

**SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION**

**UNDER SECTIONS 279 TO 283 OF THE COMPANIES ACT, 2017**

**FOR AMALGAMATION / MERGER**

**OF**

**1. AMER COTTON MILLS PRIVATE LIMITED (AND ITS MEMBERS)**

**WITH AND INTO**

**2. RELIANCE COTTON SPINNING MILLS LIMITED (AND ITS MEMBERS)**



## TABLE OF CONTENTS

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PREAMBLE	-	
ARTICLE- 1	-	DEFINITIONS
ARTICLE-2	-	EFFECTIVE DATE
ARTICLE-3	-	SHARE CAPITAL AND MANAGEMENT
ARTICLE-4	-	BOARD OF DIRECTORS
ARTICLE-5	-	SCHEME OF ARRANGEMENT
ARTICLE-6	-	SHARES
ARTICLE-7	-	RIGHTS AND OBLIGATIONS
ARTICLE-8	-	GENERAL PROVISIONS

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SCHEDULE - 1	-	List of shareholders of Amer Cotton Mills Private Ltd List of shareholders of Reliance Cotton Spinning Mills Ltd
SCHEDULE - 2	-	Statement of Financial Position showing Merger Effect
SCHEDULE - 3	-	List of Members of Board of Directors of Reliance Cotton Spinning Mills Ltd as Merged / Surviving Entity
SCHEDULE - 4	-	Statement of Financial Position - Amer Cotton Mills Private Ltd Statement of Financial Position– Reliance Cotton Spinning Mills Ltd
SCHEDULE – 5	-	SWAP Letter



## PREAMBLE

### 1. AMER COTTON MILLS (PRIVATE) LIMITED

#### BACKGROUND

**Amer Cotton Mills (Private) Limited** (ACML) was incorporated in Pakistan on December 19, 1985 as a Private Limited Company under the Companies Ordinance, 1984 (now Companies Act, 2017). It is principally engaged in manufacturing and sale of yarn. The manufactured yarn is sold both locally and internationally.

The Corporate Unique Identification (CUIN) of ACML is **0013860**.

Registered Office	:	173-174 Cotton Exchange Building, I.I. Chundrigar Road, Karachi
Manufacturing Facility	:	Jumber Khurd, Bhai Pheru, District Kasur
External Auditors	:	Shinewing Hameed Chaudhri & Co , Chartered Accountants
Legal Advisors	:	Hassan and Hassan, Advocates

Financial Position (as per audited accounts) of the Company as on March 31, 2024 is as follows:

	March 31, 2024 Rs.
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	2,516,844,026
Long Term investments	357,110,668
Long Term loans	65,000
Long Term deposits	15,829,734
	<b>2,889,849,428</b>
<b>Current assets</b>	
Stores, spare parts and loose tools	144,236,864
Stock in trade	1,023,773,255
Trade Debts	604,459,375
Loans and advances	89,052,193
Trade deposits and short term prepayments	11,546,245
Short term investments	138,409,209
Other receivables	32,585,409
Tax refunds due from Government	292,915,878
Cash and Bank Balances	18,167,429
	<b>2,355,145,857</b>



<b>TOTAL ASSETS</b>	<b>5,244,995,285</b>
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## **EQUITY AND LIABILITIES**

### **Share Capital and Reserves**

#### **Authorized share capital**

5,000,000 ordinary shares of Rs. 10 each **50,000,000**

Issued, subscribed and paid up capital 40,000,000

Revenue reserves

- General reserves 50,000,000

- Unappropriated profit 159,081,697

Unrealised (loss) / gain on financial assets at fair value through other comprehensive income 57,864,606

**Total Equity 306,946,303**

#### **Non-current liabilities**

Long term liabilities 1,111,780,318

Staff retirement benefit- gratuity 4,680,138

Deferred Taxation 2,502,118

**1,118,962,574**

#### **Current liabilities**

Trade and other payables 382,062,801

Contract liabilities 6,319,024

Accrued mark-up / interest 202,685,082

Short term borrowings 2,720,835,974

Current portion of non-current liabilities 312,530,325

Provision for taxation 194,653,202

**3,819,086,408**

**TOTAL LIABILITIES 4,938,048,982**

**TOTAL EQUITY AND LIABILITIES 5,244,995,285**





## 2. RELIANCE COTTON SPINNING MILLS LIMITED

### BACKGROUND

**Reliance Cotton Spinning Mills Limited** (RCSML) was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance , 1984 ( now Companies Act, 2017). The Company was listed on June 16, 1993 on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn.

The Corporate Unique Identification (CUIN) OF RCML is **0040953**

Registered Office	:	312, Cotton Exchange Building, I.I. Chundrigar Road, Karachi
Manufacturing Facility	:	Feroze Wattoan, Sheikhpura
External Auditors	:	Shinewing Hameed Chaudhri & Co , Chartered Accountants
Legal Advisors	:	Hassan and Hassan, Advocates
Share Registrar	:	Hameed Majeed Associates (Pvt.) Ltd

Financial position (as per audited accounts) of the Company as on March 31, 2024 is as follows:

	March 31, 2024 Rs.
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	4,203,651,821
Long Term investments	2,705,140,672
Long Term advances and deposits	8,987,690
	<b>6,917,780,183</b>
<b>Current assets</b>	
Stores, spare parts and loose tools	85,613,021
Stock in trade	6,428,181,306
Trade debts	2,343,594,995
Loans and advances	222,028,323
Short term deposits and prepayments	2,263,615
Short term investments	25,056,453
Other receivables	89,923,020
Tax refunds due from Government	400,282,803
Cash and Bank balances	184,335,003
	<b>9,781,278,539</b>
<b>TOTAL ASSETS</b>	<b>16,699,058,722</b>



