



PICIC  
INSURANCE

PICIC Insurance Limited  
3rd Floor, Nadir House, I.I. Chundrigar Road,  
Karachi

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AC/006/18  
January 9, 2018

Muhammad Ghufan  
Deputy General Manager - Operation  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi



Subject: Disclosure of Material Information

Dear Sir,

With reference to your letter # PSX/ C-7-8275 dated December 27, 2017, please find attached the following document for your record:

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

Kindly acknowledge.

Yours Sincerely



Syed Zaigham Raza  
Acting Company Secretary



Mr. Abdullah

(23) H

# **SCHEME OF ARRANGEMENT**

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

**INVOLVING**

**PICIC[INSURANCE] LIMITED  
(PICICIL)**

**AND**

**CRESCENT STAR FOODS (PVT) LTD.  
(CSF)**

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## **SCHEME OF ARRANGEMENT**

For the amalgamation of PICIC Insurance Ltd. (hereinafter referred to as "PICICIL") and Crescent Star Foods (hereinafter referred to as "CSF") the consequent transfer to and vesting in PICIC of all the Assets and Liabilities of CSF and dissolution, without winding-up of CSF (Pvt.) Ltd.

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## PRELIMINARY

### 1. DEFINITIONS

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

- i. "Assets" Means all properties (whether movable or immovable), rights, titles and assets (whether tangible or intangible), privileges, powers, licenses, permissions, claims, and interests, including but not limited to:
- (a) legal and/or beneficial interests including without limitation statutory, contractual and/or regulatory rights, titles, permits, authorizations, permissions, concessions, privileges, sanctions, approvals, licenses, and registration;
  - (b) historical and current documents, date and information;
  - (c) claims and receivables;
  - (d) cash in hand or at bank;
  - (e) connections, equipments, installations and facilities pertaining to telecommunications, water, gas electricity, sewerage or other utilities and the benefit of all

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payments and deposits made in connection therewith;

- (f) rights, title and interest in intellectual property;
- (g) trade secrets; technical data, processes and know-how;
- (h) goodwill, revaluation on surplus; share premium account; capital reserves, revenue reserves and accumulated accounting losses;
- (i) Tax credits, Tax or other refunds; Tax or tariff protections, concessions, remissions or exemptions.
- (j) Agreements, leases, and arrangements inclusive of all rights thereunder.

- ii. "Act" Means Companies Act, 2017
- iii. "Amalgamation" Shall have the same meaning as prescribed thereto in Article 07 of this Scheme.
- iv. "Annexure A" Annexure attached hereto which lists the members of the Board of Directors of CSF.
- v. "Annexure B" Annexure attached hereto which

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lists the members of the Board of Directors of PICICL.

- vi. "Annexure C" Annexure attached hereto containing the Swap Ratio.
- vii. "CSF" Shall have the meaning as prescribed in the Preamble above.
- viii. "CDC" Means the Central Depository Company of Pakistan Ltd.
- ix. "CDS" Means the Central Depository System (an electronic book entry system for the recording and transfer of securities, established under the Central Depository Act, 1997 and maintained by the CDC.
- x. "Claims" Means all present or future, actual or contingent, current or deferred claims, counter-claims, demands or causes of action by or against CSF or PICICIL.
- xi. "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.

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- xii. "Contracts" Means agreements, deeds, trusts, leases, conveyances, grants, undertakings, and/or contracts of every description related to or connected with CSF or PICICIL.
  
- xiii. "Completion Date" Means the day on which the certified true copy of order(s) of the Court under Section 279(3) of the Act, 2017 sanctioning the scheme filed with the Registrar of Companies.
  
- xiv. "Court" Means the Hon'ble High Court of Sindh or any other Court for the time being having jurisdiction under Section 279 to 282 read with Section 285 (8) of Companies Act, 2017 read with SRO Notification No.840(I)/2017 dated 17.8.2017.
  
- xv. "Effective date" Means the date on which the scheme is sanctioned by the Court in terms of section 279 read with 280, 281, 282 of Companies Act, 2017 or such date as stipulated by the Court.
  
- xvi. "Employees" Means all employees of CSFL and PICICIL.
  
