

**FAUJI CEMENT COMPANY LIMITED**

Fauji Towers, Block-III, 68 Tipu Road, Chaklala, Rawalpindi, Pakistan

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**Date** : 14 December 2021

To: The General Manager  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road, Karachi

Subject: **Material Information - Merger of Askari Cement Limited with and into Fauji Cement Company Limited**

Reference: PSX letter Number PSX/C-10412421 dated 2<sup>nd</sup> December 2021.

Dear Sir,

1. As requested we have enclosed following information:-
  - a. Draft scheme of amalgamation / merger approved by the Board of Directors of the company dated 17<sup>th</sup> November 2021.
  - b. Report on valuation and swap ratio prepared by E&Y Ford Rhodes.
2. Further, we will also arrange documents / information requested in point i & iii-ix in above-mentioned letter as and when available.

Best Regards,



**Brig Abid Hussain Bhatti, SI(M),(Retd)**  
Company Secretary

Copy to • The Director (SSED)  
Securities Market Division  
Securities and Exchange Commission of Pakistan  
NIC Building, 63 Jinnah Avenue  
Blue Area, Islamabad

**SCHEME OF ARRANGEMENT**

**UNDER SECTIONS 279 TO 282 OF THE COMPANIES ACT 2017**

**Between**

**ASKARI CEMENT LIMITED**

**and its MEMBERS**

**And**

**FAUJI CEMENT COMPANY LIMITED**

**and its MEMBERS**

**FOR**

Amalgamation of Askari Cement Limited ("ACL") with and into Fauji Cement Company Limited ("FCCL") by (i) transfer to and vesting in FCCL of the entire undertaking of ACL inclusive of all properties, assets, rights, liabilities and obligations of ACL, (ii) the issuance of shares in FCCL to Fauji Foundation, and (iii) dissolution of ACL, without winding up.

## PRELIMINARY

### *Recitals*

Whereas, by this Scheme of Arrangement it is proposed that:

- A. The ACL Undertaking (as defined below) shall stand transferred to and vested in FCCL (as defined below), FCCL shares shall be issued to Fauji Foundation (as defined below) in accordance with this Scheme and ACL shall stand dissolved without winding up.
- B. The Scheme of Arrangement, when approved by the respective shareholders of ACL and FCCL and sanctioned by the Court (as defined below) by an order passed in this respect, shall be binding on ACL and FCCL along with all the shareholders and creditors in relation to each of ACL and FCCL.

## *Definitions*

In this Scheme of Arrangement, unless the subject or context otherwise requires, the following expressions shall bear the meanings set out below:

“ACL”	means Askari Cement Limited, a company limited by shares and incorporated in Pakistan as a public company, having its registered office at Fauji Towers, Block III, 68 Tipu Road, Chaklala, Rawalpindi, Punjab 46000, Pakistan.
“ACL Shares”	means the fully paid up ordinary shares of Rs. 10 each of ACL.
“ACL Undertaking”	means all the properties, assets, privileges, powers, bank accounts, trademarks, patents, licences, permissions, authorizations, permits, rights, liabilities and obligations of ACL inclusive of those described in Clause 1 of the Scheme.
“Completion Date”	means the day on which this Scheme becomes operative pursuant to the provisions of Clause 24 of the Scheme.
“Court”	means the Lahore High Court, Rawalpindi Bench or any other Court for the time being having jurisdiction under Sections 279 to 282 and 285 of the Companies Act 2017.
“Effective Date”	means 00:00 hours on 1 <sup>st</sup> July 2021.
“Fauji Foundation”	means Fauji Foundation, a charitable endowment established under the laws of Pakistan, having its registered office located at Fauji Foundation Head Office, Fauji Towers, 68 Tipu Road, Chaklala, Rawalpindi, Pakistan, which holds directly or indirectly through nominee directors 100% of the issued share capital of ACL.
“FCCL”	means Fauji Cement Company Limited, a company limited by shares and incorporated in Pakistan as a public company and being a listed company, having its registered office at Fauji Towers, Block III, 68 Tipu Road, Chaklala, Rawalpindi, Punjab 46000, Pakistan.
“Scheme”	means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved or condition imposed by the Court.