**EQUITY AND LIABILITIES**  
**Share capital and reserves**

**Authorized capital**

12,000,000 ordinary shares of Rs. 10 each	<b>120,000,000</b>
Issued, subscribed and paid up capital	102,920,000
Reserves	170,194,045
Unappropriated profit	9,430,123,191
<b>Total Equity</b>	<b>9,703,237,236</b>

**Non- current liabilities**

Long term liabilities	1,470,235,856
Staff retirement benefit – gratuity	121,358,993
Deferred taxation	262,462,116
	<b>1,854,056,965</b>

**Current liabilities**

Trade and other payables	1,373,349,248
Contract liabilities	45,291,703
Accrued mark-up / interest	106,182,697
Short Term Borrowings	3,106,019,730
Current portion of long term liabilities	319,778,252
Unclaimed dividend	861,089
Provision for Taxation	190,281,802
	<b>5,141,764,521</b>

**TOTAL LIABILITIES** **6,995,821,486**

**TOTAL EQUITY AND LIABILITIES** **16,699,058,722**



### 3. OBJECTIVES AND BENEFITS

#### 1. Objective of the Scheme

The principal objective of this Scheme is to give effect to the following:

- a. merger / amalgamation of ACML with and into RCSML by transferring to, merging with, and vesting in RCSML the whole of ACML including all Assets (excluding certain RCSML shares currently belonging to ACML), Liabilities and Obligations of ACML, as of the Effective Date and dissolving ACML without winding up;
- b. distribution of all RCSML shares currently held by ACML to ACML's shareholders; and
- c. thereafter allotment and issuance of fully paid RCSML shares to ACML's shareholders in consideration of the Amalgamation based on the Swap Ratio in accordance with the provisions of the Scheme.

All of the above steps will take place by virtue of the sanction of the Scheme by the Court and completion of the formalities of the Scheme, the same shall be deemed to be effective as on the Effective Date.

#### 2. Benefits of the Scheme

##### a) Larger Asset Base

The proposed merger will provide a broader shareholders and asset base which will be conducive in raising further finances at better rates and provide greater comfort to existing and potential creditors of the merged entity.

##### b) Synergies and Reduction in Administrative Costs

The merger will provide an opportunity to operate the businesses / operations of RCSML and ACML through single / consolidated operations, accounts, treasury and management information system departments with one set of management and staff, thus resulting in substantial cost savings and economies of scales, leading to enhanced profitability.

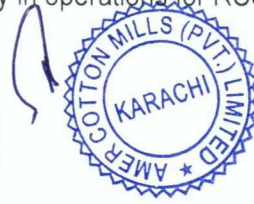
##### c) Single Corporate and Tax Reporting

The amalgamation will make single corporate and tax reporting possible for the merged entity. The same will entail elimination of maintenance of separate records for business operations, selling, purchasing, marketing, legal, administrative and secretarial, and other records under the various laws resulting in duplication of work and higher costs.

##### d) Increase in Risk Absorption Capacity



The larger size of the merged / amalgamated entity would increase RCSML's risk absorption capacity, to manage the potential risks arising out of adverse and uncertain operating environments. In the long run this factor would provide greater stability as well as sustainability in operations for RCSML.





## ARTICLE – 1 – DEFINITIONS

I. In this Scheme of Arrangement (including the preamble hereto), unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them below:

- a) **“Act”** means the Companies Act, 2017
- b) **“ACML”** means the **AMER COTTON MILLS (PRIVATE) LIMITED**, a private limited company formed under the Companies Ordinance, 1984
- c) **“Assets”** means assets, properties and rights of every description and kind (whether present or future, actual or contingent, tangible or intangible) and includes properties held on trust and benefit of securities obtained from customers, benefits, powers, rights, authorities, privileges, contracts, Government consents, tax refunds / credits, sanctions and authorizations, including all registrations, licenses, permits, categories, entitlements, sanctions, permissions and benefits relating to the business, all trademarks, patents, copyrights, approvals, licenses, liberties, secret processes, know-how and confidential information belonging / pertaining to the company but does not include shares of RCSML which are owned by ACML as of 30.8.2024. Without in any way limiting or prejudicing the generality of the foregoing, it is hereby clarified that the assets shall include:
  - (i) all properties, immovable and movable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatsoever nature and whosoever situated belonging to a company including buildings, offices and structures as well as equity, stocks, debentures, bonds, rights under futures, options, derivative contracts, commodities etc.
  - (ii) all plant, machinery, equipment, furniture and fixtures, computer hardware and software, software applications and licenses, motor vehicles, office equipment, appliances and accessories, spare parts and tools;
  - (iii) all stock-in-trade, inventory, stocks of fuel, raw materials, ingredients, packaging, office and laboratory supplies, engineering spares, consumables stores, work-in-progress and finished goods
  - (iv) all connections, equipments, installations and facilities pertaining to telecommunications, water, electricity, gas and other installations, owned by, leased or licensed to a company including related deposits
  - (v) goodwill, revaluation surplus, share premium account, capital and revenue reserves
  - (vi) tax credits, tax or other refunds, tax or tariff protections, remissions or exemptions / carry and unadjusted tax receivables or losses and
  - (vii) the Contingent Claims and proceeds realized from the Liquidation of the Contingent Claims
- d) **“CDC”** means the Central Depository Company of Pakistan Limited
- e) **“Commission”** means the Securities and Exchange Commission of Pakistan (SECP) including its regional offices

