

UNDER SECTIONS 284 TO 288 OF
THE COMPANIES ORDINANCE, 1984

SCHEME OF ARRANGEMENT
FOR MERGER

OF

(COLONY) SARHAD TEXTILE MILLS LIMITED

WITH AND INTO

SUHAIL JUTE MILLS LIMITED

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SCHEME OF ARRANGEMENT UNDER SECTION 284 OF THE COMPANIES ORDINANCE, 1984 FOR MERGER BETWEEN SUHAIL JUTE MILLS LIMITED AND ITS MEMBERS AND (COLONY) SARHAD TEXTILE MILLS LIMITED AND ITS MEMBERS

A. PRELIMINARY

(1). DEFINITIONS

In this Scheme of Arrangement, unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them:

“SJM”	Means Suhail Jute Mills limited a public listed company limited by shares, incorporated in Pakistan and having its registered office at 125 – Murree Road, Rawalpindi.
“CSTM”	Means (Colony) Sarhad Textile Mills limited a public listed company limited by shares, incorporated in Pakistan and having its registered office at 125 – Murree Road, Rawalpindi.
“Court”	Means the Lahore High Court, Rawalpindi bench, Rawalpindi or any other Court for the time being having jurisdiction under Section 284 to 288 of the Ordinance in connection with this Scheme.
“Scheme”	Means this Scheme of Arrangement in its present form or with any modification thereof or addition thereto as directed by the Court.
“Effective Date”	Means May 31, 2013 or such other date as may be stipulated by the Court.
“Completion Date”	Means the day on which the Undertaking and whole of assets and liabilities of CSTM are vested in SJM by the Order of the Court under Section 287(1) of the Ordinance.
“Ordinance”	Means the Companies Ordinance, 1984 and any amendments thereof.
“Participatory stakeholders”	Means any shareholder or creditor who has, at the General Meeting called for this purpose, given consent to receive shares in Suhail Jute Mills limited in exchange for holdings of pre-merger shares or, debt in (Colony) Sarhad Textile Mills or Suhail Jute Mills Limited, as the case maybe.
“Material”	Means an upward or downward change exceeding 20% of the pre-merger values.

“Compensation”	Means, either the issuance of shares in Suhail Jute Mills Limited in exchange for shares in (Colony) Sarhad Textile Mills Limited or, the issuance of shares in Suhail Jute Mills Limited to the participatory creditors of (Colony) Sarhad Textile Mills Limited or Suhail Jute Mills Limited as the case maybe.
"Undertaking of CSTM"	Means the entire undertaking of (Colony) Sarhad Textile Mills Limited comprising of and including all its assets, properties, rights, privileges, powers, banks accounts, licenses, and all or any other assets of CSTM. Without generality of the above, undertaking of CSTM shall include all rights, powers, authorities, privileges, concessions, contracts, benefits of Government consents/ permissions/ approvals / applications, sanctions and authorizations, licenses, quotas, liberties and all properties, immovable and movable, real, present or contingent or whatever nature and wheresoever situate, including specifically the tangible fixed assets, intangible fixed assets, equity investments, loans, advances, deposits, prepayments, other receivables, cash in hand, bank balances, stores and spares, stock in trade, telephones, emails, faxes, trade debts, and all other authorities, business operations, quota, right or interest in arising out of such property, utility (gas, water, electricity) connections as may belong to or be in the possession or claim of CSTM on the transfer date and all books of accounts including statutory books and other documents relating to CSTM and its operations and shall be deemed to include all debts, borrowings, short term finance non-current liabilities, current liabilities, and loans, duties and obligations of CSTM of whatever kind, including liabilities for payment of provident fund or compensation in the event of retrenchment.

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

(2). CAPITAL

SJM: The authorized share capital of the Company SJM is Rs.50,000,000 divided into 5,000,000 ordinary shares of Rs.10 each, out of which 3,245,000 ordinary shares are issued and fully paid in cash, 500,000 ordinary shares were issued for consideration other than cash and remaining are un-issued.

CSTM: The authorized share capital of the Company CSTM is Rs.50,000,000 divided into 5,000,000 ordinary shares of Rs.10 each, out of which 4,000,000 ordinary shares are issued and fully paid in cash and the remaining are un-issued.