- xvi(a) "Insurance" Means liabilities accrued by

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- Liabilities" business of insurance i.e. business of entering into and carrying out policies or contracts, by whatever name called includes reinsurance and retrocession.
- xvii. "Liabilities and Obligations" Includes all borrowings, all liabilities, duties and obligations of every kind / description, (whether present or future, actual or contingent) arising out / payable under any agreement, statute, law or otherwise and whether pertaining to Asset or otherwise. The term "liabilities" and "obligations" are used interchangeably and/or in conjunction with each other.
- xviii. "Litigation" Claims, petitions, suits, applications or appeals, filed before or pending with any court, authority, tribunal or regulatory body, whether in its original jurisdiction or appellate jurisdiction.
- xix. "Merged Company" Means PICICL as the surviving entity after amalgamation/merger of CSF into PICICIL
- xx. "Merging Companies" Means CSF and PICICIL that are proposed to be merged in terms of the Scheme with an effect of constituting a MERGED COMPANY.

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- xxi. "Ordinance" Means erstwhile the Companies Ordinance, 1984 or any other statutory modification or reenactment thereof.
- xxii. "PICICL" Shall have the meaning as prescribed in the Preamble above.
- xxiii. "PICICL Shares" Means the ordinary shares of PKR.10/- each in the share capital of PICICL to be issued and allotted to the shareholders in accordance with Article 17 of the Scheme.
- xxiv. "Record Date" Means the date to be fixed by the directors of PICICL after the completion date, to determine the identities and entitlements of the shareholders.
- xxv. "Scheme" Means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved and/or ordered by the Court.
- xxvi. "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),

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hypothecation, assignment by way of security, right of set-off undertaking or other means of securing payment or discharge of any liabilities and obligations.

xxvii. "Shareholders" Means the registered shareholders of PICIC on the Record Date.

xxviii. "Swap Letter" Means the Swap Ratio determination Report dated November 21, 2017 of Horwath Hussain Chaudhary and Co. chartered Accountants attached hereto as Annexure "C" containing, inter-alia, the swap ratio.

xxix. "Swap Ratio" Shall have the same meaning as prescribed thereto in Article 17.01 of the instant Scheme.

xxx. "Tax" Means all present and future taxes, including income tax, sales, tax, stamp duties, octroi, customs or excise duty, registration charges, levies, fees, deductions, imposts.

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2. **HEADINGS**

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

3. **PRINCIPAL OBJECT(S)**

The principal object(s) of the instant Scheme is to achieve the amalgamation of CSF and PICICIL, the consequent transfer to and vesting in PICICIL of all Assets and Liabilities of CSF and the dissolution, without winding-up of CSF. (The "Amalgamation") and allot and issue fully paid PICICIL shares to the shareholders of CSF based on Swap Ratio.

4. **CRESCENT STAR FOODS (PVT) LTD.**

CSF was incorporated in Pakistan on 23<sup>rd</sup> July, 2015 under the provisions of Companies Ordinance, 1984. CSF is a private limited Company having its registered office at 2<sup>nd</sup> Floor, Nadir House, I.I. Chundrigar Road, Karachi, currently has an issued and paid-up share capital of Rs.299,999,320 comprising of 299,999,320 ordinary shares of Rs.10 each. The authorized share capital is Rs.300,000,000. The principal activity of CSF comprises of carrying on the business of hotel, restaurant, snack bars, fast food café, motels, holiday camps, guest house, canteen, etc.

NAMES OF DIRECTORS OF ARE MENTIONED BELOW:

**NAMES**

1. Mr. Naim Anwar
2. Mr. Bilal Anwar
3. Mr. Tanveer Ahmed

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**5. PICIC(INSURANCE) LIMITED**

1. PICIC (Insurance) Limited is a listed company at Pakistan Stock Exchange (PSX) was incorporated under the laws of Pakistan on 23<sup>rd</sup> April, 2004 under the provisions of Companies Ordinance, 1984. It is a Company Limited by Shares with registered office at 3<sup>rd</sup> Floor, Nadir House I.I. Chundrigar Road, Karachi, has an issued and paid-up share capital of Rs.350,000,000 comprising of 350,000,000 ordinary shares of Rs. 10 each. With the equity of PKR 506,000. The authorized share capital is currently Rs.1,250,000,000 The principal activity of PICICIL is to set up an insurance business in insurance sector.