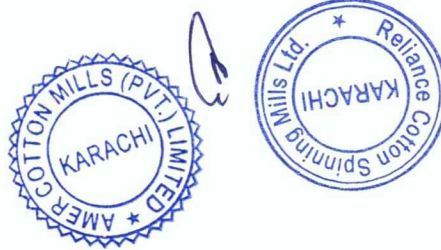


- f) **“Completion Date”** means date when undertaking and business are transferred (as per Article-5) from Transferor to the Transferee and shares are issued / swapped / cancelled as per SWAP ratio determined in this Scheme(as per Article-6);
- g) **“Court”** means the Honorable High Court of Sindh at Karachi or any other court of competent jurisdiction for the time being having jurisdiction under Sections 279 to 283 of the Companies Act, 2017 in connection with this Scheme;
- h) **“Effective Date”** means 00:00 hours as on **March 31, 2024** or such other date as may be approved by the Court;
- i) **“Excluded Assets”** means the 18,100 RCSML shares belonging to ACML as of 30.8.2024.
- j) **“Liabilities and Obligations”** includes all borrowings, liabilities, duties, commitments and obligations of every description (whether present or future, actual or contingent) arising out of any Contract or otherwise whatsoever and the term “Liabilities” and “Obligations” are used interchangeably and / or in conjunction with each other
- k) **“RCSML”** means **RELIANCE COTTON SPINNING MILLS LIMITED**, a public listed company formed under Companies Ordinance, 1984;
- l) **“PSX”** means Pakistan Stock Exchange Limited;
- m) **“Rs.”** or **“PKR”** shall mean “Rupees”, being the legal tender money of the Islamic Republic of Pakistan,
- n) **“Sanction Date”** shall mean the day on which the honorable Sindh High Court approves the Scheme and on which day the Scheme becomes operative;
- o) **“Scheme”** means this Scheme of Arrangement in its present form, with any modification thereof or addition hereto, as approved by the Court and/or the Securities and Exchange Commission of Pakistan and/or the general meeting of members of the respective companies;
- p) **“SECP”** means the Securities and Exchange Commission of Pakistan
- q) **“Securities”** or **“Securities”** means interest, right or title in and to any and all mortgages or charges (whether legal or equitable), debentures, bill 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
- r) **“Swap Ratio”** shall have the same meaning as prescribed thereto in Article-6 of this scheme



## ARTICLE – 2 – EFFECTIVE DATE

- 2.1 This Scheme shall become operative and bind RCSML and ACML as soon as an order is passed by the Court under Section 279 /282 of the Act, sanctioning this Scheme and issuing other necessary directions / orders under Section 282 of the Act (hereinafter referred to as the “**Scheme Completion Date**”). When this Scheme becomes operative on the Scheme Completion Date, the Merger, in accordance with the Scheme, will be treated as having effect after the end of business on **March 31, 2024** or such other date as may be stated by the Court (hereinafter referred to as the “Effective Date”). Each company shall file a certified copy of the order passed by the Court with the Registrar of Companies, Karachi in accordance with Section 279 of the Act.
- 2.2 Accordingly, as of the Effective Date and thereafter, until ACML is actually transferred to and vested in RCSML in terms of this Scheme, the businesses of ACML will be deemed to have been carried for and on account and for the benefit of RCSML. The reserves including un-appropriated profits / losses of ACML upto and immediately preceding the Effective Date shall constitute and be treated as reserves / losses of RCSML.





### ARTICLE – 3 – SHARE CAPITAL AND MANAGEMENT

#### 3.1 RELIANCE COTTON SPINNING MILLS LIMITED

The Authorized Share Capital of the Company is Rs. 120,000,000 divided into 12,000,000 of ordinary shares of Rs. 10/- each, out of which **10,292,000** ordinary shares are fully paid and issued as follows:

Number of Shares	Issued for/Against	Rs.
10,292,000	Ordinary Share of Rs. 10 each fully paid in cash	102,920,000

a) Pattern of Shareholding of the Shares held by the Shareholders as of Effective Date is as follows:

Particulars	No. of Shares	% holding
Director's, CEO, their Spouse and minor children	869,645	8.45%
Associated Companies, Undertakings and Related Parties	6,773,655	65.81%
NIT & ICP	465,638	4.52%
Banks, Development Finance Institutions, Non- Banking Finance Institutions	325	0.003%
Insurance Companies	16,940	0.16%
Modarabas Companies & Mutual Funds	500	0.00%
General Public (Local)	2,122,746	20.63%
Joint Stock Companies	4,244	0.04%
Other Companies	38,307	0.37%
	<b>10,292,000</b>	<b>100%</b>

- b) Total number of shareholders of RCSML as of the Effective Date is 466.
- c) The Share Capital of RCSML will not be changed for Ordinary Shares under the Scheme as described in Article-5. However, the pattern of shareholding can be changed till the Sanction Date.

#### **Impact of the Scheme:**

- d) The Excluded Assets shall be distributed amongst the shareholders of ACML in proportion to their shareholding in ACML.
- e) Fresh shares of RCSML shall be issued to the shareholders of ACML as per the the SWAP ratio.
- f) After the merger under the Scheme, the Authorized Share Capital and issued share capital of RCSML shall be the following:



**Authorized Capital** : Rs. 120,000,000 divided into 12,000,000 ordinary shares of Rs. 10/- each

**Issued, Subscribed and Paid- up Capital** : Rs.106,520,000 divided into 10,652,000 ordinary shares of Rs. 10/- each

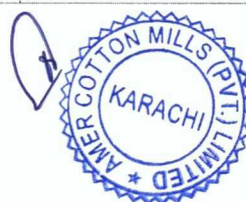
**Reconciliation – No. of Shares**

	<b>RCSML</b>
Ordinary Shares before Merger	10,292,000
Shares to be Issued to the Shareholders of ACML	360,000
<b>Ordinary Shares after Merger</b>	<b>10,652,000</b>

**Ordinary Shares after Merger**

- (i) RCSML shall continue to operate its existing operations. Goodwill and any Capital Reserve (merger reserves), if any, may arise on amalgamation in the books of RCSML under the Scheme as mentioned in Article - 7.
- (ii) Moreover, no cross holding shall exist between ACML and RCSML as described in Article – 6 after the implementation of the Scheme.