(3). BOARD OF DIRECTORS

The Board of Directors of SJM and CSTM respectively, are constituted as follows:-

(a) BEFORE MERGER

SJM:

Sr #	Name of Director
1	Sohail Farooq Shaikh, chairman / chief executive
2	Mrs. Neelum Sohail Shaikh
3	Mr. Farrukh Haroon Rashid
4	Mrs. Saddia Mohsin
5	Mr. Mahir Mohsin
6	Mrs. Nazifa Khaliq
7	Miss. Surriya Shaikh

CSTM:

Sr #	Name of Director
1	Sohail Farooq Shaikh, Chairman / Chief executive
2	Farrukh Haroon Rashid
3	Shahid Aziz, Nominee NIT
4	Mrs. Neelum Sohail Shaikh
5	Mrs. Mehreen Haroon Rashid
6	Mr. Mahir Mohsin
7	Miss Surriya Shaikh

(b) AFTER MERGER

The Directors of SJM will continue to serve as directors of the Company after the merger/amalgamation.

B. THE SCHEME

4. OBJECTS OF THIS SCHEME

- 4.1 The principal object of this Scheme of Arrangement is to restructure the finances of the Companies so as to make the resultant entity viable, with a larger Asset base and positive equity. It is intended to achieve this and other benefits (spelt out in this document) by effecting a merger / amalgamation of CSTM with and into SJM. The merger / amalgamation involves the transfer to and vesting in SJM of the whole of undertaking and business of CSTM together with all the property, assets, rights, liabilities, licenses, guarantees and obligations of every description of CSTM against

allotment of shares of SJM to the registered shareholders of CSTM accordingly as defined in Para 8. This would enable the entity to raise financing to re-commence operations. Once the merger is effective, some portion of the land of Suhail Jute Mills Limited may also be used to raise additional financing and CSTM's land can be put to use to enhance its worth by capturing the benefit of 'value-in-use'. The other benefits accruing from the Scheme are discussed elsewhere in this document.

- 4.2 The most significant benefits to the shareholders of CSTM, which has been non-operational for a considerable period of time, are as follows:

The adjusted book value of CSTM's Total Assets is Rs.293.781 Million against which the liabilities amount to Rs.265.982 Million with negative equity of Rs.233.556 Million. This Scheme of Arrangement envisages the extinguishing of CSTM's existing debt burden to the extent of Rs.235.540 Million and the assumption of the balance debt of Rs.30.442 Million by the merged entity.

- 4.3 The financial restructuring of the Companies shall provide a sound basis for future income generation to the shareholders of both Companies who are participating in the Scheme.
- 4.4 The shareholders of the merged Company will benefit from the timely sales of surplus assets. Such sales will provide the merged Company with the necessary financial wherewithal to engage in a revenue generating business, which would not be otherwise possible.
- 4.5 The Principal Shareholders have already given consent to eliminate the debt owed by CSTM to them to the tune of Rs.169 Million. They have consented to have the debt extinguished in return for shares in SJM at the same asset values and swap ratio that are applicable to all shareholders. This will substantially benefit the shareholders.
- 4.6 That by virtue of the merger under the Scheme the Debt owed to SJM by CSTM to the tune of Rs.60 Million will also be extinguished and this too will substantially benefit the shareholders.
- 4.7 In a liquidation scenario, it is unlikely that CSTM's assets can realize anywhere close to their stated book value. In fact, due to the strictures on the sale of Land, realizing its value through sale may not even be possible. Based on this state of affairs the possibility of the shareholders benefiting from a distribution of liquidated assets, after higher-ranking debt obligations have been met, is non-existent. Furthermore, the only way by which CSTM's Land value may be retained is by maintaining its value-in-use. That presupposes the continuing existence of the entity, albeit as an integral part of the proposed consolidated entity that will emerge from the merger. By becoming shareholders of the merged entity CSTM's shareholders become part owners of a company with an Asset base of Rs.1.169 Billion, with total liabilities of a little over Rs.308 Million and positive equity (before revaluation surpluses) of Rs.38.175 Million.

This financial restructuring gives the merged Company substantial additional borrowing power), while staying comfortably within all prudential parameters. Additionally, the availability of CSTM's Land to the merged entity would also allow the merged company to rationalize its land utilization and allocation and raise financing from those holdings.

Therefore, it is evident that:

- The merger will result in the availability of surplus assets that may be allocated for the benefit of the entity.
- The merger will result in broadening the equity and asset base of the company, which will give it substantial borrowing power and open up the possibility of expanding and/or diversifying the business of the merged Company.
- The merged company will be in a position to obtain funds at better rates due to broader equity base, and strong asset base of the company.

4.8 Upon the completion of merger / amalgamation and after issuance of shares of SJM to the registered shareholders of CSTM, CSTM will be dissolved by the order of the Honorable Lahore High Court Rawalpindi Bench, Lahore (the "Court") without winding up.

5. ANCILLARY ADVANTAGES OF MERGER

Suhail Jute Mills Limited and (Colony) Sarhad Textile Mills Limited belong to one group.

The principal outcome of the amalgamation of these companies is to bring into productive utilization the assets of (Colony) Sarhad Textile Mills Limited as part of an operating Company, so as to enhance stakeholder value.

