

IN THE HIGH COURT OF SINDH, KARACHI

(Companies Jurisdiction)

J.M. 35 / 2001

In the matter of Companies Ordinance, 1984

Pakland Cement Limited
Trade Centre, A-14, Block 7/8, KCHS,
Karachi

Petitioner

Petition / Application under section 284, 285, 286 and 288 of the Companies Ordinance 1984

Report of result of meeting of Creditors held under Order of Court, dated July 26, 2001

I, Salman Rasheed, Chairman of the meeting of the Creditors held in pursuance, of the order of the Court dated July 26, 2001 do hereby report the result of the said meeting.

1. In pursuance of the order of this Court a meeting of Creditors of the petitioner was summoned through notice published in daily DAWN, daily THE NEWS, daily JUNG and daily JASARAT newspaper, which was carried in these newspapers throughout Pakistan on August 16, 2001. Copy of the notices published is attached to this report as Appendix "A".
2. The meeting was held at National Bank of Pakistan situated at National Bank of Pakistan Building, I. I. Chundrigar Road Karachi on September 4, 2001 at 10.0 a.m. I was the Chairman of the said meeting. The representative of the Official Assignee, Mr. Shah Mohammad Junejo was also present during the meeting as an observer to file his report separately to this Court.
3. The Scheme of Arrangement together with schedules attached thereto, was circulated to the Creditors by the petitioner. Additionally the notice published, also stated that the Creditors can inspect and or obtain a copy of Scheme of Arrangement together with schedules attached thereto, (free of cost) from the office of the transaction lawyer, (appointed by the majority of the Creditors) M/s. Mohsin Tayebaly & Company, Advocates and Legal Consultants 2nd Floor Dime Centre, BC-4, Block 9, Kehkashan, Clifton, Karachi between 9.30 a.m. to 12.0 noon on any working day by presenting a request letter.

4. The Chairman stated that since the Scheme of Arrangement together with schedules attached thereto, has been circulated to all the Creditors, the purpose of this meeting is to decide the result of the proposed resolution through poll.
5. Two memorandums, reiterating the stance of the respective Creditors to record their objections to the Scheme of Arrangement (which were conveyed to all lenders previously) were submitted to the Chairman during the meeting. One memorandum was collectively signed by (i) Standard Chartered Bank Ltd. (ii) Citibank N.A. (iii) Soneri Bank Ltd. while the other was signed by Standard Chartered Grindlays. Copies of both are attached to this report as Appendix "B-1 to B-7" and "C-1 to C-7".
6. Authorized representatives of Creditors were then invited to cast their vote, either in favour or against the proposed resolution. Ballot paper as per specimen attached at Appendix "D" was provided to each authorized representative of the Creditors.
7. Out of total of fifty (50) Creditors, forty six (46) Creditors' authorized representatives attended and voted in the meeting. The amount of debt as accepted / admitted as of December 31, 2000 and recorded on the ballot paper of each individual Creditor by the petitioner was not disputed by any of the Creditors participated in the voting.
8. The total debt amounted to Rs. 4.83 billion, (Rupees four billion eight hundred and thirty million only) out of which Creditors in value of Rs. 4.55 billion (Rupees four billion five hundred and fifty million only) [94%] voted in the meeting while Creditors in value of Rs. 0.28 billion (Rupees two hundred and eighty million only) [6%] remained absent.
9. The representatives of the following three (3) Creditors requested time to arrange for Power of Attorney / other written authorization to cast their vote, which was provided to them
 - (i) Standard Chartered Bank Ltd.
 - (ii) Citibank N.A.
 - (iii) Standard Chartered Grindlays
10. The following six (6) Creditors voted against the proposed resolution:
 - (i) Standard Chartered Bank Limited
 - (ii) Citibank N.A.
 - (iii) Soneri Bank Limited
 - (iv) Standard Chartered Grindlays
 - (v) Credit Agricole Indosuez

(vi) First Grindlays Modaraba

11. One of the Creditors, namely Askari Commercial Bank Limited (3% in value of present and voting Creditors) voted with noting on the ballot paper. Copy of ballot paper with noting is attached as Appendix "E" to this report. Since their noting was not in contradiction with the Scheme of Arrangement filed with this Court, their vote was considered in favour of the resolution.