<b>Name of the Company</b>	<b>Authorized Capital before the Scheme</b>	<b>Authorized Capital after the Scheme</b>
Reliance Cotton Spinning Mills Ltd (RCSML)	Rs. 120,000,000 divided into 12,000,000 ordinary shares of Rs. 10/- each	Rs. 120,000,000 divided into 12,000,000 ordinary shares of Rs. 10/- each.
Amer Cotton Mills (Private) Ltd (ACML)	Rs. 50,000,000 divided into 5,000,000 ordinary shares of Rs. 10/- each.	Dissolved by the Order of the Honorable Sindh High Court, Karachi, without winding up.
<b>TOTAL</b>	<b>Rs. 170,000,000 divided into 17,000,000 ordinary shares of Rs. 10/- each</b>	<b>Rs. 120,000,000 divided into 12,000,000 ordinary shares of Rs. 10/- each</b>





### 3.2 AMER COTTON MILLS (Private) LIMITED

The Authorized Share Capital of the Company is Rs. 50,000,000 divided into 5,000,000 of ordinary shares of Rs. 10/- each, out of which **4,000,000** ordinary shares are fully paid and issued as follows:

Number of Shares	Issued for/Against	Rs.
1,250,000	Ordinary Share of Rs. 10 each fully paid in cash	12,500,000
2,750,000	Ordinary Share of Rs. 10 each issued as fully paid Bonus Shares	27,500,000
<b>4,000,000</b>		<b>40,000,000</b>

- a) Pattern of shareholding of the Shares held by the Shareholders as of Effective Date is as follows:

Particulars	No. of Shares	% holding
Directors, CEO, their Spouse and minor children	3,663,680	91.59%
Associated Companies, Undertakings and Related Parties	336,000	8.40%
Others	320	0.01%
	<b>4,000,000</b>	<b>100%</b>

- b) Complete list of the shareholders is attached as Schedule – 1 (List of Shareholders);

#### Impact of the Scheme:-

- c) On the completion of the merger / amalgamation and after the issuance of shares of RCSML to the registered members of ACML, ACML will be dissolved by the order of the Honorable Sindh High Court, Karachi without winding up.
- d) The Excluded Assets shall be distributed amongst the shareholders of ACML in proportion to their shareholding.
- e) The Shares of RCSML to be issued to the registered member of ACML shall be as following;

<b>No. of Shares Outstanding</b>	<b>4,000,000</b>
No. of shares of RCSML to be issued to the shareholders of ACML	360,000
SWAP Ratio (No. of Shares of RCSML against every One share of ACML)	0.09

- f) Board of Directors of RCSML shall be given power to execute, on behalf of ACML, the deeds / documents for the transfer of assets, liabilities and reserves of ACML.



#### ARTICLE – 4 – BOARD OF DIRECTORS

- a) The Board of Directors of the Reliance Cotton Spinning Mills Ltd (RCSML) before the Scheme is as follows:

Sr. No.	Name of Director	Category
1.	Mr. Shahid Abdullah	Chairman
2.	Mr. Shayan Abdullah	Chief Executive Officer
3.	Mr. Amer Abdullah	Director
4.	Mr. Yousuf Abdullah	Director
5.	Mr. Nabeel Abdullah	Director
6.	Mrs. Madiha Saeed Nagra	Independent Director
7.	Mr. Anjum Saleem	Independent Director

- b) The Board of Directors of the Amer Cotton Mills (Private) Ltd (ACML) before the Scheme is as follow:

Sr. No.	Name of Director	Category
1.	Mr. Nabeel Abdullah	Director
2.	Mr. Muhammad Abdullah	Chairman / Director
3.	Mr. Shahid Abdullah	Director / Chief Executive Officer
4.	Mr. Yousuf Abdullah	Director
5.	Mr. Amer Abdullah	Director

- c) As of the Scheme Completion Date or such other date as the Board of Directors of RCSML may approve, the existing Board of Directors of RCSML shall continue after the sanction of the Scheme. The next election for the directors of RCSML shall take place under Section 159 and 166 of the Companies Act, 2017, on February 25, 2026. List of Members of Board of Directors of Reliance Cotton Spinning Mills Ltd as Merged / Surviving Entity as attached as Schedule-3
- d) Upon dissolution of ACML in accordance with this Scheme, the directors of ACML shall cease to hold office as directors without any rights to any compensation for loss of office.
- e) All the directors of ACML and RCSML have interest in the Amalgamation to the extent of their respective shareholdings in ACML and RCSML (to the extent applicable). The effect of this Scheme on the interest of these directors does not differ from the respective interests of the shareholders of ACML and RCSML.





## ARTICLE –5 – THE SCHEME OF ARRAGEMENT

### 5.1 GENERAL

This Scheme of Arrangement has been formulated pursuant to the provisions of Sections 279 to 283 of the Act for the transfer and vesting of the undertaking and business of ACML (as a transferor) into RCSML (as transferee). Upon the completion of merger / amalgamation through the intended Scheme, ACML will be dissolved under the Order of the Honorable Sindh High Court, Karachi without winding up and the shares of RCSML shall be issued to the registered members/shareholders of ACML.

### 5.2 TRANSFER OF THE ASSETS

- a) As of the Effective Date, all the Assets of ACML, shall immediately without any conveyance or transfer and without any further act or deed, be vested in and become the undertaking and Assets of RCSML, which shall have, hold and enjoy the same in its own right as fully as the same were possessed, held and enjoyed by ACML prior to the Amalgamation. However, the vesting / transfer of the Assets shall be subject to all mortgages, charges or other encumbrances subsisting thereon (if any).
- b) Notwithstanding anything contained in the Stamp Act, 1899 (II of 1899) or any other law for the time being in force, no stamp duty shall be payable on transfer to the transferee company (i.e. RCSML) of the whole or any part of the undertaking and of the property of any transferor company (i.e. ACML) as a result of sanctioning of the Scheme by the honorable Court. All the bodies, departments and concerned institutions/companies, wherever required, shall transfer the assets without any cost, taxes, any further act or deed by the RCSML

### 5.3 TRANSFER OF LIABILITIES AND OBLIGATIONS

As of the Effective Date, all the liabilities and obligations of ACML shall immediately and without any further act or deed be assumed by and become the liabilities and obligations of RCSML, which shall pay, undertake, satisfy, discharge and perform, when due, all such liabilities and obligations.