The majority of in the respective Boards of the amalgamating companies are also common, as such the interest of shareholders will not be affected and instead of separate Board of looking after the affairs of the company there will be only one Board.

Maintaining separate selling, purchasing, marketing, legal, administrative, secretarial functions results in the duplication of work and higher costs. The consolidated operation will result in eliminating duplicate services and operations and achieve a considerable reduction in administrative and overhead expenses besides increasing efficiency on account of unified control.

Integrated banking and financing arrangements and combination of various other functions would result in sizeable saving.

In the event of amalgamation of these Companies, the administrative cost incurred individually by each company will be considerably reduced as:

- Only a single board of directors will be required to manage the affairs of the company.
- Only one AGM will be required to be held and one set of annual accounts required to be prepared and circulated by the company.
- Only one register of the shareholders and one set of books and records will be required to be maintained and one set of forms will be filed with the various Government Agencies including Registrar of the Companies.
- Single assessment for income tax and their filing and record keeping would be required.
- Amalgamation of the companies would result in an improvement in the administration of personal affairs of staff and administrative policies will be uniform.
- Suhail Jute Mills Limited and (Colony) Sarhad Textile Mills Limited are associated companies having common management. As the same team of key management and technical personnel will continue, there will be no disruption of the business activities during the post amalgamation period.
- Economies of scale comes from sharing central services such as office management and accounting, finance, human resources and top level management.

6. TRANSFER OF UNDERTAKING OF CSTM WITH AND INTO SJM

- 6.1 The Undertaking of CSTM as at the effective date shall, without any further act, instrument or deed, be and the same shall stand transferred to and be vested or deemed to have been transferred to or vested in SJM as from the commencement of business on **31st May 2013**.
- 6.2 The transfer / vesting shall be subject to the existing charges/mortgages/hypothecation if any.
- 6.3 Such of the assets which are moveable in nature or are capable of transfer by manual / physical delivery or by endorsement and delivery, the same shall be so transferred and shall become property of the SJM as its integral part. All the bodies, department and concerned institutions / companies wherever required shall transfer the assets without any further act or deed by the SJM.
- 6.4 All the immovable assets and properties and other rights, connections etc. of CSTM shall stand transferred in the name of Suhail Jute Mills Limited on the effective date and all the bodies, institutions and concerned Government departments and functionaries shall effect the transfer of assets in the name of Suhail Jute Mills Limited without any act or deed and without payment of any amount whatsoever.
- 6.5 All the liabilities of CSTM as at the effective date shall, without any further act, deed or instrument be and shall transferred and vested in SJM so as to become as and from the effective date the debts, liabilities and obligations of SJM.
- 6.6 Without prejudice to the generality of the above, the transfer to and vesting in SJM the business and undertaking of CSTM in accordance with the Scheme of Arrangement shall include the following:

- i) All the liabilities and obligations of CSTM, howsoever arising, and after the amalgamation is accomplished, SJM will discharge all such outstanding liabilities and obligations in due course as if they were originally the liabilities and obligations of SJM instead of CSTM.
- ii) All the assets of CSTM under the Scheme of Arrangement will be transferred to SJM. This shall include properties of all kinds, moveable and immovable, tangible and intangible, leasehold property, actionable claims, stocks, receivables and book debts, advances, deposits, prepayments, investments, cash and bank balances. The transfer and vesting of assets shall be subject to any specific mortgages or charges created over these assets before the merger in favor of the creditors. However, the entire amount outstanding against CSTM in favor of financial institutions / banks, against which the assets of CSTM were previously charged, has been settled by virtue of a Settlement Agreement between CSTM and its institutional creditors. The Court decrees were duly amended by the Courts to reflect the settled amount. CSTM has fully discharged all its obligations under the Settlement Agreement and has either, had the satisfaction of Decrees duly recorded in the Courts following which the Courts have ordered that the record underlying the Decrees are to be consigned to the Record Room or, have received a Clearance Certificate from the lead Bank to the effect that the entire amount due under the aforesaid Settlement Agreement has been fully received by the Creditor Banks and financial institutions. Hence, there shall be no charge on the Assets of CSTM in respect of the above described liabilities. Pursuant to this, CSTM has initiated the process for the vacation of the charges against its assets.
- iii) All the legal proceedings instituted, causes, suits, appeals, petitions, revisions or other judicial, quasi judicial and/or administrative proceedings of whatever nature by or against CSTM which will be pending on the effective date in or before any Court, Tribunal, Forum, Commission or any other Authority will be continued, prosecuted and enforced by or against SJM as if this Scheme had not been made, and the same shall not abate, be discontinued or be in any way prejudiced or affected by the provisions of this Scheme. Thereafter, upon completion date, such legal proceedings shall stand transferred to SJM.
- iv) All the banking, whether current, deposit, saving or others and other accounts maintained in the name of CSTM will stand transferred to SJM.
- v) All the utility licenses, connections, meters, applications and other facilities for electricity, gas, water, telecommunications and others allowed, licensed or provided by any Government agency (including Electric Supply Corporation Limited and Sui Northern Gas Company Limited) or other agency to the CSTM with the respective benefits (including the deposits and prepayments,

Government approvals, if any) will stand transferred without any additional charges to the SJM.

