



**PAKISTAN STOCK EXCHANGE LIMITED**

(formerly: Karachi Stock Exchange Limited)

PSX/N-4028

**NOTICE**

July 12, 2016

Reproduced hereunder letter received from **CRESCENT STAR INSURANCE LIMITED**, for information of all concerned.

**Complete Draft Scheme of Amalgamation/Merger of the Company & complete report of Valuation and Swap Ratio are available on PSX Web.site.**

(Copy of the same is also available on our Website [www.psx.com.pk](http://www.psx.com.pk)).

\*\*\*\*\*



**Crescent Star Insurance Limited**

Estd. 1957

July 04, 2016

Muhammad Ghufuran,  
Deputy General Manager  
Pakistan Stock Exchange  
(Formerly Karachi Stock Exchange Ltd)  
Stock Exchange Building  
Stock Exchange Road, Karachi

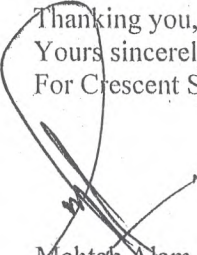
**Subject: Disclosure of Material Information-Scheme of Amalgamation**

Dear Sir,

With reference to your letter dated 29-06-2016 bearing reference no. PSX/C-10-5170 on the captioned subject, please find attached the following documents as requested with respect to Scheme of Amalgamation with PICIC Insurance Limited,

1. Draft Scheme of Amalgamation / Merger approved by the Board of Directors of the Company.
2. Complete report of Valuation and Swap Ratio, which forms its basis.

Thanking you,  
Yours sincerely,  
For Crescent Star Insurance Limited

  
Mehtab Alam  
Company Secretary

**Head Office:**

2<sup>nd</sup> Floor, Nadir House, I.I Chundrigar Road, Karachi - 74000, Pakistan

UAN : +92-21-111-274-000 Fax : +92-21-32415474 E-mail : [info@cstarinsurance.com](mailto:info@cstarinsurance.com)

*Nation Wide Network of Branches*

Motor

Health

Fire

Marine

Engineering

Travel

Livestock

Crop

# **SCHEME OF ARRANGEMENT**

**UNDER SECTIONS 284 TO 288 OF  
THE COMPANIES ORDINANCE, 1984**

**INVOLVING**

**CRESCENT STAR INSURANCE LIMITED**

**AND**

**PICIC INSURANCE LIMITED**

**FOR**

**The merger / amalgamation of the entire undertaking of PICIC Insurance Limited with and into Crescent Star Insurance Limited along with all ancillary matters.**

## SCHEME OF ARRANGEMENT

### UNDER SECTIONS 284 TO 288 OF THE COMPANIES ORDINANCE, 1984

#### BETWEEN

**CRESCENT STAR INSURANCE LIMITED**, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, incorporated and existing under the laws of Pakistan and having its registered office at 2<sup>nd</sup> Floor, Nadir House, I. I. Chundrigar Road, Karachi (hereinafter referred to as "**CSIL**", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

#### AND

**PICIC INSURANCE LIMITED**, a public company limited by shares and listed on the Pakistan Stock Exchange Limited, incorporated and existing under the laws of Pakistan and having its registered office at 1204, 12<sup>th</sup> Floor, Emerald Tower, Clifton, Block 5, Karachi (hereinafter referred to as "**PICIC**", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns).

#### RECITALS

**WHEREAS** by this Scheme of Arrangement ("**Scheme**"), it is *inter alia* proposed that:-

1. The entire undertaking comprising all the Assets, Liabilities and Obligations of PICIC shall, as at the Effective Date (as defined below), stand merged with, transferred to, vested in, and be assumed by CSIL.
2. As consideration for the above, it is proposed that CSIL Shares shall be issued to the Shareholders in accordance with this Scheme.
3. Upon the merger and transfer of PICIC in the manner prescribed under this Scheme, PICIC shall be dissolved without winding up.
4. This Scheme, if approved by the respective shareholders of CSIL and PICIC, through a special resolution and sanctioned by the Court by an order passed in this respect, is to be binding on CSIL and PICIC along with all the shareholders, creditors, employees, Customers, contracting parties, tax authorities and any other regulatory / statutory bodies of or with respect to CSIL and PICIC (as applicable) respectively.

## **BENEFITS OF THIS SCHEME**

### **A. Larger Asset Base**

The Amalgamation would lead to an increase in the asset base and size of the surviving entity i.e. CSIL. This would in turn assist the management to have access to more external funds at competitive rates. The larger size of equity and asset base would provide greater comfort to existing and potential creditors of the merged entity. Moreover, access to larger resources would in turn improve growth prospects and the ability to undertake large assignments.

### **B. Synergies and Reduction in Administrative Costs**

The Amalgamation would provide an opportunity to operate the businesses / operations of CSIL and PICIC through single / consolidated operations, accounts, treasury and management information system (MIS) 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 CSIL's risk absorption capacity, thus enhancing the 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 CSIL.