### 5.4 RCSML'S RIGHT TO EXECUTE DEEDS

Deeds, assignments or similar instruments to evidence the aforesaid transfer of Assets and / or assumption of liabilities and obligation of ACML may, if required at any time, may be executed by officers of RCSML authorized in this regard

### 5.5 REFERENCES TO ASSETS AND LIABILITIES AND OBLIGATIONS

Any reference in this Scheme to Assets or Liabilities and Obligations of ACML is a reference to Assets or liabilities and obligations to which ACML is for the time being entitled or subject to (whether beneficially or in any fiduciary capacity) immediately preceding the Effective Date, wherever such Assets or Obligations and Liabilities are situated or arise and whether or not such Assets or Obligations and Liabilities are capable of being transferred or assigned to or by ACML under any applicable law or instrument.



## 5.6 ASSETS HELD IN TRUST

Any Asset comprised or vested in ACML which immediately before the Effective Date was held by ACML as trustee or custodian in the form of any trust deed, settlement, covenant, agreement or will or as executor of the will, or administrator of the estate of a deceased person or as judicial trustee appointed by order of any court, or in any other fiduciary capacity, shall, as of the Effective Date, be held by RCSML in the same capacity upon the trusts, subject to the powers, provisions and Liabilities applicable thereto.

## 5.7 CONTRACTS

Every Contract to which ACML is a party shall have effect as of the Effective Date as if:

- i. RCSML had been a party thereto instead of ACML; and
- ii. Any reference (however worded and whether express or implied) to ACML therein shall stand substituted, as respects anything to be done as of the Effective Date, to a reference to RCSML.

## 5.8 UTILITIES

- a) All the utility licenses, connections, meters, and other facilities for electricity, gas, water, telecommunication and others allowed, licensed or provided by any Government agency (including Water and Power Development Authority, Water and Sanitation Agency, Sui Northern Gas Pipelines Limited, Sui Southern Gas Limited) or other agency to the ACML with the respective benefits including the deposits and prepayments, Government approvals, (if any) will stand transferred without any additional charges/costs to the RCSML. The security deposits and any other existing facilities shall remain unchanged and the change of name shall take place without any additional fee, charges or costs whatsoever and without any delay.
- b) All the licenses, permits, quotas, rights, permissions, concessions, privileges, sanctions, approvals, registrations and entitlements obtained/ held by ACML shall, with effect from the Sanction Date, stand vested in and transferred to RCSML without any further act or deed, and shall be appropriately mutated by the relevant authorities in favor of the latter.

## 5.9 BANK ACCOUNTS

Any account(s) maintained by ACML with any bank or financial institution shall, as of the Effective Date, become account(s) between RCSML and such bank or financial institution, subject to the same conditions and incidents as therefore; provided that nothing herein shall affect any right of RCSML to vary the conditions or incidents subject to which any account is kept.

## 5.10 INSTRUCTIONS

Any existing instruction, order, direction, mandate, power of attorney, authority, undertaking or consent given to ACML in writing shall have effect, as of the Effective Date, as if given to RCSML.

## 5.11 NEGOTIABLE INSTRUMENTS





Any negotiable instrument or order for payment of money drawn on or given to, or accepted or endorsed by, ACML, or payable at any place of business of ACML, whether so drawn, given, accepted or endorsed before, as of the Effective Date, shall have the same effect as of the Effective Date, as if it had been drawn on, or given to, or accepted or endorsed by RCSML, or were payable at the same place of business of RCSML.

## 5.12 CUSTODY OF DOCUMENTS

The custody of any document, record or goods held by ACML as bailee and duly recorded in their books that pass to ACML under any Contract of bailment relating to any such document, record or goods shall on that day become rights and obligations of RCSML.

## 5.13 SECURITIES

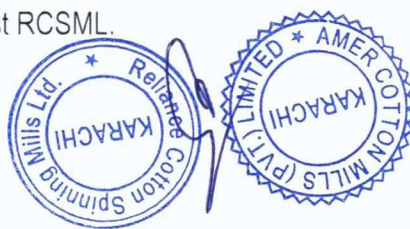
- (i) Any Security held immediately before the Effective Date by ACML or by a nominee or agent of or trustee for ACML, as security for the payment or discharge of any liability and obligation of a Customer shall, as of the Effective Date, be held by, or, as the case may require, by that nominee, agent or trustee for RCSML and be available to RCSML (whether for its own benefit or, as the case may be, for the benefit of any other person) as security for the payment or discharge of that liability and obligation.
- (ii) In relation to any Security vested in RCSML, pursuant to and in accordance with the provisions of this Scheme, and any liabilities and obligations thereby secured, RCSML shall be entitled to the rights and priorities to which ACML would have been entitled if they had continued to hold the Security.
- (iii) Any Security referred to in the foregoing provisions of this paragraph which extends to future advances or liabilities shall, as of the Effective Date, be available to RCSML (whether for its own benefit or as the case may be, for the benefit of any other person) as security for the payment or discharge of future advances and future liabilities to the same extent and in the same manner in all respects as future advances by or liabilities to, ACML or, as the case may be, RCSML were secured thereby immediately before that time.

## 5.14 LEGAL PROCEEDINGS

Where by virtue of this Scheme any right, claim or liability of ACML, becomes a right, claim or liability of RCSML as of the Effective Date, RCSML shall have the same rights, claims, powers and remedies (and in particular the same rights, claims and powers as to taking or resisting legal proceedings or making or resisting applications to any authority) for ascertaining, perfecting or enforcing that right, Claim or Liability as if it had at all times been a right, claim or liability of RCSML, and any legal proceedings or application to any authority existing or pending immediately before the Effective Date by or against ACML may be continued by or against RCSML.