12. At the meeting as result of the voting as set out below 89% of the Creditors, present and voting have resolved as follows:

"Resolved that the Scheme of Arrangement dated July 24, 2001 proposed by the Petitioner and filed before the Honorable High Court of Sindh, Karachi in JM / 35 of 2001 on July 26, 2001, be and is hereby approved, agreed and accepted, subject to such modifications as may be directed by the Honorable High Court of Sindh at Karachi."

13. The result of the voting was compiled and announced by the Chairman. Copy of the result sheet signed by the Chairman and the representative of the Official Assignee is attached at Appendix "F-1 to F-2".

14. Summary of the result is as follows"

Voted For		Voted Against	
Number of Creditors	Amount Rs. in billion	Number of Creditors	Amount Rs. in billion
40	4.03	6	0.52

15. After announcement of the results of the meeting concluded in a very cordial atmosphere.

September 10, 2001

Chairman

IN THE HIGH COURT OF SINDH, KARACHI

(Companies Jurisdiction)

J.M. 35/ 2001

In the matter of Companies Ordinance, 1984

Pakland Cement Limited

Trade Centre, A-14, Block 7/8, KCHS,

Karachi.....Petitioner

Petition / Application under section 284, 285, 286 and 288 of the Companies Ordinance, 1984

Notice for the Creditors Meeting under Section 284 (1) of the Companies Ordinance, 1984 read with Rule 55 of the Companies (Courts) Rules, 1997

Notice is hereby given that a petition / application under Sections 284, 285, 286 and 288 of the Companies Ordinance, 1984 was presented before the Honourable High Court of Sindh at Karachi on 26th July, 2001 by the Petitioner for sanction of a Scheme of Arrangement and in terms of an order dated 26th July, 2001 passed by the Honourable High Court a meeting of the Creditors of the petitioner will be held at 10.00 a.m. on 4th September, 2001 at National Bank of Pakistan situated at National Bank of Pakistan Building, I. I. Chundrigar Road, Karachi for consideration and approval of the Scheme of Arrangement by the Creditors. The proceedings of the meeting shall be conducted in accordance with the companies (Court) Rules, 1997. Mr. Salman Rasheed shall be the chairman of the meeting and Mr. Bashir Ahmed Memon, Official Assignee High Court of Sindh shall be present at the meeting as an observer.

All Creditors are invited to attend

1. Preliminary Statement

To consider and approve the Scheme of Arrangement proposed by the Petitioner, to its Creditors. The principal objective of the Scheme, is to record the terms and conditions of a legally binding compromise and arrangement between the Creditors on the one part and the Petitioner, the Sponsors and Directors on the other part, for ensuring the rehabilitation of the Petitioner through restructuring of Existing Liabilities of the Petitioner and ancillary measures, as follows:

- (a) The substitution of obligation of the Petitioner in respect of the Existing Liabilities with obligations under Term Finance Certificates to be issued by the Petitioner in the

amount of the Restructured Liabilities upon terms and conditions specified in the Scheme.

- (b) Pooling of Securities available with the Creditors to be shared amongst all Creditors on a pari passu basis.
- (c) Pooling of Securities available with the Creditors to be shared amongst all Creditors on a pari passu basis.
- (d) The suspension of Legal Proceedings by the Creditors against the Petitioner's pending issuance of TFC's and settlement / satisfaction of all claims of the Creditors in respect of the Legal Proceedings upon issuance of TFC's in terms of the Scheme.
- (e) Constitution of an Executive Committee to facilitate the monitoring of the financial and operational affairs of the Petitioner during the subsistence of the Restructuring Liabilities and the TFCs'.

2. Proposed Resolution to be passed with or without modification

“Resolved that the Scheme of Arrangement dated July 24, 2001 proposed by the Petitioner and filed before the Honorable High Court of Sindh, Karachi in JM35 / 2001 on July 26, 2001 be and is hereby approved, agreed and accepted, subject to such modifications as may be directed by the Honorable High Court of Sindh at Karachi.”

3. Any other matter with the permission of the chair

That may be necessary and / or incidental to be dealt with and may warrant resolution in accordance with Companies (Court) Rules 1997.