NAMES OF DIRECTORS OF PICICIL ARE MENTIONED BELOW:

**Name**

- 1 Mr. Irshad Ali Subhan Ali  
Kassim
- 2 Mr. Abu Ahmed
- 3 Mr. Munawar Ali Kassim
- 4 Mr. Musafar Ali Shah Bukhari
- 5 Mr. Moiz Ali
- 6 Ms. Nudarat Fatima

(awaiting sound & prudent approval from SECP)

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- 7 Hafiz Hassan Saeed Muhammad (awaiting sound & prudent approval from SECP)
- 8 Sh.Khurram Rehman (awaiting sound & prudent approval from SECP)

[Annexure "B" to the Scheme]

6. Upon sanction of this scheme, the authorized share capital of CSF will be merged with the authorized share capital of PICIC. The authorized share capital of PICIC shall thus stand to PKR141,000,000,000 (Rupees One hundred and forty one billion) divided into 1,410,000,000 share of Rs. 10 each and accordingly the Memorandum and Articles of Association of PICIC shall stand amended. Approval of this scheme shall also include and constitute an approval by way of special resolution from shareholders of PICIC to the alteration of the Memorandum and Articles of Association of PICIC. For increase of authorized share capital of PICIC to PKR 141,000,000,000 (Rupees One hundred and forty one billion) as required in terms of the Act, 2017.

7. **RATIONALE FOR AMALGAMATION / MERGER**

7.1. **ECONOMIES OF SCALE**

PICICIL as insurance company is unable to meet regulatory requirements of an insurance company. The amalgamation of CSF into PICICIL with PICICIL being the surviving entity will safeguard the interest of all stakeholders especially shareholders of PICICIL. PICICIL as the surviving entity main object clause will be amended to

become a Fast Moving Goods Company (FMGC) which will be advantageous to the shareholders.

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7.2. **ENHANCED PROFITABILITY**

Synergies which are expected to be achieved after the merger are likely to have a positive impact on the profitability of the merged company.

7.3. **LARGER EQUITY AND ASSET BASE**

The Merged Company will benefit from a larger asset and equity base. This would be advantageous in terms of having access to more external funds at competitive rates. The larger size of asset and equity base is likely to improve growth prospects and profitability. The larger size of asset and equity base would provide greater opportunity to shareholders invest in PICICIL (FMGC company) and provide comfort to existing and potential creditors.

7.4. **SYNERGIES REDUCTION IN ADMINISTRATIVE EXPENSES**

In consequence to the proposed merger, the merging company shall achieve reduction of administrative expenses and administrative convenience by way of following:

- (i) Only one Annual General Meeting will be required to be held and one set of annual / quarterly accounts will have to be submitted / circulated.

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- (ii) Single assessment for tax and their filing and record keeping.
  - (iii) Single reporting to Government Agencies including Registrar of Companies, FBR, EOBI, SESSI and various other Government Agencies.
  - (iv) Consolidated departments to manage the affairs instead of two departments of the same function.
  - (v) The registration and compliance with SECP will also be single instead of two.
  - (vi) The reduction of administrative expenses will lead to greater efficiency and improved productivity.

#### 7.5. **INCREASE IN RISK ABSORPTION**

Amalgamation between CSF and PICICIL would increase the risk absorption capacity of the merged company and thus enhancing the capacity to manage the potential risks arising out of the adverse and uncertain operating environment. In the long run, this would provide greater stability and as well as sustainability in operations.

#### 7.6. **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.

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**7.7. LEVERAGING AGAINST THE ASSETS OF CSF**

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

**7.8. OVERALL BENEFITS**

The amalgamation will be advantageous to shareholders, employees and all stakeholders as the surviving Company is to surrender its insurance license and become a FMGC company giving better opportunity to shareholders and other stakeholders and is likely to experience economies of scale, reduction in administrative expenses which is likely to enhance profitability and prospect of higher dividend yield to shareholders may be expected.

**8. SCHEME OF ARRANGEMENT**

This Scheme is proposed pursuant to the provisions of Section 279 to 282 of the Act, 2017 for transfer and vesting of CSF in PICICIL with effect from the effective date as the Court may order. The scheme, shall be subject to sanction of the Court with such modifications or additions or deletions, and become effective from the effective date as defined.