### **E. Leveraging Against the Assets of PICIC**

The Amalgamation will allow CSIL to acquire the benefit of use of the Assets of PICIC without having to pay upfront cash consideration to the shareholders of PICIC, which shall make the operations of CSIL (subsequent to the Amalgamations) more efficient financially for the company.

**NOW THEREFORE**, this Scheme is presented as follows:

## **ARTICLE 1**

### **DEFINITIONS**

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

**“Amalgamation”** shall have the same meaning as prescribed thereto in Article 2.1. of this Scheme;

**“Annexure A”** is the annexure attached hereto which lists the members of the Board of Directors of CSIL;

**“Annexure B”** is the annexure attached hereto which lists the members of the Board of Directors of PICIC;

**“Annexure C”** is the annexure attached hereto containing the Swap Letter;

**“Assets”** mean 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, licences, liberties, secret processes, know-how and confidential information belonging / pertaining to a company. 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 wheresoever situated belonging to a company; (ii) all choses-in-action, instruments, decretal amounts, bank and other accounts, cash balances, reserve funds, revenue balances, investments, loans, advances, guarantees, deposits, prepayments, receivables, book debts, trade debts and all other rights and interest in and arising out of such property in the ownership, possession, power or control of a company, whether legal or beneficial, whether within or out of Pakistan, and all books of accounts, registers, records and all other documents of whatever nature relating thereto; (iii) all the connections and facilities for telecommunications, electricity, gas and other installations, owned by, leased or licensed to a company, including related deposits; and (iv) the Contingent Claims, tax credits / carry forward losses and proceeds realized from the Liquidation of the Contingent Claims;

**“CDC”** means the Central Depository Company of Pakistan Limited;

**“CDS”** means the Central Depository System (an electronic book entry system for the recording and transfer of securities, established under the Central Depositories Act, 1997 and maintained by the CDC;

**“Claim”** means claim, counter-claim, demand or cause of action and includes a Contingent Claim;

**“Completion Date”** has the same meaning as prescribed thereto in Article 3.1. of this Scheme;

**“Contingent Claims”** means any potential Claim that a company may have against any person prior to the Effective Date which may not be disclosed or reflected as part of its Assets on its books or records;

**“Contract”** means any contracts, agreements, deeds, instruments, letters or undertakings of every description, creating any obligations enforceable against the parties, including any finance agreements;

**“Court”** means the High Court of Sindh at Karachi;

**“CSIL”** shall have the meaning as prescribed in the Preamble above;

**“CSIL Shares”** means the ordinary shares of PKR 10/- (Pak Rupees Ten) each in the share capital of CSIL to be issued and allotted to the Shareholders in accordance with Article 9.1. of this Scheme;

**“Customer”** means any person having entered into a transaction, arrangement or other dealing with a company;

**“Effective Date”** shall have the same meaning as prescribed thereto in Article 3.1. of this Scheme;

**“existing”** means existing, outstanding or in force immediately prior to the Effective Date;

**“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;

**“Liquidation”** means the release, compromise, satisfaction, settlement or reduction to judgment of any Claim by a competent court of law;

**“Ordinance”** means the Companies Ordinance, 1984;

**“PICIC”** shall have the meaning as prescribed in the Preamble above;

**“PICIC Employees”** means all employees / personnel of PICIC (including all whole time officers, workmen, contractual staff and staff retained through third party service providers);

**“Record Date”** means the date to be fixed by the directors of PICIC, after the Completion Date, to determine the identities and entitlements of the Shareholders;

**“Scheme”** means this Scheme of Arrangement in its present form with any modifications thereof or additions thereto, approved or with any conditions imposed by the Court;

**“Security”** 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;

**“Shareholders”** means the registered shareholders of PICIC on the Record Date;

**“Swap Letter”** means the Swap Letter dated June 28, 2016 issued by Muniff Ziauddin & Co., Chartered Accountants, attached hereto as Annexure D containing, *inter alia*, the Swap Ratio; and

**“Swap Ratio”** shall have the same meaning as prescribed thereto in Article 9.1. of this Scheme.

## ARTICLE 2

### OBJECTS OF THE SCHEME

- 2.1. The principal object of this Scheme is to give effect to the following:
  - (i) amalgamate PICIC with and into CSIL by transferring to, merging with and vesting in CSIL the whole of PICIC, including all Assets, Liabilities and Obligations of PICIC, as of the Effective Date, and dissolving PICIC without winding up (the **“Amalgamation”**); and
  - (ii) allot and issue fully paid CSIL Shares to the Shareholders based on the Swap Ratio.
- 2.2. It is hereby clarified that although the above steps will take place on the same date, the same shall be deemed to be effective as of the Effective Date.