Explanatory Notes

- 1. “**Creditors**” shall means and include, banking companies, investment banks, leasing companies, leasing modarabas, and development financial institutions towards whom the petitioner is indebted and the term “**Creditor**” shall mean any one of them. All other capitalized terms used in this notice shall have the same meaning as prescribed in the Scheme of Arrangement.
- 2. The Creditors can inspect and or obtain a copy of Scheme of Arrangement together with schedules attached thereto, (free of cost) from the office of the transaction lawyer, (appointed by the majority of the Creditors) M/s. Mohsin Tayebaly &

Company, Advocates and Legal Consultants 2nd Floor Dime Centre, BC-4 Block 9, Kehkashan, Clifton, Karachi between 9.30 a.m. to 12.00 noon on any working day by presenting a request letter.

3. A Power of Attorney or other binding written authorization in favour of the representative of the relevant Creditor, to attend and vote in the meeting should be available with such representative at the time of the meeting.

MR. SHAMIM MUSHTAQ SIDDIQUI
Director, Pakland Cement Limited

MR. SALMAN RASHEED
Designated Chairman of the Meeting

SUBJECT: PAKLAND CEMENT LIMITED (PCL):

This memorandum has been prepared with regards to the creditors meeting called by High Court in response to the Scheme of Arrangement (SoA) submitted by PCL in the High Court. The signatories to this memorandum are Standard Chartered Grindlays Bank Limited, Soneri Bank Limited and Citibank N.A.

We have reviewed the SoA in detail and we would like to reiterate our stance (as conveyed to all lenders previously), that we are prepared to consider a proposal for restructuring of PCL's liabilities provided it is on viable commercial grounds and on terms which do not impact our legal rights particularly to the benefit of other lenders. Furthermore, restructuring should be based on internationally accepted principles and should treat all creditors fairly by acknowledging and maintaining their existing rights.

The proposed SoA in its present form contains the material issues, which are not acceptable to us for the reasons mentioned above and again elaborated below. As a result we are not in a position to support the SoA. In this regard, we would request the Official Assignee and Chairman of the meeting to record our objections to the SoA which are as follows:

SECTION C:

TERMS OF THE SCHEME

Clause 1c:

This clause envisages pooling of securities available with creditors to be shared amongst all creditors on a pari passu basis.

This means that creditors with deficient collateral will improve their position resulting in dilution and impairment in collateral by others like us, which is not fair under any law and is not acceptable. We propose that to be fair, equitable and transparent, the collateral position of all lenders should be evaluated and recorded accordingly. For this a committee be formed consisting of legal counsels representing all creditors to review each creditor's security position in light of the legal documentation and charge registration, etc.

Furthermore, all 3rd party collateral held by a creditor must remain outside the ambit of pooled security at all times. This 3rd party collateral will constitute all such assets or properties not owned by PCL. If creditors holding 3rd party collateral are also forced to pool in their collateral, it will again be detrimental to their position and sanctity of their legal

rights. On the other hand this will improve the position of other creditors who do not hold any 3rd party collateral, which is not fair nor is equitable.

Clause 2:

- Sub Section “a”

For the issuance of TFC’s, existing liabilities have been taken as amounts that were payable as of December 31, 2000. Markup that has accrued since December 31, 2000 has not been accounted for in the SoA. This has to be clarified and agreed before moving forward. As far as we interpret, some creditors are willing to waive their claim on mark up since December 31, 2000 for reasons known to them and are forcing this on other creditors including the signatories to this memorandum.

Our view is that the entire markup amount payable should be included in the amount due from PCL and should be accordingly added to the face value of TFC Series B.

The definitions of the “Effective Date” and “Existing Liabilities” as defined under Section A should be amended accordingly.

Clause 3:

- Sub section “b”.

Sponsor loans, i.e. loans extended by various financial institutions to individuals and not to PCL, are proposed in the SoA to be converted into PCL’s liability (i.e. TFC Series C) and repaid on a pari passu basis by PCL alongwith loans originally payable by PCL. This is not a fair treatment vis a vis PCL’s existing lenders. We fail to understand the reason why should sponsor loans now become PCL’s liability. Creditors who have lent finances to individuals should be entitled to collect if from them and not PCL. This will set a wrong precedent going forward. Our view is that if PCL’s cash flows must be used for this purpose, then it is fair that this be done after all of PCL’s existing debt is fully repaid.

- Sub Sections “f”:

It is proposed in the SoA that National Bank of Pakistan (NBP) will be trustee for all security and all lenders will be required to relinquish their rights under the security in favour of NBP.

While we have the utmost confidence in NBP, however, it is not acceptable or fair that we have to relinquish our legal rights under the collateral in favour of a 3rd party.