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## 8. ASSETS OF THECSF

8.1. CSF Undertaking to be transferred and vested in PICICL under this scheme shall be inclusive of the following:

(a) All assets and properties of the CSF, including, without limitation, properties of all kinds and by whatever title held and whether movable or immovable or tangible or intangible, and without limiting the generality of the foregoing in particular:

- (i) The office buildings at infrastructure is yet to be located including office on rent, rent agreement shall stand transferred to PICICIL from the effective date of instant scheme.
- (ii) All plant, machinery, equipment, spare parts, tools, appliances, computer systems and equipment, motor and other vehicles, furniture, fixtures and fittings;
- (iii) All stock-in-trade, inventory, stocks of fuel, raw materials, ingredients, packaging, office and laboratory supplies, engineering spares, consumable stores, work in progress, finished goods;
- (iv) listing Rights and privileges as listed company of Pakistan Stock Exchange (PSX) with all assets and obligations.
- (v) Transfer and vesting such assets and properties shall be subject to all mortgages

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and charges and other encumbrances  
subsisting thereon.

## 9. CONTRACTS

The following shall be transferred without limitation from the CSF and vested in PICICIL. The insurance liabilities of PICICIL, will be taken by CSIL which is parent company of CSF (CSF is subsidiary of CSIL), for which application moved for and on behalf of PICICIL for the revocation of license of insurance:

- (i) All contracts entered into by or substituting in favour the CSF which remain in whole or in part to be performed, inclusive of all rights and obligations of the CSF arising there-under;
- (ii) All contracts, agreements, trusts, leases, hires, rentals, sub-leases, tenancies, conveyances, grants, instruments of transfer, engagements, commitments and arrangements entered into by the CSF or substituting in favour of the CSF, inclusive of all rights and obligations of CSF arising there-under;

## 10. ACCOUNTS

The accounts maintained and held by the CSF with any bank, financial institution, customer, supplier, Government Department authorities or agencies any service or amenities to the CSF shall on the effective date become the account of PICICIL, and subject to same terms and conditions as before. Any existing instructions, orders, directions, mandates, powers of attorney,

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authorities, undertakings or consents given to the CSF in writing in relation to an account shall have effect on and from the effective date as if given to CSF.

#### **11. INSURANCE LIABILITIES**

All insurance Liabilities of M/s. PICICL shall be liabilities of M/s. Crescent Star Insurance Ltd. being insurance company who undertook to acquire all insurance liabilities being condition of revocation of license of insurance under section 9 of the Insurance Ordinance, 2000.

#### **12. CLAIMS**

All actionable claims, book, trade and other debts or sums (including suppliers' credit notes) due, owing, accrued or payable to the CSF (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, investment in shares, debentures, debt instruments and other securities), cash in hand and at banks or other depositaries shall be deemed to have been transferred to PICIC on the effective date. The insurance liabilities/claim of PICICL shall be transferred to CSIL.

#### **12. RIGHTS**

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All rights, powers, authorities and privileges of the CSF will be merged in PICICIL including, without limitation:

- (i) All registrations, licenses, permits, Memberships (Including PSX) authorizations, sanctions, permissions and approvals issued or granted by any Governmental Department or agency, or statutory or local body, municipal corporations.
- (ii) All concessions and entitlements; and
- (iii) All rights against third parties (including sub-contracts and retention of title rights)

**13. INTELLECTUAL PROPERTY RIGHTS, DOCUMENTS AND RECORDS**

The following shall be transferred and vested in PICIC under this scheme shall be inclusive of the following:

- (i) All proprietary rights, titles, and interests of the CSF anywhere in the world in any trademark, service mark, design, patent, copyright and invention used exclusively in the business of the CSF, including but not limited to, any licenses (inclusive of benefits and burdens of such licenses) for the same, and any applications or the rights to apply for protection or registration of any of the same having an effective filing date or priority date on or earlier than the effective date, and any continuing, re-issue, divisional and re-examination patent application;

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- (ii) All rights, titles and interests in the intellectual property of CSF and all rights for registration in respect thereof and matters ancillary and incidental thereto;
- (iii) All rights, titles, and interests of the CSF including but not limited to technical data, know-how, industrial and technical information, trade secrets, secret processes 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 soft copy and existing computer software used exclusively by the CSF.
- (iv) 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, computer held form or any other form including such media as microfilm and microfiche.
- (v) The custody of any document and record held by CSF.