## ARTICLE 3

### EFFECTIVE DATE

- 3.1. This Scheme shall become operative and bind CSIL and PICIC as soon as the certified copies of the order of the Court under Section 284 of the Ordinance, sanctioning this Scheme and making any necessary provisions under Section 287 of the Ordinance, have been filed with the Registrar of Companies, Karachi (hereinafter referred to as the **“Completion Date”**). When this Scheme becomes operative on the Completion Date, the Amalgamation, in accordance with the Scheme, will be treated as having effect from the close of business on the date being the calendar quarter immediately preceding the Completion Date (i.e. December 31<sup>st</sup>, March 31<sup>st</sup>, June 30<sup>th</sup> or September 30<sup>th</sup>), or at such other date as may be stated by the Court (hereinafter referred to as the **“Effective Date”**).

- 3.2. Accordingly, as of the Effective Date and thereafter, until the Assets, Liabilities, Obligations and undertakings of PICIC are actually transferred to and vested in CSIL in terms of this Scheme, the businesses of PICIC will be deemed to have been carried for and on account and for the benefit of CSIL. The reserves including un-appropriated profits / losses of PICIC up as at the Effective Date shall constitute and be treated as reserves / losses of a corresponding nature in CSIL and shall be accounted for on that basis in the books of account of CSIL.

#### **ARTICLE 4**

##### **CAPITAL**

- 4.1. The authorized share capital of CSIL is PKR 1,000,000,000/- (Pak Rupees One Billion) divided into 100,000,000 (One Hundred Million) shares of PKR 10/- (Pak Rupees Ten) each, out of which 82,683,333 (Eighty Two Million Six Hundred Eight Three Thousand Three Hundred Thirty Three) shares have been issued, fully subscribed to and paid up.
- 4.2. The authorized share capital of PICIC is PKR 1,250,000,000/- (Pak Rupees One Billion Two Hundred Fifty Million) divided into 125,000,000 (One Hundred Twenty Five Million) shares of PKR 10/- (Pak Rupees Ten) each, out of which 35,000,000 (Thirty Five Million) shares have been issued, fully subscribed to and paid up.
- 4.3. Upon the sanction of this Scheme, the authorized share capital of PICIC shall be merged and combined with the authorized share capital of CSIL. The authorized share capital of CSIL shall thus stand enhanced to PKR 2,250,000,000/- (Pak Rupees Two Billion Two Hundred Fifty Million) divided into 225,000,000 (Two Hundred Twenty Five Million) shares of PKR 10/- (Pak Rupees Ten) each and accordingly the Memorandum and Articles of Association of CSIL shall stand amended. Approval of the shareholders of CSIL to this Scheme shall also include and constitute an approval by way of special resolution from the shareholders of CSIL, to the alteration of the Memorandum and Articles of Association of CSIL for the increase of the authorized share capital of CSIL to PKR 2,250,000,000/- (Pak Rupees Two Billion Two Hundred Fifty Million), as required in terms of the Ordinance.

#### **ARTICLE 5**

##### **BOARD OF DIRECTORS**

- 5.1. The present directors of CSIL are listed in Annexure A attached hereto.
- 5.2. The present directors of PICIC are listed in Annexure B attached hereto.
- 5.3. The directors of CSIL are expected to continue as the directors after the Amalgamation / Completion Date, subject to compliance with the applicable laws and / or their ceasing to be directors in the meantime due to any reason(s) and appointments being made to the vacancies thus created. The directors of PICIC shall cease to hold office as directors without any rights to any compensation for loss of office.

- 5.4. All the directors of CSIL and PICIC have interest in the Amalgamation to the extent of their respective shareholdings in CSIL and PICIC (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 CSIL and PICIC.

## **ARTICLE 6**

### **AMALGAMATION**

#### **6.1. General Description**

- (i) As of the Effective Date, PICIC, as a going concern, shall be amalgamated with and vest in CSIL upon the terms and conditions set forth in this Scheme without any further act, deed, matter or thing, process or procedure.
- (ii) CSIL shall be able to carry out all the business of PICIC and shall be entitled to all the rights and the benefits thereof.
- (iii) PICIC shall be dissolved, without winding up, on the date on which the CSIL Shares are allotted and issued to the Shareholders in consideration of the Amalgamation or on such later date as the Court may prescribe.

#### **6.2. Transfer of the Assets**

As of the Effective Date, all the Assets of PICIC, shall immediately without any conveyance or transfer and without any further act or deed, be vested in and become the undertaking and Assets of CSIL, which shall have, hold and enjoy the same in its own right as fully as the same were possessed, held and enjoyed by PICIC 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).

#### **6.3. Transfer of Liabilities and Obligations**

As of the Effective Date, all the Liabilities and Obligations of PICIC shall immediately and without any further act or deed be assumed by and become the Liabilities and Obligations of CSIL, which shall pay, undertake, satisfy, discharge and perform, when due, all such Liabilities and Obligations.

#### **6.4. CSIL'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 PICIC may, if required at any time, may be executed by officers of CSIL authorized in this regard.

#### **6.5. References to Assets and Liabilities and Obligations**

Any reference in this Scheme to Assets or Liabilities and Obligations of PICIC is a reference to Assets or Liabilities and Obligations to which PICIC 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 PICIC under any applicable law or instrument.