Clause 4:

- Sub Section “d”:

PCL will be provided with additional financing of Rs. 150 million by some of the lenders who will then be given priority both in repayment and collateral as stated in the SoA.

While we can consider accepting the right of the lenders putting in new money to be repaid before others, our view is that this amount should only be secured by the new collateral being offered by PCL and not by the existing collateral. Once the new loans are repaid, the new collateral should secure existing lenders on a pari passu basis to benefit all lenders.

The lender providing incremental financing of Rs. 150 million will already have a priority over other lenders in terms of repayment. Providing them a charge over the existing collateral and that too having priority over existing lenders is unfair and inappropriate as that will dilute the security of the signatories to this memorandum as also discussed above under Clause 1 C.

Clause 6:

It appears from the SoA that the Executive Committee (EC) will not be responsible for any claims by 3rd parties. Our view is that the EC should remain liable to the creditors. Furthermore, there should be a mechanism in the SoA to amend the composition of the EC if 51% of the creditors so desire. No such mechanism is presently included in the SoA.

Furthermore, EC must be required to circulate to PCL’s creditors a progress report on a monthly basis no later than the 5th day of the following month. This report should cover PCL’s financial performance and all material decisions taken by the Financial Controller and the EC during the previous months. In case a creditor requires any clarification it must be provided within a reasonable period of time. In case any creditor has objections to the decisions taken by the Financial Controller of the EC, clarification and rational for such a decision must be provided to that particular creditor within 30 days of the objection being raised.

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The above requirements are critical for the protection of interest of the creditors who are not represented in the EC.

Clause 10:

It appears from the SoA that in order to declare default, the creditors will have to go through the Executive Committee (EC). Further it is also not clear if the EC is bound to declare default on the request of any creditor or it will have the final authority in this matter.

The stance of the signatories to this memorandum is that if default is called by any creditor, it should be binding on PCL irrespective of any decision to be taken by the EC.

- Sub Section “e”

Besides other Events of Default, the SoA allows PCL to default on two installments of TFC’s and/or additional financing for default to take place. This is not acceptable to us and should be changed to one installment only.

The reason is that PCL has been in default for the past 4/5 years already as also acknowledged by the High Court as well as the Supreme Court of Pakistan. Default on one installment is enough and further leeway will be to the detriment of our interest.

Furthermore, it should be clearly stated in the SoA that any one of the items or events listed in Sub Section “a” through “I” will constitute as default.

Clause 11:

- Sub Section “a”:

The SoA envisages that each director of PCL will provide personal guarantees to all the creditors. Our view is that personal guarantees should only be available to creditors presently holding them. By providing personal guarantees to all the lenders, the position of the lenders who already hold directors’ personal guarantees will be eroded and impaired to the benefit of other creditors who do not have the benefit of such guarantees at present.

- Sub Section “b”:

List of assets legally or beneficially owned by directors of PCL to be provided to NBP (Trustee). This list must be provided to all creditors and providing it to the Trustee only has no value nor it does anything to restore out confidence in the directors of PCL.

Clause 12:

- Sub Section “a”:

All 3rd party collateral (including that provided by directors and sponsors of PCL) held by ay creditors must remain outside the ambit of pooled security at all times and not be transferred to the Trustee as discussed in clause 1 C above. If creditors holding 3rd party collateral are also forced to pool in their collateral, while it will be dilute their position but will impact position other creditors who do not hold any 3rd party collateral, which is not fair nor is equitable.

- Sub Section “b”:

Pledged shares of Saadi Cement Limited (SCL) must remain with the creditors to whom these have been pledged and not be brought under the ambit of the security pool as this would dilute and impair their security interest, to the benefit of other creditors who do not have access to such pledges shares at present:

Clause 13:

Management and directors must be required to give a clear undertaking for the benefit of all creditors of PCL, to ensure resumption of normal trading in the Stock Exchanges, of shares of PCL and SCL, within 60 days of restructure of liabilities of PCL. Failing which, this should also constitute as an Event of Default.

SCHEDULE “L”

- TFC SERIES A and B

Pricing on new debt of Rs. 150 million is proposed at 18% p.a. plus 3% of liquidated damages = 21% vis a vis 16% on TFC A. This is not equitable or fair. Furthermore, there is no provision of liquidated damages in TFC A. Our view is that if the real objective of all the

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creditors is to achieve a restructuring which focuses on making PCL viable going forward, then mark up on all its debt (new loans of RS. 150 million and existing debt to be converted into TFC A), should all be reduced.