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

## *ACL*

ACL was incorporated on 17 March 1980 under the name 'Associated Cement Limited'. On 5 November 1990, the name was changed to 'Associated Cement (Wah) Limited', on 30 December 1993 the name was further changed to 'Wah Cement Company Limited', and lastly on 15 May 1997 the name was changed to 'Askari Cement Limited'. The registered office of ACL is located at Fauji Towers, Block III, 68-Tipu Road, Chaklala, Rawalpindi, Pakistan.

The authorised share capital of ACL is Rupees ten billion (PKR 10,000,000,000/-) divided into one billion (1,000,000,000) ordinary shares of Rupees ten (Rs. 10) each, of which 160,098,723 ordinary shares are issued and fully paid and the remainder are unissued. The entire issued and paid up ordinary shares of ACL is held directly or indirectly through nominee directors by Fauji Foundation and hence ACL is a wholly owned subsidiary of Fauji Foundation.

## *FCCL*

FCCL was incorporated on 23 November 1992 under the name 'Potohar Cement Company Limited' and on 6 May 1993 the name was changed to 'Fauji Cement Company Limited'. The authorised share capital of FCCL is Rupees fifteen billion (PKR 15,000,000,000/-) divided into one billion five hundred million (1,500,000,000) ordinary shares of Rupees ten (Rs. 10) each, of which 1,379,815,025 ordinary shares are issued, subscribed and fully paid and the remainder are unissued. Thirty-nine-point four percent (39.4%) of the issued share capital of FCCL is held by Fauji Foundation. The registered office of FCCL is located at Fauji Towers, Block III, 68-Tipu Road, Chaklala, Rawalpindi, Pakistan.

The issued shares of FCCL are listed on the Pakistan Stock Exchange.

## *Object of the Scheme*

The principal object of this Scheme is to effect an amalgamation of ACL with and into FCCL through the transfer to and vesting in FCCL of the entire undertaking of ACL, the allotment of fully paid ordinary shares of FCCL to Fauji Foundation and the dissolution, without winding up, of ACL.

## **THE SCHEME**

### *The ACL Undertaking and its transfer to and vesting in FCCL*

1. The ACL Undertaking to be transferred to and vested in FCCL under the Scheme from the Completion Date shall be inclusive of the following:
  - (a) all assets and properties of ACL, including, without limitation, properties of all kinds and by whatever title held and whether movable or immovable or tangible or intangible, leasehold assets, including but not limited to and without limiting the generality of the foregoing in particular:
    - (i) the entire estate, right, title and interest of ACL in and to the piece or parcel of land including but not limited to as set out in "Annexure A" of this Scheme;
    - (ii) all mining leases including but not limited to as set out in "Annexure B" of this Scheme;

- (iii) all plant, machinery, equipment, spare parts, tools, appliances, computer systems, motor and other vehicles, furniture, fixtures and fittings;
- (iv) all stocks, stock-in-trade, stocks of fuel, inventory, raw materials, ingredients, packaging, office supplies, engineering spares, consumable stores, work in progress, finished goods;
- (v) all contracts, agreements, trusts, leases, hires, rentals, sub-leases, tenancies, conveyances, grants, instruments of transfer, engagements, commitments and arrangements entered into by or subsisting in favour of ACL which remain in whole or in part to be performed, inclusive of all rights and obligations of ACL arising thereunder;
- (vi) all actionable claims, book debts, trade and other debts or sums (including suppliers' credit notes) due, owing, accrued or payable to ACL (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and other receivables, loans made, investments (both short term and long term, including without limitation, investments in shares, debentures, debt instruments and other securities), cash in hand and at banks or other depositories;
- (vii) all historical and current documents, customer lists, product and supplier lists, catalogues, literature, employee records, documents of title, sales targets, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional materials, and other accounting (including management accounting reports) and other financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm and microfiche);

but the transfer and vesting of such assets and properties shall be subject to all mortgages and charges and other encumbrances subsisting thereon;

- (b) all connections and facilities for telecommunication owned by, or leased or licensed to ACL, including mobile phones, telephones, telexes and facsimile and the benefit of all payments and deposits made by or for the account of ACL in connection therewith;
- (c) all connections, meters and other installations owned by, or leased or licensed to, ACL for the supply of electricity, gas and water and the benefit of all payments and deposits made by or for the account of ACL in connection therewith;
- (d) all rights, powers, authorities and privileges of ACL, including all registrations, licences, authorizations, permits, categories, entitlements, sanctions, approvals and permissions concerning the investment in or carrying on of any business by ACL and other activities carried on by ACL or any part thereof;
- (e) all rights, title and interest of ACL in technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including,

for the avoidance of doubt, such media as microfilm and microfiche) and computer software;