**6.6. Assets held in Trust, etc.**

Any Asset comprised or vested in PICIC which immediately before the Effective Date was held by PICIC 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 CSIL in the same capacity upon the trusts, subject to the powers, provisions and Liabilities applicable thereto.

**6.7. Contracts**

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

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

**6.8. Bank Accounts**

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

**6.9. Instructions**

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

**6.10. Negotiable Instruments**

Any negotiable instrument or order for payment of money drawn on or given to, or accepted or endorsed by, PICIC, or payable at any place of business of PICIC, 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 CSIL, or were payable at the same place of business of CSIL.

#### 6.11. **Custody of Documents**

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

#### 6.12. **Securities:**

- (i) Any Security held immediately before the Effective Date by PICIC or by a nominee or agent of or trustee for PICIC, 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 CSIL and be available to CSIL (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 CSIL, pursuant to and in accordance with the provisions of this Scheme, and any liabilities and obligations thereby secured, CSIL shall be entitled to the rights and priorities to which PICIC 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 CSIL (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, PICIC or, as the case may be, CSIL were secured thereby immediately before that time.

#### 6.13. **Legal Proceedings**

Where by virtue of this Scheme any right, Claim or Liability of PICIC, becomes a right, Claim or Liability of CSIL as of the Effective Date, CSIL 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 CSIL, and any legal proceedings or application to any authority existing or pending immediately before the Effective Date by or against PICIC may be continued by or against CSIL.

#### 6.14. **Judgments**

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

#### 6.15. **Evidence**

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

6.16. **Clarification**

The provisions contained in Articles 6.2. to 6.15. above are without prejudice to the generality of any other provisions in this Scheme, but subject to any provisions in this Scheme to the contrary effect.

**ARTICLE 7**

**CERTAIN OBLIGATIONS AND REPRESENTATIONS**

- 7.1. Upon the Amalgamation, CSIL 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.
- 7.2. As of the Effective Date, CSIL shall undertake, pay, satisfy, discharge, perform and fulfil all the Liabilities and Obligations, Contracts, engagements and commitments whatsoever of PICIC.

**ARTICLE 8**

**THE SCHEME'S EFFECT**

- 8.1. The provisions of this Scheme shall be effective and binding by operation of law and shall become effective in terms of Article 3 above.
- 8.2. The execution of this Scheme shall not: (i) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any law for the time being in force; (ii) give rise to any forfeiture; (iii) invalidate or discharge any Contract or Security; and (iv) give rise to any right of first refusal or pre-emptive right that any person may have in respect of any investment made by such person in CSIL and / or PICIC.
- 8.3. Upon the sanction of this Scheme, as of the Effective Date, the terms of this Scheme shall be binding on CSIL and PICIC and also on all the respective shareholders of CSIL and PICIC, the Customers of CSIL and PICIC, the creditors of CSIL and any creditors of PICIC and on any other person having any right or liability in relation to either of them.

**ARTICLE 9**

**CONSIDERATION FOR THE AMALGAMATION**

- 9.1. As consideration for the Amalgamation, CSIL shall issue an aggregate of 8,750,000 (Eight Million Seven Hundred Fifty Thousand) CSIL Shares to the Shareholders at par and allot 1 (one) CSIL Share, credited as fully paid up for every 4 (four) shares of the face value of PKR 10/- (Pak Rupees Ten) each of PICIC, to the Shareholders on the basis of a swap ratio of 0.25 CSIL Shares for every 1 (one) share of PICIC held by each of the Shareholders (the "**Swap Ratio**"), approved by the Board of Directors of each of CSIL and PICIC and supported by the

calculations stipulated in the Swap Letter, and all entitlements of the Shareholders shall be determined in the proportion aforesaid. All fractions less than a share shall be consolidated into whole shares which shall be disposed of by CSIL in a manner determined by the Board of Directors of CSIL.