Tenor of TFC A and TFC B is eight and a half years, including two and a half years grace on mark up and principal under TFC A, which starts as of Jan 1, 2001. Our view is that grace on mark up be reduced significantly based on the fact that PCL has not paid any amounts for the past 4/5 years which essentially already translates into a grace period. A commitments and this will benefit all creditors.

More specifically, in case of TFC Series B, the mark up rate on the overdue / unpaid mark up amount should be made uniform for all lenders retrospectively (i.e. from the date it has been accruing). The reason for this is to ensure equitable treatment of each creditor and rationalize the debt burden on PCL. If some creditors have to reduce their mark up rationalize the debt burden on the Company, which will again benefit all lenders in recovery of their principal.

- TFC SERIES C

As mentioned above under Clause 3 Subsection “b”, Sponsor loans, i.e. those loans extended by various financial institutions to individuals and not to PCL, are proposed in the SoA to be converted into PCL’s liability (i.e. TFC Series C) and repaid on a pari passu basis by PCL alongwith loans originally payable by PCL. This is not fair treatment vis a vis existing lenders like signatories to this memorandum. The reason is why should sponsor loans now become a liability of PCL. Creditors who have lent finances to individuals should be entitled to collect from them and not PCL. Our view is that if at all, PCL’s cash flows are to be used for this purpose, then this is done after all of PCL’s debt owed to us is fully repaid.

Furthermore, it is proposed that call option will be first available to outstanding Series B TFC. After full redemption of Series B TFCs, the call option can be applied proportionate to Series A TFCs and Series C TFCs. Again this is not acceptable for the reasons mentioned in the preceding paragraph.

Furthermore, it is not explicitly stated in the SoA that all costs and expenses related to restructuring of PCL’s liabilities and issuance of TFCs will be borne by PCL.

CONCLUSION

Based on the above, it is our view that the SoA will be detrimental to our legal rights and security interest. We also conclude that the proposed arrangement is far from being transparent or equitable. If implemented, it will not only damage our legal position and rights but also serve as a wrong precedent for the future as sanctity of individual agreements signed between a borrower and a creditor will become questionable. This in turn is bound to impact the strength of our financial system.

Signed on September 3, 2001 by:

1. Standard Chartered Bank Limited
2. Soneri Bank Limited
3. Citibank N.A.

Standard Chartered Grindlays

SUBJECT: PAKLAND CEMENT LIMITED (PCL):

This memorandum has been prepared with regards to the creditors meeting called by High Court in response to the Scheme of Arrangement (SoA) submitted by PCL in the High Court. The signatories to this memorandum are Standard Chartered Grindlays Bank Limited, Soneri Bank Limited and Citibank N.A.

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TERMS OF THE SCHEME

Clause 1c:

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This means that creditors with deficient collateral will improve their position resulting in dilution and impairment in collateral by others like us, which is not fair under any law and is not acceptable. We propose that to be fair, equitable and transparent, the collateral position of all lenders should be evaluated and recorded accordingly. For this a committee be formed consisting of legal counsels representing all creditors to review each creditor's security position in light of the legal documentation and charge registration, etc.

Furthermore, all 3rd party collateral held by a creditor must remain outside the ambit of pooled security at all times. This 3rd party collateral will constitute all such assets or

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properties not owned by PCL. If creditors holding 3rd party collateral are also forced to pool in their collateral, it will again be detrimental to their position and sanctity of their legal rights. On the other hand this will improve the position of other creditors who do not hold any 3rd party collateral, which is not fair nor is equitable.

Clause 2:

- Sub Section “a”

For the issuance of TFC’s, existing liabilities have been taken as amounts that were payable as of December 31, 2000. Markup that has accrued since December 31, 2000 has not been accounted for in the SoA. This has to be clarified and agreed before moving forward. As far as we interpret, some creditors are willing to waive their claim on mark up since December 31, 2000 for reasons known to them and are forcing this on other creditors including the signatories to this memorandum.

Our view is that the entire markup amount payable should be included in the amount due from PCL and should be accordingly added to the face value of TFC Series B.

The definitions of the “Effective Date” and “Existing Liabilities” as defined under Section A should be amended accordingly.

Clause 3:

- Sub section “b”.