- (f) all rights, title and interest of ACL anywhere in the world and the goodwill in respect of any trademarks, service marks, trade names, trading styles, copyrights, designs, patents, inventions, secret processes, know-how and confidential information, including, without limitation, any licences (inclusive of the benefits and burdens of such licences) for the same, and any applications or the rights to apply for protection or registration of any of the same and any continuing, reissue, divisional and re-examination patent application;
- (g) the goodwill of ACL in respect of all of its businesses and activities;
- (h) all other rights, powers, authorities and privileges of ACL including, without limitation:
  - (i) all registrations, licences, permits, categories, entitlements, authorisations, sanctions, permissions and approvals issued or granted by any government, governmental department or agency, or any statutory or local authority or any municipal corporation to ACL; and
  - (ii) all concessions, entitlements, tariff protections and duty and tax exemptions and remissions; and
  - (iii) all credits and refunds on account of sales tax, customs duty, octroi and other duties, taxes, levies, fees, charges, or imposts paid on account of, or in connection with any properties, assets or materials comprised in the ACL Undertaking and inclusive of the right to adjust the amount of sales tax paid on the purchase acquisition or import thereof (input tax) against sales tax payable by ACL on goods sold by it (output tax); and
  - (iv) all rights against third parties (including sub-contracts and any retention of title rights);
- (i) all licences, permits and authorisations for the import or export of any plant, machinery, equipment, materials, goods, articles or things and all bills of entry, airway bills, bills of lading or other documents of title relating thereto and all letters of credit and other payment orders and all rights, titles, privileges, benefits, liabilities and obligations of ACL arising thereunder or pursuant thereto or in relation thereof;
- (j) all banking and other accounts maintained by ACL with any bank, financial institution, customer, supplier, government department, including but not limited to, the collector of customs and other authorities, any agency supplying any amenities to ACL including all the credit and debit (as the case may be) balances in such accounts and any existing instructions, orders, directions, mandates, powers of attorneys, authorities, undertakings or consents given to ACL in writing in relation to an account;
- (k) all debts and other liabilities and obligations of every kind and description of ACL whether accrued or accruing or contingent or deferred and whether incurred solely or jointly with another or others including amounts owing to

banks, financial institutions, non-banking finance companies and other creditors (related or unrelated) of ACL;

- (l) all loans, advances, finances, leases and banking facilities provided to, or agreed to be provided to, ACL inclusive of interest, mark up or other return and bank charges in respect thereof;
  - (m) all amounts owing (whether or not due for payment) or payable by ACL in respect of the supply of goods, utilities and services to ACL and which are unpaid at the Completion Date (including, without limitation, credit notes granted and advances received from suppliers or customers);
  - (n) the liabilities of ACL on account of its employees or former employees including such liabilities payable on termination of service by way of provident fund or otherwise;
  - (o) the contracts of employment between ACL and such of its employees who may have agreed to accept employment with FCCL in lieu of their employment with ACL upon the merger of ACL with and into FCCL becoming effective and the rights and obligations of ACL arising under such contracts;
  - (p) the liabilities of ACL for payment of taxes, and the entitlements of ACL to credit or refund of payments made for or in respect of any assessment or liability for taxes including advance tax collections;
  - (q) the benefits of any policies of insurance issued to or otherwise available to ACL;
  - (r) the capital reserves, revenue reserves, revaluation surpluses, unappropriated profits and accumulated accounting losses of ACL; and
  - (s) the benefit of all capital allowances and tax losses.
2. ACL and FCCL shall be amalgamated by transfer to and vesting in FCCL of the ACL Undertaking as subsisting immediately preceding the Completion Date, and accordingly the entire ACL Undertaking, as subsisting immediately preceding the Completion Date, without further act or deed, matter or thing, process or procedure, shall be transferred to and vested in FCCL on the Completion Date.
3. The amalgamation in accordance with this Scheme and the transfer to and vesting in FCCL of the ACL Undertaking shall be treated as having taken effect from the Effective Date and as from that time and until the Completion Date, the ACL Undertaking (inclusive of the businesses, operations and other activities of ACL) shall be deemed to have been carried on by ACL for and on account and for the benefit of FCCL. All profits and losses accruing or arising or incurred by ACL through the operation of the ACL Undertaking (inclusive of the businesses and other activities of ACL) from the Effective Date shall be treated as the profits or losses, as the case may be, of FCCL.