- 9.2. The calculations with respect to the Swap Ratio have been carried out by Muniff Ziauddin & Co., Chartered Accountants in terms of the Swap Letter, as approved by the Board of Directors of each of CSIL and PICIC.
- 9.3. At least 14 (fourteen) days' notice shall be given to the shareholders of PICIC, as prescribed under the applicable laws, specifying the Record Date. Such notice shall also specify the date by which the shareholders of PICIC shall deliver to PICIC, for cancellation, all the share certificates representing ordinary shares in PICIC held by them and such share certificates shall be delivered to PICIC on or before that date. In relation to those shareholders of PICIC who hold shares in book entry form through the CDS on the date specified in the notice, the book entries relating to the shares of PICIC in the CDC accounts of such shareholders shall stand cancelled.
- 9.4. The share certificates delivered / to be delivered by the shareholders of PICIC in accordance with Article 9.3. above shall stand cancelled (whether or not the same have been surrendered to PICIC by the prescribed date) and the Shareholders shall be entitled to share certificates / shares of CSIL for the number of fully paid up shares to which the respective Shareholder is entitled to in accordance with the provisions of this Scheme.
- 9.5. The allotment of CSIL Shares (in accordance with the provisions of this Article 9) shall be made by CSIL within 30 (thirty) days from the date notified above. The share certificates for such shares shall be made ready for delivery as soon as practicable thereafter and notices of their readiness for their delivery shall be given to the Shareholders in the manner provided in the Articles of Association of CSIL. Share certificates not collected within the time specified in any such notice shall be sent by post in prepaid envelopes addressed to the persons entitled thereto at their respective registered addresses. In the case of joint shareholders, share certificates may be delivered to or may be sent to the address of that one of the joint holders whose name appears first in respect of such joint holding. CSIL shall not be responsible for loss of the share certificates in such transmission. In the case of Shareholders holding shares of PICIC in book entry form through the CDS, the CDC shall, on the date to be specified in the notice mentioned in Article 9.3. above, credit their respective CDC accounts / sub-accounts with book entries relating to the corresponding number of CSIL Shares which the relevant Shareholder is entitled to in accordance with this Article 9. Such allotment shall be carried out in accordance with the rules and regulations of the CDC.
- 9.6. The CSIL Shares, issued and allotted to the Shareholders in accordance with the provisions of this Scheme shall, in all respect, rank pari passu with the ordinary shares of CSIL and shall be entitled to all dividends declared by CSIL after the Effective Date.
- 9.7. Subject to the sanction of the Scheme by the Court, PICIC shall, without winding up, stand dissolved from the date on which all the CSIL Shares, to be allotted by CSIL to the Shareholders in the manner stated above, have been so allotted.

## **ARTICLE 10**

### **EMPLOYEES**

- 10.1. The PICIC Employees shall not transfer automatically to CSIL by virtue of this Scheme.
- 10.2 Unless terminated earlier in accordance with the term of their existing contracts / arrangements, as of and effective from the Completion Date, the employment contracts / arrangements pertaining to the PICIC Employees shall automatically stand terminated, and PICIC shall ensure settlement of all dues towards the PICIC Employees (including payment of all gratuity and provident fund amounts accruing in favour of such persons) as of such date.
- 10.3 At least 14 (fourteen) days prior to the Completion Date, CSIL may, in good faith, offer to the PICIC Employees employment contracts / arrangements to commence from the Completion Date (unless agreed otherwise between the relevant parties) on terms and conditions which:
- (i) are for positions with CSIL that are determined according to CSIL's organogram and policies, having regard to each PICIC Employee's experience and suitability;
  - (ii) are at least as favourable as those offered by CSIL to its existing employees holding positions similar to the positions being offered to the PICIC Employees in accordance with Article 10.3(i) above; and
  - (iii) include enrolment in any pension, gratuity, provident funds or similar funds or schemes offered by CSIL to its existing employees in accordance with the rules applicable to such schemes.
- 10.4 Unless agreed otherwise, the relevant PICIC Employee shall communicate acceptance / rejection of such offer within a period of 7 (seven) days from the receipt of such offer, failing which, the offer shall stand revoked.

## **ARTICLE 11**

### **GENERAL**

#### **11.1. Modifications by the High Court**

This Scheme shall be subject to such modification of conditions, as the Court may deem expedient to impose. The Board of Directors of CSIL and PICIC respectively may consent to any modifications or additions to this Scheme or to any conditions which the Court may think fit. In case of any difficulty in implementation of any aspect of this Scheme, clarifications, directions and / or approval may be obtained from the Court. Notwithstanding the above, in the event that the terms of this Scheme are not approved by the shareholders of CSIL and / or PICIC (as applicable) in its entirety and / or the Scheme, as approved by the respective companies, is modified by the Court, the Board of Directors of CSIL and / or PICIC shall be entitled to withdraw this Scheme (whether or not approval from the shareholders of the respective companies has been obtained).

11.2. **Headings**

Article headings are not to be considered part of this Scheme, but are solely for convenience of reference, and shall not affect the meaning or interpretation of this Scheme or any of its provisions.

11.3. **Severability**

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.

11.4. **Costs and expenses**

All costs, charges and expenses of CSIL and PICIC in respect of the preparation of this Scheme and carrying the same into effect shall be borne by CSIL and PICIC equally.

Karachi.

Dated: \_\_\_\_\_, 2016.

\_\_\_\_\_  
For and on behalf of  
**CRESCENT STAR INSURANCE LIMITED**

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

\_\_\_\_\_  
For and on behalf of  
**PICIC INSURANCE LIMITED**

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

## **LIST OF ANNEXURES**

- “Annexure A”** – List of members of Board of Directors of CSIL.
  
- “Annexure B”** – List of members of Board of Directors of PICIC.
  
- “Annexure C”** – Swap Letter dated June 28, 2016, issued by Muniff Ziauddin & Co., Chartered Accountants.