Sponsor loans, i.e. loans extended by various financial institutions to individuals and not to PCL, are proposed in the SoA to be converted into PCL’s liability (i.e. TFC Series C) and repaid on a pari passu basis by PCL alongwith loans originally payable by PCL. This is not a fair treatment vis a vis PCL’s existing lenders. We fail to understand the reason why should sponsor loans now become PCL’s liability. Creditors who have lent finances to individuals should be entitled to collect if from them and not PCL. This will set a wrong precedent going forward. Our view is that if PCL’s cash flows must be used for this purpose, then it is fair that this be done after all of PCL’s existing debt is fully repaid.

- Sub Sections “f”:

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It is proposed in the SoA that National Bank of Pakistan (NBP) will be trustee for all security and all lenders will be required to relinquish their rights under the security in favour of NBP. While we have the utmost confidence in NBP, however, it is not acceptable or fair that we have to relinquish our legal rights under the collateral in favour of a 3rd party.

Clause 4:

- Sub Section “d”:

PCL will be provided with additional financing of Rs. 150 million by some of the lenders who will then be given priority both in repayment and collateral as stated in the SoA.

While we can consider accepting the right of the lenders putting in new money to be repaid before others, our view is that this amount should only be secured by the new collateral being offered by PCL and not by the existing collateral. Once the new loans are repaid, the new collateral should secure existing lenders on a pari passu basis to benefit all lenders.

The lender providing incremental financing of Rs. 150 million will already have a priority over other lenders in terms of repayment. Providing them a charge over the existing collateral and that too having priority over existing lenders is unfair and inappropriate as that will dilute the security of the signatories to this memorandum as also discussed above under Clause 1 C.

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Furthermore, EC must be required to circulate to PCL’s creditors a progress report on a monthly basis no later than the 5th day of the following month. This report should cover PCL’s financial performance and all material decisions taken by the Financial Controller and the EC during the previous months. In case a creditor requires any clarification it must be provided within a reasonable period of time. In case any creditor has objections to the decisions taken by the Financial Controller of the EC, clarification and rationale for such a decision must be provided to that particular creditor within 30 days of the objection being raised.

The above requirements are critical for the protection of interest of the creditors who are not represented in the EC.

Clause 10:

It appears from the SoA that in order to declare default, the creditors will have to go through the Executive Committee (EC). Further it is also not clear if the EC is bound to declare default on the request of any creditor or it will have the final authority in this matter.

The stance of the signatories to this memorandum is that if default is called by any creditor, it should be binding on PCL irrespective of any decision to be taken by the EC.

- Sub Section “e”

Besides other Events of Default, the SoA allows PCL to default on two installments of TFC’s and/or additional financing for default to take place. This is not acceptable to us and should be changed to one installment only.

The reason is that PCL has been in default for the past 4/5 years already as also acknowledged by the High Court as well as the Supreme Court of Pakistan. Default on one installment is enough and further leeway will be to the detriment of our interest.

Furthermore, it should be clearly stated in the SoA that any one of the items or events listed in Sub Section “a” through “I” will constitute as default.

Clause 11:

- Sub Section “a”:

The SoA envisages that each director of PCL will provide personal guarantees to all the creditors. Our view is that personal guarantees should only be available to creditors presently holding them. By providing personal guarantees to all the lenders, the position of the lenders who already hold directors’ personal guarantees will be eroded and impaired to the benefit of other creditors who do not have the benefit of such guarantees at present.

- Sub Section “b”:

List of assets legally or beneficially owned by directors of PCL to be provided to NBP (Trustee). This list must be provided to all creditors and providing it to the Trustee only has no value nor it does anything to restore out confidence in the directors of PCL.

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All 3rd party collateral (including that provided by directors and sponsors of PCL) held by ay creditors must remain outside the ambit of pooled security at all times and not be transferred to the Trustee as discussed in clause 1 C above. If creditors holding 3rd party collateral are also forced to pool in their collateral, while it will be dilute their position but will impact position other creditors who do not hold any 3rd party collateral, which is not fair nor is equitable.

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Pledged shares of Saadi Cement Limited (SCL) must remain with the creditors to whom these have been pledged and not be brought under the ambit of the security pool as this would dilute and impair their security interest, to the benefit of other creditors who do not have access to such pledges shares at present:

Clause 13:

Management and directors must be required to give a clear undertaking for the benefit of all creditors of PCL, to ensure resumption of normal trading in the Stock Exchanges, of shares of PCL and SCL, within 60 days of restructure of liabilities of PCL. Failing which, this should also constitute as an Event of Default.