## 5.15 JUDGMENTS

Any judgment or award obtained by or against ACML and not fully satisfied before the Effective Date shall at that time, become enforceable by or against RCSML.





## 5.16 EVIDENCE

All books and other documents which would, before the Effective Date, have been evidenced in respect of any matter, for or against ACML shall be admissible in evidence in respect of the same matter for or against RCSML.



## ARTICLE –6 – SHARES

### 6.1 CONSIDERATION

- (i) As consideration for the amalgamation, RCSML shall allot and issue an aggregate of 360,000 (Three Hundred Sixty Thousand) RCSML shares, credited as fully paid shares of par value of Rs.10/- (Pak Rupees Ten) each to ACML shareholders on the basis of a swap ratio 0.09 shares of RCSML for every 1 (one) share of ACML held by each of the Shareholders approved by the Board of Directors of each of RCSML and ACML and supported by the calculations stipulated in the Swap Letter, and all entitlements of the Shareholders shall be determined in the proportion aforesaid.
- (ii) The shares issued by **RELIANCE COTTON SPINNING MILLS LIMITED (RCSML)** to **AMER COTTON MILLS (PRIVATE) LIMITED (ACML)** shall be as under:

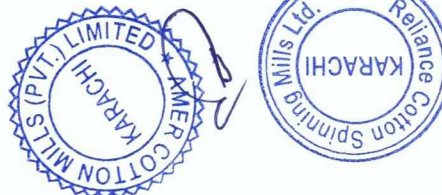
#### AMER COTTON MILLS PRIVATE LIMITED

<b>No. of Shares Outstanding</b>	<b>4,000,000</b>
No. of Shares of RCSML to be issued to the shareholders of ACML	360,000
SWAP Ratio: No. of Shares of RCSML against every One share of ACML	0.09

- (iii) The SWAP ratio has been determined on the basis of audited accounts of ACML and RCSML for the period ended March 31, 2024 and the relative valuations carried out by Shinewing Hameed Chaudhri & Co, Chartered Accountants, as stipulated in the SWAP letter in accordance with the applicable laws, accounting standards and the valuation methods suggested by SECP in its Guidelines for Mergers and Amalgamations and as approved by the Board of Directors of ACML and RCSML.

### 6.2 TRANSFER / CANCELLATION OF SHARES

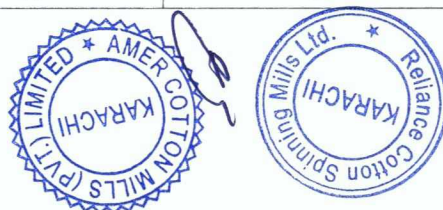
- (i) All members, whose names shall appear in the register of member of ACML, on such date after the Sanction Date as the Board of Directors of RCSML may determine, shall surrender their share certificates for cancellation thereof to RCSML.
- (ii) At least fourteen (14) days' notice shall be given to the members of ACML of the date fixed by the directors of RCSML for determining the entitlements to ordinary shares of RCSML to be issued to the members of ACML. The members holding physical shares, if any, will deliver their share certificates to the company for cancellation and shall be issues the shares of RCSML in physical form within thirty (30) days from the reopening of the Book Closure.
- (iii) The scrip-less shares of RCSML shall be directly credited by book entries in the CDS in lieu of the scrip-less shares of ACML to their respective Investors' accounts or sub-accounts with CDC



participants within thirty (30) days from the reopening of Book Closure as announced for the determination of the merger entitlements.

- (iv) Upon the allotment of the Ordinary shares of RCSML to the members of ACML in the manner aforesaid, all share certificates representing the ordinary shares of ACML shall stand cancelled.
- (v) While making allotment of RCSML shares, the fractional allotments above 0.5 shares shall be rounded up to one whole RCSML share and fraction allotments below 0.5 shares shall be consolidated into whole shares which shall be disposed of by RCSML for charitable purposes in a manner to be determined by the Board of Directors of RCSML.
- (vi) Shares will be issued by RCSML to the members of ACML under the SWAP ratio. The working of the merger adjustment and the Balance Sheet of RCSML, to emerge immediately after the merger is attached herewith in Schedule 2. The merger reserves or goodwill arising of merger, as the case may be, shall be recognized in the books of RCSML.
- (vii) The RCSML Shares, issued and allotted to the ACML Shareholders in accordance with the provisions of this Scheme shall, in all respect, rank pari passu with the ordinary shares of RCSML and shall be entitled to all dividends declared by RCSML after the Effective Date.
- (viii) There shall be no cross holdings between ACML and RCSML. Any cross-holding shall be distributed among the respective shareholders. The table below shows the number of RCSML shares the ACML shareholders currently own, the additional RCSML shares they will receive out of the Excluded Assets, the RCSML shares they will receive on account of the Swap Ratio and their total number of RCSML shares after the Scheme is implemented.

Name of ACML Shareholder	No. of shares held in RCSML <b>before</b> issuance of shares	No. of Shares to be issued under the Scheme	No. of shares to be issued to existing ACML shareholders in RCSML to eliminate cross holding (i.e. the Excluded Assets)	No. of shares held in RCSML <b>after</b> issuance of shares by ACMPL Shareholders
	(b)	(c)	(d)	(b+c+d)
Mohammad Abdullah	89,050	231	12	89,293
Shamshad Begum	123,902	32,255	1,622	157,779
Shahid Abdullah	117,777	3,015	152	120,944
Shireen Shahid	98,506	60,746	3,054	162,306
Shayan Abdullah	227,075	9,090	457	236,622
Hasan Abdullah	226,881	45	2	226,928