**ANNEXURE A**

**LIST OF MEMBERS OF BOARD OF DIRECTORS OF CRESCENT STAR INSURANCE LIMITED**

Mr. Naim Anwar

Syed Adnan Ali Zaidi

Syed Abid Raza

Mr. Jehangir Bashir Nawaz

Mr. Hanif Daud

Dr. Fahim Lashkarwala\*

Mr. Shahid Suleman Jan\*

\* Sound and prudent approval for appointment of the said directors is pending with the Securities and Exchange Commission of Pakistan.

**ANNEXURE B**

**LIST OF MEMBERS OF BOARD OF DIRECTORS OF PICIC INSURANCE LIMITED**

Mr. Irshad Ali Shaban Ali Kassim

Mr. Abu Ahmed

Mr. Munawar Ali Kassim

Mr. Muzaffar Ali Shah Bukhari

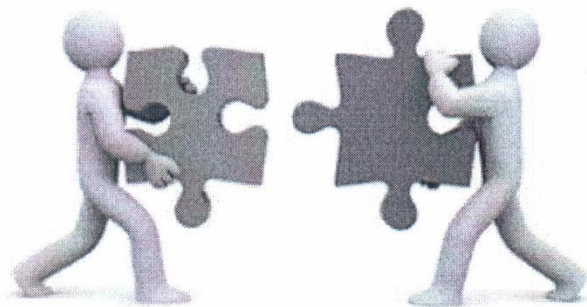
Mr. Jalees Ahmed Siddiqi

Note:

The casual vacancies existing due to the resignation of 4 (four) directors of PICIC are to be filled.

# EXCHANGE RATIO

REPORT



2016

Muniff Ziauddin & Co

# Contents

1. INTRODUCTION .....	1
2. COMPANIES INVOLVED IN THE MERGER.....	4
3. PURPOSE OF THE REPORT .....	4
4. SUMMARY OF DESCRIPTION OF THE TRANSACTION.....	5
5. REFERENCE DATE FOR THE ESTIMATE AND DOCUMENTATION USED .....	6
6. DESCRIPTION AND APPLICATION OF THE METHODOLOGIES.....	7
6.1. NET ASSET VALUE (AT BOOK VALUE).....	7
6.2. EARNINGS PER SHARE (EPS).....	8
6.3. MARKET PRICE .....	9
6.3.1. MARKET PRICE (SIMPLE AVERAGE) .....	9
6.3.2. MARKET PRICE (WEIGHTED AVERAGE) .....	10
6.4. MARKET MULTIPLES METHOD .....	11
6.4.1. COMPARABLE COMPANY MULTIPLES AS AT 31 MARCH, 2016.....	11
6.4.2. SUMMARY OF RESULTS FOR MARKET MULTIPLES .....	12
7. SUMMARY OF EVALUATIONS AND CONCLUSION .....	13

# EXCHANGE RATIO

---

## REPORT

### 1. Introduction

The Board of Directors (the “Board”) of PICIC Insurance Limited (“PICIC”) engaged Muniff Ziauddin & Co. Chartered Accountants (“MZ”) through a proposal signed on May 18, 2016 to perform certain tasks (the “Engagement”) in order to provide assistance to the Board in relation to PICIC’s and CSI’s calculation of the share exchange ratio (“Share Exchange Ratio”) relating to the proposed merger transaction (the “Transaction”) of PICIC with and into Crescent Star Insurance Limited (the “CSI”) jointly referred to as the “Parties”.

In fulfillment of this Engagement, the calculations and analyses detailed below were prepared for consideration by the Board of Directors of PICIC and CSI, which, to the extent deemed appropriate, it may use in determining the financial terms to propose to its shareholders in relation to the Merger.

This document (the “Report”) within the limits and with the cautions, qualifications, and caveats provided, has been prepared for the sole purpose of supporting the valuation and decision-making process of the Board of PICIC and, therefore, may not be used in any other scope and is not intended for use by any other individual or entity.

In preparing the Report, MZ has used publicly available information and data prepared by the management. MZ has relied on the truth, completeness and accuracy, in all respects, of the documents, data and information (the “Information”) publicly available and all of the information that it received, both written and oral, without conducting any independent verification, certification and / or analysis. MZ, therefore, accepts no responsibility relating to the truth, completeness and accuracy of the Information used in its analysis, as it is unable to exclude the possibility that such analysis may lead to different results should such Information be incomplete, inaccurate or untruthful. The Board acknowledges that the accuracy of the evaluations contained in the Report depends completely on the truth, accuracy and completeness of the information on which the Report is based.

Additionally, in reference to the forecast data / financial projection, MZ has relied on the information being correct, based on reasonable assumptions and reflecting the most

accurate possible assessment of the management of Parties regarding the future performance of its business. Realization of forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. None of the information stated in the Report may be considered a guarantee or an indication of prospective earnings or financial performance of the Parties.