- vi) All the registrations, rights, powers, licenses, permits, sanctions, permissions, privileges of the CSTM or pending with any Government agency or other department shall stand transferred to SJM.
- vii) All the titles of land and other immovable property registered/leased in the name of the CSTM will stand transferred without payment of any charges, levy or fee in the name of SJM.
- viii) All the rights in respect of trade mark, patents, copy rights and other rights and obligations in respect thereof of CSTM shall stand transferred to SJM.
- ix) All the contracts, agreements and other instruments executed by the merging companies and subsisted in favor of the CSTM and its right and obligations there under shall stand transferred to SJM.
- x) All the employment contracts and obligations there under of the CSTM shall stand transferred to the SJM.
- xi) All the obligations including payment of any taxes, duties and rights in respect of any entitlements, refunds, tax credits under the law in respect of CSTM shall also stand transferred and vested in SJM.

7. CONDUCT OF ACTIVITIES BY CSTM TILL COMPLETION DATE:

- 7.1 The amalgamation/merger in accordance with this Scheme shall be treated as having taken effect from the Effective Date and as from that time and until the Completion Date when the CSTM Undertaking is transferred to and vested in SJM, CSTM shall carry on and be deemed to carry on activities and stand possessed of its properties and assets for and on account of and in trust for SJM and losses arising or incurred by CSTM shall for all purposes be treated as the profits or losses of SJM.
- 7.2 The surplus assets of the company shall be sold, as being necessary; to secure that the reconstruction and amalgamation is fully and effectively carried out.
- 7.3 CSTM hereby undertakes to carry on their necessary activities until completion date with reasonable diligence and prudence and they shall not, except with the prior written consent of SJM, alienate, charge, mortgage, hypothecate, encumber or otherwise deal with or dispose of the respective undertakings of CSTM or any part thereof.

8. REMOVAL OF DIFFICULTY

- 8.1 In order to secure that the Scheme of Arrangement is fully and effectively carried out and implemented, 360,000 shares of CSTM from the holdings (593,491) of the Principal shareholder of CSTM Mr. Sohail Farooq Shaikh, shall remain vested in the name of SJM till such time that the transfer of Title to CSTM's Land is legally consummated. All other shares in CSTM would have been exchanged for shares of SJM at the swap ratio, the holding by SJM of 360,000 shares of CSTM in its own name shall tantamount to CSTM being a wholly owned subsidiary of SJM for the interim period. Upon the consummation of the transfer of Land, CSTM will stand dissolved without being wound-up and the 360,000 shares of CSTM held by SJM shall stand extinguished, pursuant to the Scheme and, in consideration thereof, 13,953 shares of SJM will be duly registered in the name of Mr. Sohail Farooq Shaikh by SJM.
- 8.2 The value and nature of the consideration, payable by SJM to Mr. Sohail Farooq Shaikh is identical to the value and nature of the consideration payable to all other shareholders, that is, each CSTM share is valued at Rs.6.95 and shall be exchanged at the same swap ratio of 25.80 shares of CSTM for one share of SJM. The consideration payable by SJM for the said 360,000 shares shall be 13,953 shares of SJM, to be issued as the last step before the completion of the Merger. The Subsidiary will be liable to SJM for the value of the assets and the value of the assets are to be consolidated into and reflected as part of the Accounts of SJM, in the normal course.
- 8.3 This arrangement is essential for the transfer of the title of the Land from CSTM. The value of the said land represents almost the entire asset value at which CSTM's value per share has been determined for purposes of the Scheme. Any inordinate delays or hold-ups in transferring the title to the Land will negatively impact all shareholders that are expected to benefit from the proposed Scheme and, may even jeopardize the completion of the Scheme, as proposed.