Nadeem Abdullah	200,638	3,287	165	204,090
Noshaba Nadeem	435,645	60,232	3,028	498,905
Nabeel Abdullah	570	9,045	455	10,070
Amer Abdullah	51,644	22,769	1,145	75,558
Ambareen Amer	116,233	42,350	2,129	160,712
Ali Abdullah	155,103	9,000	453	164,556
Yousuf Abdullah	248,710	38,023	1,912	288,645
Usma Yousuf	28,013	809	41	28,863
Salman Abdullah	176,347	19,372	974	196,693
Ismael Abdullah	176,347	19,372	974	196,693
Sumra Naim	71,160	90	5	71,255
Abdul Sattar	-	28	1	29
SFL Limited	25,083	1,360	68	26,511
ATMZ Company Pvt Limited	1,358,632	5,969	300	1,364,901
Channel Holdings Pvt Limited	1,358,632	5,969	300	1,364,901
Resource Corporation Pvt Limited	1,358,632	5,969	300	1,364,901
Synergy Holdings Pvt Limited	1,358,629	5,969	300	1,364,898
STM Corporation Pvt Limited	96,251	5,005	252	101,508
<b>Total</b>	<b>8,099,460</b>	<b>360,000</b>	<b>18,100</b>	<b>8,477,560</b>

- (ix) Subject to the sanction of the Scheme by the Court, ACML shall, without winding up, stand dissolved from the date on which all the RCSML Shares, to be allotted by RCSML to the Shareholders in the manner stated above, have been so allotted.



## ARTICLE -7 – RIGHTS AND OBLIGATIONS

### 7.1 BOOKS AND ACCOUNTS

- (i) A balance sheet of ACML and RCSML showing the financial positions as of the Effective Date as a consequence of the Merger has been attached in the form of Condensed Statement of Financial Position as Schedule -2.
- (ii) The capital reserves, revenue reserves and accumulated profits and losses of ACML, as at the day preceding the Effective Date and immediately preceding the Sanction Date respectively as audited by the Auditors shall constitute and be treated as reserves of a corresponding nature in RCSML (as defined and mentioned in Schedule-2), and shall be accounted on that basis in the books of accounts of RCSML.
- (iii) All taxes on income, including but not limited to, advance tax and withholding taxes, collected/deducted from the Effective Date till the Sanction Date in respect of the business, shall be deemed to, be to the benefit and credit of ACML and shall be transferred to RCSML.

### 7.2 CONDUCT OF BUSINESS BY ACML TILL THE COMPLETION DATE

- (i) It is hereby undertaken by ACML that it will carry on its business with reasonable diligence and business prudence until the Sanction Date and it shall not alienate, charge, mortgage, hypothecate, encumber or otherwise deal with or dispose of the respective undertakings and business or any part thereof except, in the ordinary course of business, or without the prior written consent of the Board of Directors of RCSML
- (ii) Upon the Amalgamation, RCSML shall take all necessary and expedient steps to properly and efficiently manage its entire business and affairs and shall operate and promote its entire business and affairs in the normal course.
- (iii) As of the Effective Date, RCSML shall undertake, pay, satisfy, discharge, perform and fulfil all the liabilities and obligations, contracts, engagements and commitments whatsoever of ACML

### 7.3 EMPLOYEES

On and from the Effective Date, all full time officers, staff and employees of ACML shall become the officers, staff and employees of RCSML at the same level of remuneration and under the same terms and conditions of service, rights, privileges as to the provident fund, gratuity, any other retirement funds, if any, and other matters as had been applicable to them, before the effective date.





## ARTICLE –8 – GENERAL PROVISIONS

### 8.1 SANCTION AND EFFECTIVENESS OF SCHEME

- (i) This Scheme has been formulated in terms of the provisions of Section 279 and all other enabling provisions of the Act and for an order under Section 282 (along with Section 283) of the Act for bringing the Scheme into effect.
- (ii) 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 is also subject to any such modification or addition or conditions, if any, which the Court and / or the respective Board of Directors of RCSML and ACML may impose.
- (iii) The respective Boards of Directors of RCSML and ACML have approved the foregoing Scheme for the submission of the same to the Court. The respective Board of Directors of RCSML and ACML, have also authorized, consented to, either singly or jointly on behalf of all concerned, to any modifications or additions or alterations to this Scheme or to any conditions, which the Court may think fit to impose and may give any directions, as the honorable Court may consider necessary to settle any question(s) or difficulty arising under this Scheme or in regard to its implementation or in any matter connected therewith.
- (iv) The provisions of this Scheme shall become binding and operative on the date (the "Sanction Date") that a certified copy of the order of the Court, sanctioning this Scheme under Section 279 of the Act, and by making any necessary provisions under Section 282 of the Act, and upon such Scheme having been filed with the office of the Registrar of Companies, SECP, Karachi.

### 8.2 COSTS AND EXPENSES

- (i) All the costs, charges and expenses, incurred/ to be incurred in relation to or in connection with the Scheme of Arrangement and of carrying out 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 RCSML

### 8.3 EVENT OF DEFAULT AND EFFECT ON SCHME

- (i) This Scheme shall become null and void, subject to the following and in that event, no rights and liabilities shall accrue to or be incurred in terms of this Scheme:
  - a) if the Scheme is not approved by the requisite majority of the shareholders and members of any of ACML and RCSML;



- b) if the sanction of the Court in respect of this Scheme is not obtained by such date (if any) as may be mutually agreed by the respective Board of Directors of ACML and RCSML.

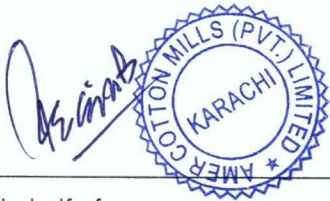
#### 8.4 MISCELLANEOUS

- (i) This Scheme shall be governed by and be construed in accordance with the substantive and procedural laws of Pakistan.
- (ii) The section or headings used in this Scheme, are solely for the convenience of reference, and shall not affect the meaning or interpretation of this Scheme or any of its provisions.
- (iii) If any provision of this Scheme is found to be unlawful and 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.