#### *Issue of Shares by FCCL*

4. As a consequence of the amalgamation of ACL with and into FCCL and within the time hereinafter specified, FCCL shall issue at par and allot 800,493,615 ordinary

shares of Rs. 10 each of FCCL credited as fully paid up to Fauji Foundation, and such allotment shall be made on the following terms, namely, in respect of every one 1 ACL Shares held by Fauji Foundation there shall be allotted five 5 ordinary shares of Rs. 10 each of FCCL, and all entitlements of Fauji Foundation to the ordinary shares of FCCL shall be determined in the proportion aforesaid, subject to the provisions of Clause 5.

5. Fractional shares shall not be issued. All entitlements which would otherwise result in the issue of fractions less than one share to Fauji Foundation shall be separately aggregated and consolidated into whole shares, which shall be allotted to and registered in the name of the Company Secretary of FCCL and shall be held by the Company Secretary of FCCL upon trust to sell such shares and pay the net proceeds realised (less the expenses of sale) to Fauji Foundation.
6. The allotment of the ordinary shares of FCCL in accordance with Clauses 4 and 5 shall be made by FCCL within thirty (30) days from the Completion Date. The share certificates for such shares shall be made ready for delivery as soon as practicable.
7. The share certificates of ACL Shares held by Fauji Foundation shall stand cancelled as at the Completion Date and the cancelled share certificates shall be submitted to FCCL by Fauji Foundation within thirty (30) days of the Completion Date in order to remove the cancelled share certificates from circulation.
8. Share certificates shall be sent by post or by courier in prepaid envelopes addressed to Fauji Foundation at its registered address. FCCL shall not be responsible for the loss of any share certificate in transmission.
9. Upon the allotment of the ordinary shares in FCCL in accordance with Clauses 4 and 5, to Fauji Foundation in the manner aforesaid, the entitlements of Fauji Foundation under this Scheme shall stand fully satisfied.
10. The ordinary shares of FCCL upon issue and allotment pursuant to this Scheme shall rank *pari passu* with the existing ordinary shares of FCCL in all respects and shall be entitled to all dividends declared after the Completion Date.

### *Discharge by FCCL of the Liabilities and obligations of ACL*

11. All contracts, agreements, trusts, leases, conveyances, commitments, engagements and arrangements, grants, rights, powers, authorities and instruments of transfer entered into by or subsisting in favour of ACL, upon being transferred to and vested in FCCL shall remain in full force and effect as if originally entered into by or granted in favour of FCCL instead of ACL, and FCCL may enforce all rights and shall perform all obligations and discharge all liabilities arising thereunder accordingly.
12. The debts and liabilities and the obligations of ACL upon being transferred to and vested in FCCL shall be treated as the debts, liabilities, contingent liabilities and obligations of FCCL as if originally incurred by FCCL instead of ACL, and FCCL shall pay and discharge all such debts and liabilities and shall perform all such obligations accordingly.
13. On and from the Completion Date, FCCL will take in employment all such employees of ACL who have accepted employment with FCCL in lieu of their employment with ACL on the terms and conditions applicable to them in ACL, immediately preceding the Completion Date including those relating to entitlements arising upon termination of service to payment of provident fund and with the benefit of past service in ACL, as the case may be and other dues if applicable under their respective terms of service.
14. All deeds, rules and other instruments relating to the provident fund established by ACL, including without limitation, the 'Askari Cement Limited Employees' Provident Fund established pursuant to the Employees Provident Fund Irrevocable Trust Deed, dated 1<sup>st</sup> July 1990 and Askari Cement Limited Wah Employees Provident Fund Rules, dated 1<sup>st</sup> July 1990, upon being transferred to and vested in FCCL shall remain in full force and effect for the benefit of those employees of ACL who have accepted employment with FCCL as if originally FCCL was a party thereto and was mentioned therein instead of ACL and FCCL may enforce all rights and shall perform all obligations and discharge all liabilities arising thereunder accordingly.