9. CONSIDERATION

- 9.1 Upon the Scheme being effective in terms of the order of the Court, as consideration for the transfer to and vesting in Suhail Jute Mills Limited of the undertaking and business of (Colony) Sarhad Textile Limited, Suhail Jute Mills Limited shall subject to the provisions of this Scheme and without any further application, deed or instrument issue at par and allot 155,050 ordinary shares of Rs.10/- each as fully paid up shares to the registered shareholders of (Colony) Sarhad Textile Limited on the basis of swap ratio of one share of Suhail Jute Mills Limited to 25.80 shares of (Colony) Sarhad Textile Limited. Additionally, in exchange for forgoing Debts of Rs.235.540 Million, SJM will issue 932,769 shares to the creditors of CSTM in consideration of such creditors for forgoing debt of Rs.167.275 Million and amount of Rs.68.299 Million will be waved off by SJM as otherwise CSTM will have to pay these liabilities. SJM will issue new shares to those registered members of CSTM whose names will appear on the register of members on the date to be fixed by the Board of Directors of SJM for this purpose and to the creditors forgoing debt. For the

avoidance of difficulties, CSTM's holding of 500,000 SJM shares will be cancelled in accordance with the law relating to these matters without such cancellation being deemed a reduction of capital.

Shares of SJM in CSTM

	Rs.
Current Value in accounts	5,500,000
Share cancellation at par	5,000,000
Merger Reserve	<u>(500,000)</u>

Loan of CSTM

Loan	167,240,275
No. of shares issue to settle the liability	<u>932,769</u>

To settle the debt, value per share used is the same as in the calculation of swap ratio.

- 9.2 The swap ratio has been calculated on the basis of net assets valuation method.

SWAP RATIO CALCULATION

	SJM Ltd.	CSTM Ltd.
Total Assets	949,294,058	293,781,284
Total Liabilities	(277,836,120)	(265,981,620)
Net Assets	<u>671,457,938</u>	<u>27,799,664</u>
No. of shares	3,745,000	4,000,000
Fair value of shares (Net Assets divided by No. of shares)	179.29	6.95

The Swap Ratio is one share of SJM for every 25.80 shares of CSTM.

- 9.3 All members whose names shall appear in the register of member of CSTM on such date after the Completion date as the Board of Directors of SJM may determine, shall surrender their share certificate for cancellation thereof to SJM. In default, upon new shares being allotted and issued by SJM to the members of CSTM whose names shall appear on the respective register of members on such date, as aforesaid, the share certificate in relation to the shares held by them in CSTM shall be deemed to have been duly cancelled. At least fourteen days notice shall be given to the shareholders of CSTM of the date fixed by the directors of SJM for determining the entitlements to ordinary shares of SJM to be issued to the shareholders of CSTM. The shareholders holding physical shares will deliver the share certificates to the company for cancellation and issue of shares of SJM to them in physical form within 30 days from the reopening of Book Closure. As SJM's shares are eligible for Central Depository Company of Pakistan

Limited (the "CDC"), the scrip-less shares shall be directly credited by book entries in the CDC in lieu of the scrip-less shares of CSTM to their respective investors' accounts or sub-accounts with CDC participants within thirty (30) days from the reopening of Book Closure made for determination of merger entitlements.

- 9.4 The new ordinary shares of SJM issued pursuant to the Scheme shall rank pari passu with the existing ordinary shares of SJM in all respects and shall be entitled to all dividends, bonus, right issues declared subsequent to the sanctioning of the Scheme of Arrangement.
- 9.5 Upon the allotment of the Ordinary shares of SJM to the shareholders of CSTM in the manner aforesaid, all share certificates representing the ordinary shares of CSTM shall stand cancelled.
- 9.6 While making allotment of new shares, the fractional allotments of and above 0.5 shares shall be rounded up to one share and below 0.5 shall be ignored.

10. MERGER OF AUTHORIZED CAPITAL OF SJM AND CSTM

- 10.1 The authorized capital of CSTM shall merge with the authorized capital of SJM. The authorized capital of Rs.50 Million of SJM and Rs.50 Million of CSTM will be consolidated and merged and the authorized capital of SJM will stand at Rs.100 Million divided into 10 Million ordinary shares of Rs.10 each.

11. DISCHARGE OF LIABILITIES AND OBLIGATIONS

- 11.1 All contracts, agreements, trusts, leases, conveyances, grants and instruments of transfer entered into by or subsisting in favor of CSTM upon being transferred to and vested in SJM shall remain in full force and effect as if originally entered into by or granted in favor of SJM instead of CSTM and SJM may enforce all rights and shall perform all obligations and discharge, satisfy and perform and fulfill all debts, liabilities, contracts, engagements, and obligations whatsoever of CSTM as on effective date.
- 11.2 The debts and liabilities and the obligations of CSTM upon being transferred to and vested in SJM shall be treated as the debts, liabilities and obligations of SJM as if originally incurred by SJM instead of CSTM and SJM shall pay and discharge all such debts and liabilities and shall perform all such obligations accordingly.

