2013 and KCML is also in the process of induction of its ordinary shares into the Central Depository System ("**CDS**") of the Central Depository Company of Pakistan Limited ("**CDC**"); KSE's outstanding fees for the period up to 30 June 2014 has also been paid by KCML, therefore, KSE submits to SECP and seeks SECP's No Objection to enable KSE to process for removal of KCML from Defaulter's Segment and resumption of trading in its shares. The SECP by its letter dated 12 January 2015 raised certain objections regarding the Petitioner No. 1's audited accounts for the years 2012 and 2013, it also reviewed the Memorandum of Understanding dated 3 May 2014 entered into between the Petitioner No. 1 and Petitioner No. 2 regarding the merger scheme (which information was earlier provided to the SECP by KCML), SECP in this regard seeks from KCML information about the status of the merger scheme. KCML vide its letter dated 28 January 2015 responded to SECP's objections regarding audited accounts and enclosed the merger scheme and submitted that the merger scheme will be filed in the High Court of Sindh for approval. The CDC vide its letter dated 11 July 2014 declared that the Ordinary Shares of KCML ("**Shares**") as CDS Eligible Securities and seeks necessary arrangements from KCML for smooth induction of Shares into the CDS.

In SECP's hearing the sponsors requested SECP for time up to March 31, 2015 for presentation of the merger petition.

There are no property, fixed assets and creditors of "KCML" and shareholder's equity of "KCML" is negative as a result of accumulated loss.

The authorized share capital of "KCML" is Rs. 50,000,000 divided into 5,000,000 ordinary shares of Rs.10/- each. There are 587 shareholders of "KCML" and paid up capital is Rs.11,832,940 divided into 1,183,294 ordinary shares of Rs.10/- each.

OBJECT OF THIS SCHEME

The principal object of the Scheme is to effect merger by way of amalgamation of AAPL into KCML, through the transfer and vesting in KCML of AAPL – Undertaking against allotment of fully paid ordinary shares of KCML to the shareholders of AAPL in lieu of AAPL shares held by them and the dissolution of AAPL without winding up.

PART III

THE SCHEME

1. As from the commencement of business of import and exports on **January 01, 2015** (hereinafter referred to as the "**effective date**"), the entire undertaking of AAPL including all properties, assets, authorized capital, privileges, powers, bank accounts, trade marks, patents, licenses, permissions, permits, rights, liabilities and obligations of AAPL as at the effective date shall, without further act or deed, stand transferred to and be vested in KCML. The name of the entity shall stand simultaneously changed from Karim Cotton Mills Limited to Agro Allianz Limited (AAL) from the date of sanction of the scheme for the reason that all the activities of the merged entity are being carried out under the name and style of AAL and this shall serve the interest of achieving the objective of the scheme.
2. Without prejudice to the generality of clause 1 above, undertaking of AAPL shall include all rights, powers, authorities, privileges, contracts, benefits of Government consents, sanctions and authorizations, trade marks, patents, licenses, liberties and all properties, immovable and movable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatsoever nature and wheresoever situate, including in particular reserves, revenue balances, liabilities (non-current and current), properties, investments, deposits, deferred costs, stores and spares, advances, deposits, trade debts, prepayments, actionable claims, other receivables, cash and bank balances, accumulated tax losses (assessed and to be assessed), and all connections, meters, installation and facilities, owned, leased or licensed for telephones, facsimile, telex, electricity, gas, water, etc., and benefit of all payments and deposits made in connection there-against, owing to AAPL and all other authorities, rights or interests in or arising out of such property as may belong to or be in the possession or claim of KCML on the effective date and all contingent claims and proceeds realized from the liquidation of the contingent claims and all books of account and documents relating thereto, and shall be deemed to include all debts, borrowings, liabilities, duties and obligations of AAPL of whatever kind, including liabilities for payment of gratuity, pension, benefits, provident fund or compensation in the event of retrenchment.
3. The transfer and vesting of the undertaking of AAPL under Clauses 1 and 2 hereof and the continuance of proceedings by KCML shall not affect any transactions or proceedings already concluded by AAPL in the ordinary course of business and after the effective date to the end and intent that KCML accepts on behalf of itself all acts, deeds and things done and executed by AAPL.
4. Every officer, workman or other employee of AAPL shall, on the effective date, become an officer, workman or employee, as the case may be, of KCML on the basis that his services have not been interrupted by the vesting of the undertaking of AAPL, in KCML under this Scheme and on the same remunerations and other conditions of service, rights and privileges as to pension, provident fund and gratuity, if any, and other matters as were applicable to him before the effective date.
5. Pursuant to the Scheme, as consideration for the said transfers, KCML shall issue at par and allot to the individual members of AAPL **144** (based on breakup value per share of AAPL as on June 30, 2014) fully paid-up ordinary share of the par value of Rupees 10 each in the capital of KCML for every **one** ordinary shares of Rupees 1,000 each held by them in the capital of AAPL, as on a day to be fixed by the Board of Directors of KCML following the effective date.
6. For the purpose of the allotments to be calculated as specified in clause 5 fractional entitlements of above 0.5 shall be rounded up to nearest one share and below 0.5 shall be ignored.