In preparing the Report, MZ does not and has not given any advice, nor undertaken any verification of a legal or tax nature and / or due diligence relating to the Merger, neither is it responsible for the Information used in performing the same, which shall remain, therefore, the sole responsibility of the Parties providing such information.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The conclusions provided are based on all of the elements which have been taken into consideration. Each of the techniques selected – which represent recognized methodologies, widely used in practice both in Pakistan and internationally – presents intrinsic limitations. These should not be considered individually, but rather interpreted as inseparable parts of a single process. As such, in no event may individual parts of the Report be used separately from the Report as a whole. MZ accepts no responsibility, direct and / or indirect, for damages or loss which may result from the improper use of the information contained in the Report.

The methodologies and the resulting economic values have been determined for the sole purpose of indicating a range for the Share Exchange Ratio for the Merger which may be considered reasonable and in no event should the valuations provided in the Report be considered indications of the potential market price or value in a context other than that currently being examined. MZ has not expressed any view regarding the potential future economic value and / or market price of the Parties shares and / or those issued in connection with the Merger.

The analysis / valuation in this Report have been carried out on a stand-alone basis and, therefore, the results of the analysis exclude any considerations relating to potential operational synergies resulting from the Merger which may generate value for shareholders.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Parties. In no circumstances shall the liability of a MZ, its Partners or employees, relating to the services provided in connection with the engagement set out in this Report shall exceed the amount paid in respect of fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of the Report and our Report is conditional upon an express indemnity from the Parties in our favor holding us harmless from and against any cost, damage, expense and other consequences in connection with the provision of this Report. It is clarified that this Report is not a fairness opinion under any of the stock exchange / listing regulations. This Report is not a substitute for the third party's own due diligence/appraisal/enquiries/independent advice that the third party should undertake for his purpose.

## 2. Companies Involved in the Merger

The companies involved in the Transaction are:

- Crescent Star Insurance Limited was incorporated in the year 1957 under Companies Act, 1913 (now the Companies Ordinance, 1984), with its registered office in 2<sup>nd</sup> floor, Nadir House, I.I Chundrigar Road, Karachi and fully paid-up share capital of Rs. 826.833 million, composed of 82,683,333 ordinary shares with a nominal value of Rs. 10 each. The Company is engaged in providing non-life insurance services mainly in spheres of Fire & Property damage, Marine, Aviation & Transport, Motor, Accident & Health and miscellaneous; and
- PICIC Insurance Limited was incorporated on April 23, 2004 under Companies Ordinance, 1984, with its registered office in 1204, 12<sup>th</sup> floor, Emerald Tower, Block 5, Clifton, Karachi and fully paid-up share capital of Rs. 350 million, composed of 35 million ordinary shares with a nominal value of Rs. 10 each. The Company is engaged in providing all classes of non-life insurance business.

## 3. Purpose of the Report

The purpose of the Report is to provide the Boards of each company with useful information in relation to the Share Exchange Ratio for the purpose of the Transaction. This will aid each Board in their independent judgment, of the fairness of the Share Exchange Ratio to be proposed in the Extraordinary General Meeting of Shareholders of PICIC and CSI respectively to be called to approve the Merger. The Report illustrates the estimated made by the MZ regarding a range of exchange ratios considered fair, from a financial point of view, to PICIC and CSI for the purpose of the proposed Transaction. As such, the values obtained cannot in any way be considered estimates of the economic value and / or current or future market value of the Companies on a stand-alone and / or a joint basis.

No representation or evaluation is provided, nor indirectly suggested or implied, in relation to the fairness of the Share Exchange Ratio to the Parties and its shareholders.

## 4. Summary of Description of the Transaction

On April 06, 2016 and April 07, 2016, the Board of Directors of CSI and PICIC respectively approved the resolution of Proposed Merger.

The Parties took steps to conduct due diligence of one another for valuation purposes in a timely manner including conducting a valuation of PICIC and CSI to determine the Share Exchange Ratio based on the value as at March 31, 2016, subject to obtaining all necessary approvals and taking the necessary legal steps.

## 5. Reference Date for the Estimate and Documentation Used

The documentation used includes:

- the approved individual financial statements of PICIC and CSI as at 31<sup>st</sup> March, 2016;
- other financial, strategic and commercial information provided, in writing or verbally, by the management of the Parties or their advisors;
- information on the share price performance of the comparable Companies used in the Market Multiples method, collected by Pakistan Stock Exchange;
- publicly available information deemed relevant for application of the chosen valuation methodologies.

There were not conducted any independent valuations or estimates on the value of assets and liability of the Parties. Here the report is essentially based solely on general, financials, economic and market information available at the present time.

## 6. Description and Application of the Methodologies

### 6.1. Net Asset Value (at Book Value)

The Net Asset Value or NAV is the value of an entity's assets less value of its liabilities. The Net Asset Value (at Book Value) represents the value of a business with reference to historical cost of the assets owned by the Company and the attached liabilities as on the valuation date. Such value represents the support value of an equity share of a going concern.

Book value is the shareholders' equity (assets – liabilities) of a business as measured by the accounting books. The term is used in the context where the analyst is trying to distinguish between the accounting measures (usually historic cost) and the market value. It is a valuation method that sets the floor of stock price under a worst-case scenario. When a business is liquidated, the book value is what may be left over for the owners after all the debts are paid.