SCHEDULE “L”

- TFC SERIES A and B

Pricing on new debt of Rs. 150 million is proposed at 18% p.a. plus 3% of liquidated damages = 21% vis a vis 16% on TFC A. This is not equitable or fair. Furthermore, there is no provision of liquidated damages in TFC A. Our view is that if the real objective of all the

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creditors is to achieve a restructuring which focuses on making PCL viable going forward, then mark up on all its debt (new loans of RS. 150 million and existing debt to be converted into TFC A), should all be reduced.

Tenor of TFC A and TFC B is eight and a half years, including two and a half years grace on mark up and principal under TFC A, which starts as of Jan 1, 2001. Our view is that grace on mark up be reduced significantly based on the fact that PCL has not paid any amounts for the past 4/5 years which essentially already translates into a grace period. A commitments and this will benefit all creditors.

More specifically, in case of TFC Series B, the mark up rate on the overdue / unpaid mark up amount should be made uniform for all lenders retrospectively (i.e. from the date it has been accruing). The reason for this is to ensure equitable treatment of each creditor and rationalize the debt burden on PCL. If some creditors have to reduce their mark up rationalize the debt burden on the Company, which will again benefit all lenders in recovery of their principal.

- TFC SERIES C

As mentioned above under Clause 3 Subsection “b”, Sponsor loans, i.e. those loans extended by various financial institutions to individuals and not to PCL, are proposed in the SoA to be converted into PCL’s liability (i.e. TFC Series C) and repaid on a pari passu basis by PCL alongwith loans originally payable by PCL. This is not fair treatment vis a vis existing lenders like signatories to this memorandum. The reason is why should sponsor loans now become a liability of PCL. Creditors who have lent finances to individuals should be entitled to collect from them and not PCL. Our view is that if at all, PCL’s cash flows are to be used for this purpose, then this is done after all of PCL’s debt owed to us is fully repaid.

Furthermore, it is proposed that call option will be first available to outstanding Series B TFC. After full redemption of Series B TFCs, the call option can be applied proportionate to Series A TFCs and Series C TFCs. Again this is not acceptable for the reasons mentioned in the preceding paragraph.

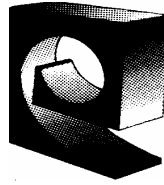
Furthermore, it is not explicitly stated in the SoA that all costs and expenses related to restructuring of PCL’s liabilities and issuance of TFCs will be borne by PCL.

CONCLUSION

Based on the above, it is our view that the SoA will be detrimental to our legal rights and security interest. We also conclude that the proposed arrangement is far from being transparent or equitable. If implemented, it will not only damage our legal position and rights but also serve as a wrong precedent for the future as sanctity of individual agreements signed between a borrower and a creditor will become questionable. This in turn is bound to impact the strength of our financial system.

Signed on September 3, 2001 by:

1. Standard Chartered Grindlays Bank Limited



SAMPLE
BALLOT PAPER

**MEETING OF CREDITORS OF PAKLAND CEMENT LIMITED
HELD ON SEPTEMBER 4, 2001 AT 10:00 A.M. UNDER J. M. No. 35/2001
BEFORE THE HIGH COURT OF SINDH AT KARACHI
PETITIONER - PAKLAND CEMENT LIMITED**

Name of Creditor

Amount of Existing Liabilities

(Rs. In '000')

Rs. _____

Proposed Resolution to be passed:

“**RESOLVED** that the Scheme of Arrangement dated July 24, 2001 proposed by the Petitioner and filed before the Honourable High Court of Sindh, Karachi in J. M. 35/2001 on July 26, 2001, be and is hereby approved, agreed and accepted subject to such modifications as may be directed by the Honourable High Court of Sindh at Karachi.”