### *Miscellaneous*

15. All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against ACL and pending immediately before the Completion Date shall be treated as suits, appeals, arbitrations, governmental investigations and legal proceedings by or against FCCL and may be continued, prosecuted and enforced by or against FCCL accordingly.
16. Where by virtue of this Scheme, any right, claim or liability of ACL becomes a right, claim or liability of FCCL on and from the Completion Date, FCCL shall have the same right, claim, power and remedy (and in particular the same right, claim and power as to taking or resisting or contesting 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 FCCL and any legal proceedings or applications to any authority existing or pending immediately before the Completion Date by/or against ACL may be continued by/or against FCCL.
17. The profits, reserves and surpluses (if any) of ACL or of FCCL during the period from the Effective Date to the Completion Date will not be utilised by ACL or FCCL, as the case may be, for or in connection with the declaration of dividends or the

issuance of bonus shares, or otherwise than in the operation of the ACL Undertaking or of the businesses and operations of FCCL, as the case may be, in the ordinary course of business.

18. The Accounting Standards adopted by FCCL (in line with the accounting and reporting regulations applicable in Pakistan) allow the application of the acquisition accounting method for all assets, liabilities and undertaking transferred to and vested in FCCL under and pursuant to any merger or amalgamation where the entities concerned are under common control, and accordingly the ACL Undertaking will upon the amalgamation of ACL and FCCL be accounted for in the financial statements of FCCL based on the acquisition accounting method.
19. All dividend mandates already existing in relation to the ordinary shares of FCCL held by Fauji Foundation shall operate in relation to any new ordinary shares of FCCL allotted to Fauji Foundation.
20. ACL shall be dissolved, without winding up, on the day immediately succeeding the Completion Date or on such later date as the Court by order may prescribe.
21. This Scheme is subject to the sanction of the Court and may be sanctioned in its present form or with any modification thereof or addition thereto as the Court may approve and this Scheme, with such modification or addition if any, is also subject to any conditions which the Court may impose.
22. The boards of directors of FCCL and ACL may consent jointly on behalf of all concerned to any modifications of or additions to this Scheme or to any conditions which the Court may think fit to impose.
23. All costs, charges and expenses of ACL and FCCL incurred in connection with the transfer to and vesting in FCCL of the ACL Undertaking and all other costs, charges and expenses incurred in respect of the preparation of this Scheme and carrying the same into effect shall be borne and paid by FCCL.

#### *Scheme's Effect*

24. This Scheme shall become operative as soon as a certified copy of an order or orders of the Court under Section 282 of the Companies Act 2017 sanctioning this Scheme and making any necessary provisions under Section 282 of the Companies Act 2017 shall have been filed with the Registrar of Companies, Islamabad and, unless this Scheme shall have become effective as aforesaid on 31<sup>st</sup> December 2022 or such later date if any as the Court may allow, the same shall not become effective.

Dated: 17 November 2021

### Annexure A

1. The piece or parcel of land, admeasuring 2002 Kanal and 4 Marla or thereabouts, situated in the area of Mouza Wah, Tehsil Taxila, District Rawalpindi, Punjab and any factory, warehouse, office buildings and other buildings and structures constructed thereon together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto;
2. The piece or parcel of land, admeasuring 46 Kanal and 18 Marla or thereabouts, situated in the area of Mouza Pind Kamala Bania, Tehsil Taxila, District Rawalpindi, Punjab and any factory, warehouse, office buildings and other buildings and structures constructed thereon together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto;
3. The piece or parcel of land, admeasuring 110 Kanal and 7 Marla or thereabouts, situated in the area of Mouza Budho, Tehsil Taxila, District Rawalpindi, Punjab and any factory, warehouse, office buildings and other buildings and structures constructed thereon together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto;
4. The piece or parcel of land, admeasuring 185 Kanal and 6 Marla or thereabouts, situated in the area of Mouza Nikku, Tehsil Taxila, District Rawalpindi, Punjab and any factory, warehouse, office buildings and other buildings and structures constructed thereon together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto;
5. The piece or parcel of land, admeasuring 2886 Kanal and 17 Marla or thereabouts, situated in the area of Mouza Hasanabdal, Tehsil Hasanabdal, District Attock, Punjab and the factory, warehouse, office buildings and other buildings and structures constructed thereon together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto;
6. The piece or parcel of land, admeasuring 1806 Kanal and 9 Marla or thereabouts, situated in the area of Mouza Kahi, Tehsil Jehangira, District Noshera, Khyber Pakhtunkhwa (KPK) and the factory, warehouse, office buildings and other buildings and structures constructed thereon together with all rights, easements, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto.