*NAV as on March 31, 2016, based on unaudited financial information of PICIC and CSI*

	PICIC	CSI	Exchange Ratio
Net Assets (Rs.)	68,870,000	645,196,528	
Number of Shares	35,000,000	82,683,333	
NAV (at BV)	2	7.80	0.25

This means two (2) shares of CSI will be exchanged for eight (8) shares of the PICIC.

## 6.2. Earnings per Share (EPS)

Earnings per share is simply the net income that is attributable to common shareholders divided by the number of shares outstanding. Earnings per share is also a calculation that shows how profitable a company is on a share basis. This calculation is heavily influenced on how many shares are outstanding.

Earnings per share is the same as any profitability or market prospect ratio. Higher earnings per share is always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders.

*EPS as on March 31, 2016, based on unaudited financial information of PICIC and CSI*

	PICIC	CSI	Exchange Ratio
EPS	(0.02)	0.07	-

Here the EPS of PICIC is in negative; therefore Exchange Ratio on EPS basis will not be comparable.

## 6.3. Market Price

For listed companies, standard valuation practice suggests that market prices should be observed over time intervals which can be considered significant in terms of providing the necessary information to assess their economic value. The principal feature of this methodology is its ability to express the relationship between the values of the companies being examined, as perceived by the market, in relative terms.

For the current valuation, it was considered appropriate to apply this methodology using the following criteria:

- Use of the arithmetic average and the weighted average of the closing official prices for PICIC and CSI;
- Use of reference periods of 1 day, 15 days, 1 month, 2 months and 3 months prior to April 06, 2016, the date that the Transaction was announced.

### 6.3.1. Market Price (simple average)

	PICIC	CSI	Exchange Ratio
3 month	7.59	10.09	0.75
2 month	7.39	9.58	0.77
1 month	7.20	9.75	0.74
15 day	7.20	10.06	0.72
Price at April 04, 2016	7.20	11.16	0.65

### 6.3.2. Market Price (weighted average)

	PICIC	CSI	Exchange Ratio
3 month	7.90	10.17	0.78
2 month	7.46	9.81	0.76
1 month	7.23	9.90	0.73
15 day	7.23	10.27	0.70
Price at April 04, 2016	7.20	11.16	0.65

The results summarized in the table above show that the range of exchange ratios which is in line with the values expressed by the most recent market prices of the shares of both PICIC and CSI. In fact, the value differential between the two Companies attributable to the different levels of strategic attraction connected to the control dynamic has only been reflected in the share price performance in recent months following the circulation of rumors in the market concerning the possible merger of PICIC with CSI. On the basis of the market prices, a range of exchange ratio between 0.65 and 0.77 CSI ordinary share for each PICIC ordinary share, has been worked out.

## 6.4. Market Multiples Method

The Market Multiples method is based on an analysis of the market price of a sample of companies comparable to that being valued. This method based on the general assumption that in an efficient market, and in the absence of speculative movements, the market price of shares reflects the market expectations concerning the growth of future earnings and the associated level of risk.

Application of the Market Multiples method consists in the following steps:

- Selection of the reference sample;
- Determination of the reference time interval;
- Identification of the fundamental ratios (i.e. multiples) considered significant and representative of each company to be valued; and
- Application of the selected multiples to the Companies being valued.

With the numerous ratios that could be used to apply the Market Multiples method, in practice, the choice of multiples is based on the characteristics of the sector in which the companies being valued and the sample of comparable operate. The following multiples were used to determine the economic value of the Companies:

- P/Book Value (P/BV)
- P/Earnings (P/E)

### 6.4.1. Comparable company multiples as at 31 March, 2016

Listed Companies	P/BV	P/E
Asia Insurance Company Limited	1.25	24.7
The Pakistan General Insurance Company Limited	0.52	4.99
Shaheen Insurance Company Limited	0.63	128.78
<b>Average</b>	<b>0.80</b>	<b>52.83</b>

Application of the market multiples method resulted in the values per share for PICIC and CSI shown below.

#### 6.4.2. Summary of results for market multiples

	P/BV	P/E
PICIC	1.60	(1.06)
CSI	6.26	3.70
<b>Exchange ratio</b>	<b>0.26</b>	<b>(3.5)</b>

On the basis of the analysis performed, application of the comparable market multiples method is not possible.

M3

## 7. Summary of Evaluations and Conclusion

In light of the considerations and the limitations set forth in this Report and on the basis of the analyses carried out according to the methods described in the Report, we have reached the following conclusions regarding the share exchange ratio.

Valuation Method	Exchange Ratio	
	Minimum	Maximum
Net Asset Value (at book value)	0.25	0.25
Earnings per Share (EPS)	-	-
Market Price (simple average)	0.65	0.77
Market Price (weighted average)	0.65	0.78
Market Multiples Method	-	-