IN FAVOUR OF THE RESOLUTION

AGAINST THE RESOLUTION

Authorized Signature

Authorized Signature

PAKLAND CEMENT LIMITED
RESULT SHEET OF CREDITORS' VOTING

**HELD ON SEPTEMBER 4, 2001 AT 10:00 A.M. FOR APPROVAL OF THE "SCHEME OF ARRANGEMENT"
UNDER J.M. NO. 35/2001 BEFORE THE HIGH COURT OF SINDH AT KARACHI**

Sr. No.	Name of Institutions	Amount of total Liability	Present & Voted	Voted For	Voted Against
1	Al-Faysal Investment Bank Limited	223,890	223,890	223,890	
2	Allied Bank of Pakistan Limited	99,096	99,096	99,096	
3	Standard Chartered Grindlays Bank (ANZ)	226,584	226,584		226,584
4	Askari Commercial Bank Limited	137,816	137,816	137,816	
5	Citi Bank N.A.	101,120	101,120		101,120
6	Credit Agricole Indosuez	24,082	24,082		24,082
7	Crescent Investment Bank Limited	73,783	73,783	73,783	
8	Faysal Bank Limited	370,737	370,737	370,737	
9	Habib Bank Limited	57,325	57,325	57,325	
10	Industrial Development Bank of Pakistan	137,202	137,202	137,202	
11	National Bank of Pakistan	99,875	99,875	99,875	
12	National Development Finance Corporation	467,641	467,641	467,641	
13	National Investment Trust Limited	75,300	75,300	75,300	
14	Prudential Discount & Guarantee House	45,899	45,899	45,899	
15	Pak Libya Holding Co. (Pvt.) Limited	54,308	54,308	54,308	
16	Saudi Pak Industrial and Agri. Inv. Co. (Pvt.) Ltd	126,252	126,252	126,252	
17	Societe Generale (The French & International Bank)	55,213	55,213	55,213	
18	Soneri Bank Limited	32,000	32,000		32,000
19	Standard Chartered Grindlays Bank (SCB)	81,680	81,680		81,680
20	Union Bank Limited	141,939	141,939	141,939	
21	Al-Zamin Leasing Modaraba	32,116	32,116	32,116	
22	Asian Leasing Corporation	36,499	36,499	36,499	
23	Askari Leasing Limited	205,649	-		
24	Atlas Lease Limited	181,944	181,944	181,944	
25	BRR International Modaraba	141,399	141,399	141,399	
26	Crescent Leasing Company Limited	50,600	50,600	50,600	
27	Dawood Leasing Company Limited	138,520	138,520	138,520	
28	First Allied Bank Modaraba	62,955	62,955	62,955	
29	First Crescent Modaraba	47,682	47,682	47,682	
30	First Leasing Corporation Limited	39,241	39,241	39,241	
31	First UDL Modaraba	23,846			

PAKLAND CEMENT LIMITED
RESULT SHEET OF CREDITORS' VOTING

**HELD ON SEPTEMBER 4, 2001 AT 10:00 A.M. FOR APPROVAL OF THE "SCHEME OF ARRANGEMENT"
UNDER J.M. NO. 35/2001 BEFORE THE HIGH COURT OF SINDH AT KARACHI**

Sr. No.	Name of Institutions	Amount of total Liability	Present & Voted	Voted For	Voted Against
32	First Fidelity Leasing Modaraba	35,074	35,074	35,074	
33	First Grindlays Modaraba	54,560	54,560		54,560
34	First Professional Modaraba	45,441	45,441	45,441	
35	Ghandara Leasing Company Limited	58,269	58,269	58,269	
36	Ibrahim Leasing Limited	15,044	15,044	15,044	
37	Inter Asia Leasing Company Limited	12,449	12,449	12,449	
38	Lease Pak Limited	84,108	84,108	84,108	
39	Long Term Venture Capital Modaraba	76,223	76,223	76,223	
40	National Asset Leasing Limited	9,206			
41	National Development Leasing Corp. Ltd	344,138	344,138	344,138	
42	Orix Leasing Pakistan	55,930	55,930	55,930	
43	Pacific Leasing Company Limited	40,764			
44	Paramount Leasing Limited	102,735	102,735	102,735	
45	Pakistan Industrial & Commercial Leasing Ltd	75,980	75,980	75,980	
46	Pakistan Industrial Leasing Corporation Ltd	77,342	77,342	77,342	
47	Saudi Pak Leasing Company Limited	49,076	49,076	49,076	
48	Security Leasing Corporation Limited	33,393	33,393	33,393	
49	Union Leasing Ltd	28,624	28,624	28,624	
50	Universal Leasing Corporation Limited	39,050	39,050	39,050	
	TOTAL	4,829,599	4,550,134	4,030,108	520,026
	PERCENTAGE		100%	89%	11%

RESULT:

The Resolution for approval of the "Scheme of Arrangement"
Passed by the Creditors 89% by value