12. TRANSFER OF STAFF, EMPLOYEES AND WORKMEN

- 12.1 Every officer, staff, workman or other employee of CSTM on the effective date shall become officer, staff, workman or employee, as the case may be, of SJM on the basis that his service have not been interrupted by the transfer and vesting of Undertaking of CSTM into SJM under this Scheme and on the same remuneration and other conditions of service, rights, privileges as to provident fund, gratuity, if any and other matters as were applicable to them before the effective date.

13. MODIFICATION AND AMENDMENT TO THE SCHEME

- 13.1 The Board of Directors of SJM and CSTM have given their assent to any modification or amendment to the scheme or agree to any terms and/or conditions which Court and / or any other Authority, Body or Commission under law may deem fit to direct to impose or which may otherwise be considered necessary or desirable for setting any question or doubt or difficulty that may arise for implementing and / or carrying out the scheme and do all acts, deed and things as may be necessary, desirable or expedient for putting the scheme into effect.
- 13.2 For the purposes of giving effect to the scheme or any modification or amendment thereof, the directors of SJM are hereby authorized by CSTM to given such directions and / or to take all such steps and actions as may be necessary or desirable including any direction for setting any question or doubt or difficulty whatsoever that may arise.
- 13.3 In the event of any material change in the values and / or nature of the assets and liabilities as of either or both entities, after the plan is sanctioned, the participatory stakeholders shall determine the impact of such change and have the option to alter the terms of the merger, including the swap ratios. Provided that, any alteration of the swap ratios shall be sanctioned by the Court.
- 13.4 In the event of any material change in the manner by which stakeholders are to be compensated, the effected stakeholders shall identify and communicate the impact of such change and have the option to seek a change in the nature of the compensation, though not its value in monetary terms. Provided, that if assets are acquired by operation of law by the Government, the compensation received against such acquisition shall be offered to the participatory stakeholders in lieu of the whole or part of the previously agreed means of compensation. Provided always that any alteration of the methodology shall be sanctioned by the Court.

14. EXPENSES CONNECTED WITH THE SCHEME

- 14.1 All the costs, charges and expenses incurred / to be incurred in relation to or in connection with the Scheme of Arrangement and of carrying into the implementation of the Scheme or incidental to the completion of the amalgamation/merger in pursuance of the scheme shall be borne and paid by SJM.

15. MISCELLANEOUS

- 15.1 All suits, appeals and other legal proceedings instituted by or against CSTM pending immediately before the Completion Date shall be treated as suits, appeals and legal proceedings by or against SJM and may be continued, prosecuted and enforced by or against SJM accordingly.
- 15.2 SJM and CSTM shall make applications to the Court for sanctioning of the Scheme and for dissolution of CSTM without winding up. CSTM will dissolve on the date on which the Ordinary shares of SJM are allotted to the holders of the Ordinary shares of CSTM or on such later date as the Court by Order may prescribe.
- 15.3 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.
- 15.4 The Chief Executive of SJM and CSTM or any person or persons duly authorized by respective boards of SJM and CSTM 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.
- 15.5 This Scheme shall become operative from the effective date and shall take effect finally upon and from the date of sanction by the honorable Lahore High Court Rawalpindi bench, Rawalpindi under Section 284 of the Companies Ordinance, 1984. A copy of the Order of the Court shall be filed with the Registrar of Companies, Islamabad as per the requirements of Section 287(3) of the Ordinance.
- 15.6 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 May 31, 2013 or within such further period or periods as may be agreed upon by the authorized person(s) as referred here in above 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.

Place: Rawalpindi

Date: October 25, 2012

ANNEXURE

SUHAIL JUTE MILLS LIMITED AS AT JUNE 30, 2012

		Rupees Adjustment	
SHARE CAPITAL AND RESERVES			
Share capital	37,450,000	-	37,450,000
General reserve	10,870,000	-	10,870,000
Fair value reserve	23,810	-	23,810
Accumulated profit/ (loss)	(199,708,508)	-	(199,708,508)
Total Shareholders' Equity	(151,364,770)	-	(151,364,770)
Surplus on revaluation of Fixed Assets	822,822,708	-	822,822,708
NON-CURRENT LIABILITIES			
Loan from directors	22,975,000		22,975,000
Staff retirement benefits	3,953,405	-	3,953,405
Total Long-term Liabilities	26,928,405	-	26,928,405
CURRENT LIABILITIES			
Trade and other payables	69,854,434	-	69,854,434
Accrued mark-up	21,475,475	-	21,475,475
Short term borrowings	158,809,828	-	158,809,828
Provision for taxation	767,978	-	767,978
Total Current Liabilities	250,907,714	-	250,907,714
Total Liabilities	277,836,119	-	277,836,119
TOTAL LIABILITIES & EQUITY	949,294,057	-	949,294,057
	=====	=====	=====
NON-CURRENT ASSETS			
Property, plant and equipment	846,217,173	-	846,217,173
Due from associated undertakings	68,299,636	-	68,299,636
Long term investment	190,000	-	190,000
Total Fixed Assets	914,706,809	-	914,706,809
CURRENT ASSETS			
Stores and spare parts	10,299,421		10,299,421
Stock in trade	824,389	-	824,389
Short term investments - available for sale	191,546	-	191,546
Advances	320,193	-	320,193
Deposits and prepayments	225,830	-	225,830
Receivables	22,274,698	-	22,274,698
Cash and bank balances	451,171	-	451,171
Total Current Assets	34,587,248	-	34,587,248
TOTAL ASSETS	949,294,057	-	949,294,057
	=====	=====	=====