## Annexure B

1. Mining lease no. MDA-ML-RWP-Lime Stone (19/79), District Rawalpindi, Punjab, leased area of 212.86 acres, granted by Directorate of Industries and Mineral Development, Government of Punjab (Mineral Development Wing) on 14<sup>th</sup> July, 1982 for a period of thirty (30) Years, renewed for ten (10) years with validity till 17<sup>th</sup> July, 2022;
2. Mining lease no. MDA-ML-RWP-LS (20/85), District Rawalpindi, Punjab, leased area of 100.08 acres, granted by Directorate of Industries and Mineral Development, Government of Punjab (Mineral Development Wing) on 18<sup>th</sup> December 1985 for a period of ten (10) years, renewed for thirty (30) years with validity till 17<sup>th</sup> December, 2025;
3. Mining lease no. MDA-ML-ATK-Lime Stone (23/2002), District Attock, KPK, leased area of 165.77 acres, granted by Directorate of Industries, Commerce, and Mineral Development, Government of KPK (Mineral Development Wing) on 2<sup>nd</sup> February 2002 for a period of twenty (20) years with validity till 7<sup>th</sup> February 2022;
4. Mining lease no. MDA-ML-ATK-ARG CLAY (01/85), District Attock, KPK, leased area of 457.69 acres, granted Directorate of Industries and Mineral Development, Government of Punjab (Mineral Development Wing) on 12<sup>th</sup> May, 1985 for a period of ten (10) years, renewed for thirty (30) years with validity till 11<sup>th</sup> May, 2025;
5. Mining lease no. MDW/PR/ML-Lime Stone (71)/92, District Nowshera, KPK, leased area of 242.717 acres, allotment granted by Directorate of Industries, Commerce, and Mineral Development, Government of KPK (Mineral Development Wing) dated 18<sup>th</sup> May, 1993 for a period of thirty (30) years with validity till 17<sup>th</sup> May, 2023.
6. Mining lease no. MDW/PR/ML-Lime Stone (70)/ 92, District Nowshera, KPK, leased area of 685.04 acres, allotment granted by Directorate of Industries, Commerce, and Mineral Development, Government of KPK (Mineral Development Wing) dated 20<sup>th</sup> April, 1993 for a period of thirty (30) years with validity till 19<sup>th</sup> April, 2023.
7. Mining lease no. MDW/PR/ML-Shale Clay (5)/94, District Nowshera, KPK, leased area of 3119.0005 acres, allotment granted by Directorate of Industries, Commerce, and Mineral Development, Government of KPK (Mineral Development Wing) dated 1<sup>st</sup> August, 1995 for a period of thirty (30) years with validity till 31<sup>st</sup> July, 2025.

**Reliance restricted**

28 October 2021

SaT/052/2021

Fauji Cement Company Limited  
Fauji Towers, Block-III,  
68-Tipu Road, Rawalpindi

Askari Cement Limited  
Fauji Towers, Block-III,  
68-Tipu Road, Rawalpindi

**ATTN: Mr. Omer Ashraf**  
**Chief Financial Officer**

**Project Cement: Valuation Advisory Services for Determination of Share Swap Ratio**

Dear Sir,

In accordance with your instructions, we have performed the work set out in our Engagement Agreement dated 28 September 2021 (the "Engagement Agreement") to assist in fair market valuation for determination of a share swap ratio for the proposed merger, through a Scheme of Arrangement ("the Scheme") under Sections 279 to 282 of Companies Act 2017 ("Act"), of the following entities (hereinafter collectively referred to as the "Companies" or "Client") as at 30 June 2021:

1. Fauji Cement Company Limited ("FCCL"), a company limited by shares and incorporated in Pakistan as a public company and being a listed company, having its registered office at Fauji Towers, Block III, 68 Tipu Road, Chaklala, Rawalpindi, Punjab 46000, Pakistan; and
2. Askari Cement Limited ("ACL"), a company limited by shares and incorporated in Pakistan as a public company, having its registered office at Fauji Towers, Block III, 68 Tipu Road, Chaklala, Rawalpindi, Punjab 46000, Pakistan.

We understand that the respective shareholders of the Companies intend to enter into the Scheme involving (i) transfer to and vesting in FCCL of the entire undertaking of ACL inclusive of all properties, assets, rights, liabilities and obligations, (ii) the issuance of shares of FCCL to Shareholders of ACL, and (iii) dissolution of ACL without winding up ("the Transaction").