Karachi

Dated: \_\_\_\_\_

28.08.2024



For and on behalf of

Amer Cotton Mills (Private) Ltd

Name: Abdul Sattar Arain

Designation: Authorized Representative



For and on behalf of

Reliance Cotton Spinning Mills Ltd

Name: Abdul Sattar Arain

Designation: Authorized Representative

SCHEDULE - 1

- List of shareholders of Amer Cotton Mills (Private) Ltd
- List of shareholders of Reliance Cotton Spinning Mills Ltd

LIST OF SHAREHOLDERS OF AMER COTTON MILLS (PRIVATE) LTD

(As on March 31, 2024)

Particulars	No. of Shares	% holding
Director's, CEO, their Spouse and minor children	3,663,680	91.59%
Associated Companies, Undertakings and Related Parties	336,000	8.40%
<b>Others</b>		
Abdul Sattar	320	0.01%
	<b>4,000,000</b>	<b>100%</b>



**LIST OF SHAREHOLDERS OF RELIANCE COTTON SPINNING MILLS LTD**  
(As on March 31, 2024)

Particulars	No. of Shares	% holding
Director's, CEO, their Spouse and minor children	869,645	8.45%
Associated Companies, Undertakings and Related Parties	6,773,655	65.81%
NIT & ICP	465,638	4.52%
Banks, Development Finance Institutions, Non- Banking Finance Institutions	325	0.003%
Insurance Companies	16,940	0.16%
Modarabas Companies & Mutual Funds	500	0.00%
General Public (Local)	2,122,746	20.63%
Joint Stock Companies	4,244	0.04%
Other Companies	38,307	0.37%
	<b>10,292,000</b>	<b>100%</b>





**SCHEDULE - 2**

**Statement of Financial Position showing Merger Effect**

	<b>BEFORE MERGER</b>		<b>AFTER MERGER</b>
	<b>RCSML</b>	<b>ACML</b>	<b>RCSML</b>
	<b>March 31, 2024</b>	<b>March 31, 2024</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4,203,651,821	2,516,844,026	6,720,495,847
Long term Investments	2,705,140,672	357,110,668	3,045,178,220
Long Term Loans	-	65,000	65,000
Long Term Advances & Deposits	8,987,690	15,829,734	24,817,424
	<b>6,917,780,183</b>	<b>2,889,849,428</b>	<b>9,790,556,491</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools	85,613,021	144,236,864	229,849,885
Stock-in-Trade	6,428,181,306	1,023,773,255	7,451,954,561
Trade Debts	2,343,594,995	604,459,375	2,907,107,158
Loans and Advances	222,028,323	89,052,193	311,080,516
Short Term Deposits & Prepayments	2,263,615	11,546,245	13,809,860
Short Term Investments	25,056,453	138,409,209	163,465,662
Other Receivables	89,923,020	32,585,409	122,508,429
Tax refunds due from Government	400,282,803	292,915,878	693,198,681
Cash and bank balances	184,335,003	18,167,429	224,766,965
	<b>9,781,278,539</b>	<b>2,355,145,857</b>	<b>12,117,741,717</b>
<b>Total Assets</b>	<b>16,699,058,722</b>	<b>5,244,995,285</b>	<b>21,908,298,208</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Authorized capital</b>			
12,000,000 ordinary shares of Rs.10 each	<b>120,000,000</b>	<b>50,000,000</b>	<b>120,000,000</b>
Issued, subscribed and paid-up capital	<b>102,920,000</b>	<b>40,000,000</b>	<b>106,520,000</b>
Revenue Reserves			
- General reserves	170,194,045	50,000,000	220,194,045
- Unappropriated profit	9,430,123,191	159,081,697	9,572,131,768
Merger Reserve	-	-	36,400,000
Unrealised (loss) / gain on financial assets	-	57,864,606	57,864,606
<b>Total Equity</b>	<b>9,703,237,236</b>	<b>306,946,303</b>	<b>9,993,110,419</b>





**Non-Current liabilities**

Long term liabilities	1,470,235,856	1,111,780,318	2,582,016,174
Staff retirement benefit- gratuity	121,358,993	4,680,138	126,039,131
Deferred taxation	262,462,116	2,502,118	264,964,234
	<b>1,854,056,965</b>	<b>1,118,962,574</b>	<b>2,973,019,539</b>

**Current Liabilities**

Trade and other payables	1,373,349,248	382,062,801	1,736,729,370
Contract liabilities	45,291,703	6,319,024	51,610,727
Accrued mark-up/interest	106,182,697	202,685,082	308,867,779
Short term borrowings	3,106,019,730	2,720,835,974	5,826,855,704
Current portion of non- current liabilities	319,778,252	312,530,325	632,308,577
Unclaimed Dividend	861,089	-	861,089
Provision for taxation	190,281,802	194,653,202	384,935,004
	<b>5,141,764,521</b>	<b>3,819,086,408</b>	<b>8,942,168,250</b>

<b>Total Liabilities</b>	<b>6,995,821,486</b>	<b>4,938,048,982</b>	<b>11,915,187,789</b>
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<b>Total Equity &amp; Liabilities</b>	<b>16,699,058,722</b>	<b>5,244,995,285</b>	<b>21,908,298,208</b>
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**SCHEDULE - 3****- List of Members of Board of Directors of Reliance Cotton Spinning Mills Ltd as Merged / Surviving Entity**

Sr. No.	Name of Director	Category
1.	Mr. Shahid Abdullah	Chairman
2.	Mr. Shayan Abdullah	Chief Executive Officer
3.	Mr. Amer Abdullah	Director
4.	Mr. Yousuf Abdullah	Director
5.	Mr. Nabeel Abdullah	Director
6.	Mrs. Madiha Saeed Nagra	Independent Director
7.	Mr. Anjum Saleem	Independent Director



**SCHEDULE - 4**

- **Statement of Financial Position - Amer Cotton Mills Private Ltd**  
**Statement of Financial Position- Reliance Cotton Spinning Mills Ltd**





SCHEDULE - 5

- SWAP Letter