(COLONY) SARHAD TEXTILE MILLS LIMITED AS AT JUNE 30, 2012

	Rupees Adjustment		
SHARE CAPITAL AND RESERVES			
Share capital	40,000,000	-	40,000,000
Capital Reserve	1,751,607	-	1,751,607
Accumulated profit/ (loss)	(275,308,072)	(11,554,312)	(286,862,384)
Total Shareholders' Equity	(233,556,465)	(11,554,312)	(245,110,777)
Surplus on revaluation of Fixed ASSETS	272,910,441		272,910,441
NON-CURRENT LIABILITIES			
Due to associated company	68,299,636	-	68,299,636
Staff retirement benefits	1,345,746	-	1,345,746
Total Long-term Liabilities	69,645,382	-	69,645,382
CURRENT LIABILITIES			
Trade and other payables	29,095,963	-	29,095,963
Payable to related party	167,240,275	-	167,240,275
Total Current Liabilities	196,336,238	-	196,336,238
Total Liabilities	265,981,620	-	265,981,620
TOTAL LIABILITIES & EQUITY	305,335,596	(11,554,312)	293,781,284
	=====	=====	=====
NON-CURRENT ASSETS			
Property, plant and equipment	285,620,559	-	285,620,559
Long term investment	5,500,000	-	5,500,000
Long term deposits	87,482	-	87,482
Total Fixed Assets	291,208,041	-	291,208,041
CURRENT ASSETS			
Investment held to maturity	1,500,000	-	1,500,000
Advances	125,000	-	125,000
Deposits and prepayments	43,030	-	43,030
Receivables	12,043,556	(11,554,312)	489,244
Cash and bank balances	415,969	-	415,969
Total Current Assets	14,127,555	(11,554,312)	2,573,243
TOTAL ASSETS	305,335,596	(11,554,312)	293,781,284
	=====	=====	=====

Receivables:

There was an amount of Rs.11,554,312 in the balances of other receivables, which was representing a legal claim against a former manager of Karachi office. The case is in court from a long period. CSTML did not receive any amount in this regards. And also circumstances are not yet clear, so as per our opinion due to uncertainty of future events, this amount should be removed from the balances of other receivables, this proposed adjustments will help us to measure other receivables balances with accuracy.

AFTER MERGER BALANCE SHEET OF SUHAIL JUTE MILLS LIMITED AS AT JUNE 30, 2012

SHARE CAPITAL AND RESERVES	Notes	Rupees
Share capital	1	43,328,188
General reserve		10,870,000
Fair value reserve		23,810
Merger Reserve	2	183,661,751
Accumulated profit/ (loss)		(199,708,580)
Total Shareholders' Equity		38,175,169
Surplus on revaluation of Fixed ASSETS		822,822,708
NON-CURRENT LIABILITIES		
Loan from directors		22,975,000
Staff retirement benefits		5,299,151
Total Long-term Liabilities		28,274,151
CURRENT LIABILITIES		
Trade and other payables		98,950,397
Payable to related party	3	-
Accrued mark-up		21,475,475
Short term borrowings		158,809,828
Provision for taxation		767,978
Total Current Liabilities		280,003,678
 Total Liabilities		 308,277,829
 TOTAL LIABILITIES & EQUITY		 1,169,275,706 =====
 NON-CURRENT ASSETS		
Property, plant and equipment		1,131,837,732
Long term deposits		277,482
Due from associated undertakings	4	-
Total Fixed Assets		1,132,115,214
CURRENT ASSETS		
Stores and spare parts		10,299,421
Stock in trade		824,389
Short term investments - available for sale		191,546
Investment held to maturity		1,500,000
Advances		445,193
Deposits and prepayments		268,860
Receivables		22,763,942
Cash and bank balances		867,140
Total Current Assets		37,160,492
 TOTAL ASSETS		 1,169,275,706 =====

1.