The arrangements contemplated under the Scheme shall allow the Companies to effectuate the commercial arrangement envisaged by the respective shareholders of the Companies, through provisions of sections 279 to 282 of the Act.

For this purpose, the Companies have jointly engaged us to assist them in the determination of the share swap ratio for the proposed merger based on the fair market valuation of the respective entities. The share swap ratio is based on information provided to us by the Management. Capitalized terms used in the letter are as defined in the Scheme.

## Purpose of our letter

The scope and nature of our work, including basis and limitations, are detailed in our Engagement Agreement dated 28 September 2021. The scope of our work was to undertake a fair market valuation of the Companies based on internationally accepted valuation approaches. We understand that our letter shall be used solely for the purpose of assistance to you in executing the proposed Scheme relating to the Transaction.

## Shareholding information of the Companies

### ACL

The authorised share capital of ACL is Rupees ten billion (PKR 10,000,000,000/-) divided into one billion (1,000,000,000) ordinary shares of Rupees ten (Rs. 10) each, of which 160,098,723 ordinary shares are issued and fully paid-up. The entire issued and paid-up ordinary shares of ACL are held directly or indirectly through nominee directors by Fauji Foundation and hence ACL is a wholly owned subsidiary of Fauji Foundation.

### FCCL

The authorised share capital of FCCL is Rupees fifteen billion (PKR 15,000,000,000/-) divided into one billion five hundred million (1,500,000,000) ordinary shares of Rupees ten (Rs. 10) each, of which 1,379,815,025 ordinary shares are issued, subscribed and fully paid-up. Thirty-nine-point four percent (39.4%) of the issued share capital of FCCL is held by Fauji Foundation.

## Key provisions of the Scheme

The key provisions of the proposed Scheme, shared with us by the Management, which form the basis of our computations, are mentioned below:

1. The ACL Undertaking as defined in the Scheme including all the properties, assets, privileges, powers, bank accounts, trademarks, patents, licenses, permissions, authorizations, permits, rights, liabilities and obligations of ACL and further detailed in Clause 1 of the Scheme shall stand transferred to and vested in FCCL;
2. FCCL shares shall be issued to Shareholders of ACL simultaneously in accordance with this Scheme and ACL shall stand dissolved without winding up; and
3. The Scheme, when approved by the respective shareholders of ACL and FCCL and sanctioned by the Court by an order passed in this respect, shall be binding on ACL and FCCL along with all the shareholders and creditors in relation to each of ACL and FCCL.

### Computation of share swap ratio

- ▶ The results of our valuation exercise and resultant valuation ranges using internationally acceptable valuation methodologies and share swap ratios are presented in our valuation report. For the purposes of this letter, the share swap ratio computed using mid values of the fair market valuation ranges determined as part of the valuation exercise, is presented below:

Table 1: Valuation

PKRm	FCCL	ACL	Swap ratio
Range	Mid	Mid	FCCL:ACL
Income Approach	53,323.1	34,739.5	5.6:1.0
Market Approach	55,998.4	31,121.4	4.8:1.0
Cost Approach	31,421.6	16,767.2	4.6:1.0

Based on the above valuations, the range of share swap ratios have been determined as 4.6 to 5.6 shares of FCCL against 1 share of ACL with an average share swap ratio of 5.0 shares of FCCL against 1 share of ACL.

This letter has been based on information and workings made available to us. We have no responsibilities to update our letter with respect to any circumstances, and information that becomes available, after this date. This letter is subject to the statement of limitations attached in 'Appendix A'.

Our scope of work is limited to determining the fair market valuation and resultant share swap ratio based on internationally accepted valuation methodologies including Discounted Cash Flows, Market Approach and Adjusted Net Asset Value. The selection of the share swap ratio entails consideration of several factors some of which EY Ford Rhodes may not be aware of. The evaluation of these factors or any related advice does not form part of the scope of our work. We highlight that our letter does not constitute investment advice or a recommendation to the Companies on their future course of action.

While our letter would assist Management of the Companies in forming their views on the swap ratio, the ultimate decision with respect to appropriate share swap ratio, based on the valuation analysis presented above, would nevertheless be that of Shareholders and the Board of Directors of the Companies. Refer to 'Appendix A' to this letter for further information.