7. At least seven days notice shall be given to the shareholders of AAPL, of the date fixed by the directors of KCML by reference to which the registered holders of the ordinary shares of AAPL are to be determined for entitlement to ordinary shares of KCML. Such notice shall also specify the date by which the shareholders of KCML, shall deliver to KCML for cancellation all share certificates representing ordinary shares of AAPL held by them and such share certificates shall be delivered to KCML on or before that date.
8. The allotment of the ordinary shares of KCML shall be made by KCML within 30 days from the date so notified. The share certificates for such shares shall be made ready for delivery as soon as practicable thereafter and notices for delivery of certificates shall be given to the shareholders of AAPL in the manner provided in its Articles of Association. Share certificates not collected within the time specified in any such notice shall be sent by post, addressed to the persons entitled thereto at their respective registered address. In the case of joint shareholders, share certificates may be delivered to or may be sent to the address of the person whose name appears first in respect of such joint holding. KCML shall not be responsible for loss of the share certificate in such transmission.
9. The ordinary shares of KCML issued and allotted to the shareholders of AAPL, shall, in all respect, rank *pari passu* with the existing ordinary shares of KCML and shall be entitled to all dividends after the Effective Date.
10. The authorized capital of AAPL shall merge with the authorized capital of KCML. Approval of the shareholders of KCML to this Scheme shall also include and amount to an approval by way of special resolution to the alternation of the Memorandum and Articles of Association of KCML for the increase of the authorized capital as required in terms of the Ordinance.
11. The capital reserves, revenue reserves including un-appropriated profit/loss of AAPL, as at **June 30, 2014** shall constitute and be treated as reserves of a corresponding nature in KCML and shall be accounted for on that basis in the books of account of KCML.
12. The Chief Executives of KCML and AAPL acting jointly or any person or persons duly authorized by the respective boards of KCML and AAPL shall be authorized to take all such further supplemental, incidental and consequential actions and steps as may be requisite for giving full effect to this Scheme and may consent on behalf of all concerned to any modification of or addition to this Scheme or to any condition which the Court may deem fit to impose.
13. With effect from the effective date and upto completion date, AAPL shall carry on and be deemed to carry on all its business and activities and stand possessed of its properties, assets for and on account of and in trust for KCML and all profits accruing to AAPL or losses arising or incurred by it shall, for all purposes, be treated as the profits or losses of KCML as the case may be.
14. Without prejudice to the legally binding effect of the Scheme on all share holders and creditors of KCML and AAPL upon approval of the Scheme by the respective shareholders of KCML and AAPL and sanction by the Court under the relevant provisions of the Ordinance, if any provision of this Scheme is subsequently determined to be unenforceable by a competent court of law, then to the fullest extent possible, all of the remaining provisions of the Scheme shall remain in full force and effect. Upon such happening, the Board of Directors of KCML with the consent of the Court shall as soon thereafter as practicable, suitably substitute such provision(s) of the Scheme as may have been declared un-enforceable and that such substituted provisions shall be in accordance with the directions of the court concerned to the extent possible.

15. AAPL shall stand dissolved, without winding up from the date, a certified copy of the order of the Court, approving the amalgamation, is filed with the Registrar by KCML.
16. Without further documentation and/or approval, listing status of AAPL at Karachi and Lahore stock exchanges shall remain intact.
17. All costs, charges and expenses of carrying this scheme into effect shall be borne and paid by KCML.
18. The scheme is conditional on and subject to:
 - 18.1 Approval of and agreement to the scheme by the requisite majority of the respective members of and such classes of persons of AAPL and KCML as may be directed by the Court.
 - 18.2 Requisite resolutions(s) under the applicable provision of the Companies Ordinance, 1984 being passed by the shareholders of AAPL and KCML for any of the matters provided for or relating to the scheme as may be necessary or desirable.
 - 18.3 No objection certificate from Competition Commission of Pakistan pursuant to Competition Ordinance, 2007.
19. In case this Scheme is not finally sanctioned by the Court for any reason whatsoever OR if for any other reason this Scheme cannot be implemented before **March 31, 2015** or within such further period or periods as may be agreed upon by the authorized person(s), as referred hereinabove, this Scheme shall become null and void and in that event no rights and liabilities shall accrue to or be incurred inter se by the parties in terms of this Scheme.

AAPL and KCML hereto shall, with all reasonable dispatch, make applications to the Court for sanctioning the scheme and for dissolution of KCML without winding up.

KARIM COTTON MILLS LIMITED

FORM OF PROXY

I, _____
of _____
member of KARIM COTTON MILLS LIMITED and a holder of _____
_____ Ordinary shares as per share register Folio No. _____
_____ hereby appoint Mr. _____
_____ of _____ Share
Register Folio No. _____ Where is also member of KARIM
COTTON MILLS LIMITED as my proxy to vote for me and my behalf at Extraordinary
General Meeting of the Company to held on _____, 2015 and at any adjournment
thereof.

Signed this _____ day of _____, 2015

Witness

Signature _____

Name _____

Address _____

CNIC # _____

Signature

AFFIX
Revenue Stamp of
Rs. 5/-

(Signature should agree with the specimen
Signature registered with the Company)

IMPORTANT

1. A member entitled to vote at this meeting may appoint an other member as his/her proxy.
2. This Proxy Form, duly completed and signed must be received at the address given in the notice of meeting not less than 48 hours before the time of holding the meeting.