	No. of Shares	Value at Par
Before Merger No. of Shares	3,745,000	37,450,000
Issued for registered shareholders of CSTM for merger at par	155,050	1,550,503
Issued to creditors of CSTM against liability settlement	932,769	9,327,685
Share cancelled after merger of SJM in CSTM	(500,000)	(5,000,000)
Total No. of shares after merger	4,332,819	43,328,188

The shares issued by SJM to settle the liability of CSTM as part of merger scheme is valued at net assets bases.

2.

	Rs.
Fair value of the shares issued as consideration	195,039,939
Nominal amount of the shares issued as consideration	(10,878,188)
Share cancelation	(500,000)
Merger Reserve	183,661,751

3.

Liability settlement against SJM's share	167,240,275
No. of shares issue to settle the liability	932,769

Share value of SJM, to settle the liability of CSTM, is the same as in the swap ratio.

4.

The amount owed to SJM by CSTM will be settled by SJM as part of scheme of arrangement to help CSTM. Otherwise whole of the liabilities of Rs.235.540 Million will have to be repaid by CSTM by dissolution.

After merger per share value will be as under:

Net Assets	860,997,877
No. of Shares	4,332,819
Value per share	198.72

SWAP RATIO CALCULATION

	<u>SJM</u>	<u>CSTM</u>
Total Assets	949,294,058	293,781,284
Total Liabilities	(277,836,120)	(265,981,620)
Net Assets	<u>671,457,938</u>	<u>27,799,664</u>
No. of shares	3,745,000	4,000,000
Fair value of shares (Net Assets divided by No. of shares)	179.29	6.95

The Swap Ratio is one share of SJM for every 25.80 shares of CSTM.

Chairman, Board of Directors
(Colony) Sarhad Textile Mills Limited,
125, Murree Road, Rawalpindi

Chairman, Board of Directors
Suhail Jute Mills Limited,
125, Murree Road, Rawalpindi

Horwath Hussain Chaudhury & Co.
(Chartered Accountants)

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Dear Sir,

**UPDATE OF OUR DUE DILIGENCE REPORT DATED 14 SEPTEMBER 2011 ON
VALUE PER SHARE FOR MERGER OF (COLONY) SARHAD TEXTILE MILLS
LIMITED WITH AND INTO SUHAIL JUTE MILLS LIMITED**

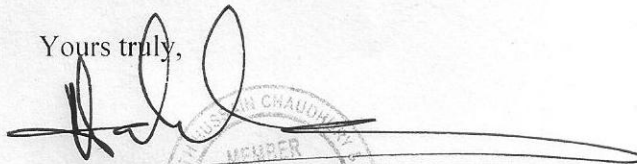
We have reviewed the break-up value of the shares of Suhail Jute Mills Limited and (Colony) Sarhad Textile Mills Limited as at 30 June 2012, in order to update the values determined in our due diligence reports under heading 3.3. The up-dated values are set out in the schedule annexed to this letter.

The up-dated values are inclusive of the surpluses on revaluation and are based on the audited financial statements as at 30 June 2012, and for the year ended 30 June 2012. And based on these values the new swap ratio would be 25.80 shares of *(Colony) Sarhad Textile Mills Limited* for every share in *Suhail Jute Mills Limited*.

All limitations and caveats contained in the subject Reports remain applicable.

If you require any clarifications do please let us know.

Yours truly,



HORWATH HUSSAIN CHAUDHURY & CO.
(CHARTERED ACCOUNTANTS)

Enclosed: Schedule of up-dated values for both Companies.

SCHEDULE OF VALUE FOR SHARE UP-DATED AS OF 30 JUNE 2012

(Colony) Sarhad Textiles Mills Ltd.
--

Suhail Jute Mills Ltd.

Head of account	Break-up value of shares		Break-up value of shares	
	as at		as at	
	31-Dec-10	30-Jun-12	31-Dec-10	30-Jun-12
	------(Rupees)-----		------(Rupees)-----	
Share capital	40,000,000	40,000,000	37,450,000	37,450,000
General reserves	1,751,607	1,751,607	10,870,000	10,893,810
Fair value reserves	-	-	(10,787)	-
Accumulated losses	(244,175,539)	(275,308,072)	(78,367,235)	(199,708,580)
	(202,423,932)	(233,556,465)	(30,058,022)	(151,364,770)
Agreed adjustments	(17,591,430)	(11,554,312)	(17,930,244)	-
	(220,015,362)	(245,110,777)	(47,988,266)	(151,364,770)
Surplus on revaluation	335,196,395	272,910,441	711,608,232	822,822,708
Proposed adjustment	959,284	-	-	-
Fixed assets	-	-	117,367,209	-
Break-up value	116,140,317	27,799,664	780,987,175	671,457,938
Number of shares	4,000,000	4,000,000	3,745,000	3,745,000
Break-up value per share	29.04	6.95	208.54	179.29