We appreciate the opportunity to be of service and would be pleased to discuss our findings with you.

Yours faithfully,



ZH

### Statement of assumptions and limiting conditions

Our work is contingent upon the following limiting conditions:

1. The swap ratio computed herein is based on internationally accepted valuation approaches i.e. Discounted Cash Flows, Market Approach and Adjusted Net Asset Value. The ratio has been determined on 30 June 2021 as requested by the Management of the Companies.
2. This letter is intended for use only by the party to whom it has been addressed. Mere possession of this letter does not convey the right of reliance, nor may reliance be placed by any third party for any other purpose than that for which it was prepared.
3. The swap ratio contained in this letter is intended only for the purpose of assistance to the Shareholders as stated in the opening paragraph of this letter. Subsequent changes in the provisions of the Engagement Agreement and the adjustments therein could result in a substantially different swap ratio than that estimated and presented in the letter. EY Ford Rhodes is not required to revise or update this letter to reflect events or conditions, which occur subsequent to the date of this letter.
4. Audited financial statements approved by the Board of Directors of the respective Companies as well as the Fixed Assets Valuation Reports, which were provided by Hamid Mukhtar & Co., used to determine the adjusted book values for cost approach were for the period ended 30 June 2021.
5. We understand that the letter would be shared with the Companies' shareholders, Management, lawyers and consultants to the Transaction, relevant Regulators, and the Honourable High Court. However, please note that the letter should only be used for the purpose stated above and any summaries of, or references to this letter that are to be presented to any third parties must be reviewed by us, and that information may not be released without our prior written approval. Our letter may not have considered issues relevant to any third party. Any use that any such third party may choose to make of our letter is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. Accordingly, we do not owe a duty of care to any third-party reader of this letter.
6. Information provided to us by the Management forms the basis upon which our workings were conducted. Omission of any material information provided to us would have a significant impact on our workings. Further, it is our assumption that the workings of the Companies provided to us are approved from senior officials of the Companies for this exercise.
7. We have relied on the accuracy and completeness of information obtained from the Management of the Companies and hence did not independently verify such information unless otherwise stated.
8. This letter should not be considered as investment, tax or accounting advice and does not constitute a fairness opinion.
9. We understand that the letter would be shared with the Companies' shareholders, Management, lawyers and consultants to the Transaction, relevant Regulatory Authorities and the Honourable High Court. In addition, the letter may also be shared with the Securities and Exchange Commission of Pakistan ("SECP"), Competition Commission of Pakistan ("CCP") and Pakistan Stock Exchange ("PSX") (Collectively referred to as "Regulators") as part of regulatory filings

for the proposed Scheme. We are prepared to share our letter with the Regulators to fulfil the regulatory requirement provided that:

- a. The Client and the Regulators understand and confirm that this letter has been prepared solely in relation with the Transaction and for the benefit of the Client and we owe a duty of care only to our Client with whom we have signed our Engagement Agreement.
- b. The Client and Regulators understand that the conditions stipulated in the following paragraph will be adhered to:
  - i. This letter has been prepared solely for the purpose defined and the benefit of the Client. It cannot be used or relied upon for any other purpose or by any party except the Client. For the avoidance of doubt, we do not owe a duty of care to any party who has not agreed the terms of our Engagement Agreement or where we have not specifically agreed to owe a duty of care to such parties.
  - ii. Accordingly, any party other than the Client should not use or place reliance on our letter nor they can claim that they have done so. We assume no responsibility whatsoever or be held liable for losses third parties may incur in respect of or arising out of or in connection with the use or reliance by third parties on the contents of this letter. If third parties choose to use or rely in any way on the contents of this letter, they do so entirely at their own risk. Further, access to our letter is limited to those parties to whom we have specifically provided our consent and any party who has not been provided with such consent should not have access to our letter and must not read any further.

#### Sources of information

We have considered audited historical financial statements and other documents provided by the Management in our valuation analysis. We have used information from the following sources:

- Audited financial statements of the subject Companies for the period ended 30 June 2021;
- Projections / workings provided by the Management via file named '05 Oct 2021 - Merged FM - E&Y';
- Conversations held with authorized personnel of the Management to obtain an understanding of the business for the purpose of the proposed Scheme; and
- Fixed Assets Valuation Reports of the Companies, from Hamid Mukhtar & Co, pertaining to the financial statements of the period ended 30 June 2021.