**14. TELECOMMUNICATION AND I.T. FACILITIES**

All connections and facilities of telecommunication and I.T. facilities owned or leased or licensed including telephones,

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mobile phones, pabx, telexes, facsimile, internet connections, servers, domains, and benefits of any other facility including all payments and deposits made in connection shall transfer to and vest in PICIC.

**15. UTILITY CONNECTIONS**

All connections, meters, and other installations owned or leased or licensed for the supply of electricity, water, and gas and the benefit of all payments and deposits made in connections therewith related to the facilities shall transfer to and vest in PICIC.

**16. TAXES, LEVIES AND OTHER DUTIES**

All liabilities on account of taxes and all concessions, tariff protections and duty and tax exemptions and remissions, and all entitlements to credit or refund of tax payments, including but not limited to, advance tax collections and withholding taxes collected / deducted, sales tax, customs duty, octroi other duties, taxes, levies, fees, charges, or imposts paid or made for or in respect of any assessment or liability of taxes or in connection with the purchase, acquisition or import of plain, machinery, equipment or any other materials comprised in the assets.

**17. CONSIDERATION FOR THE AMALGAMATION / MERGER**

1. As consideration for the amalgamation / merger in terms of scheme, 14,007,954,545 ordinary shares of PICICL of Rs.10 each shall be allotted, credited and fully paid-up, in the swap-ratio of 465.93 Shares of Rs.10, each of PICICL for every 1 share of Rs.10 each of CSF (Swap-Ratio) to the members of

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CSF who are registered holders of the ordinary shares of PICICL shall be determined in the same proportion in which they hold shares in CSF.

2. Fractional shares shall not be issued. All fractions less than a share shall be consolidated into whole shares which shall be disposed by PICICL as determined by the Board of Directors.
3. CSF shall from the date on which the ordinary shares of PICICL are allotted by PICICL to the shareholders of CSF, as stated above, stand dissolved without winding up.
4. The ordinary shares of PICICL upon issuance and allotment pursuant to this scheme shall rank paripasu with the existing shareholders of PICICL in all respects and shall be entitled to all dividends, bonus, right issue declared after the completion date.
5. The "swap ratio" has been calculated by Horwath Hussain Chaudhry & Co (Chartered Accountants) based on last available review financial statements of up to 30<sup>th</sup> June, 2017 of the respective companies.

[REPORT OF DETERMINATION OF SWAP RATIO  
DATED 21.11.2017 IS ENCLOSED HEREWITH  
AS ANNEXURE "C"]

#### **18. INTERESTS OF CUSTOMERS AND CREDITORS**

1. This Scheme shall not in any manner affect the interest of any customer or creditor, the merged company shall be bound to carry out the terms and conditions connected therewith with

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same legal effect and force as if this Scheme was not sanctioned, except all insurance liabilities which have irrevocably transferred to CSIL.

2. NOCs shall be obtained from the secured creditors, if any, and submitted in due course to the relevant authority and the Court.

#### **19. OUTSTANDING AMOUNTS**

All amounts owing (whether or not due for payment) or payable by the CSF and which are unpaid on the "**effective date**" in respect of the supply of goods, raw materials, utilities, and services (including, without limitation, credit notes granted and advances received from suppliers or customers) to the extent arising exclusively or primarily in the ordinary course of business, shall be owned or paid by the merged company under this scheme, except insurance liabilities arising from contract of insurance / policies issued.

#### **20. PENDING PROCEEDINGS**

1. All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against CSF and pending on or immediately before the completion shall be treated as suits, appeals, arbitrations, governmental investigations and other legal proceedings by or against PICICL and may be continued, prosecuted and enforced by or against PICICL.
2. Any right, claim or liability of the CSF on and from the effective date, the merged company shall have the same

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right, claim, power and remedy (and in particular the same right, claim and power as to taking or resisting legal proceedings or more making or resisting applications to authority) for ascertaining, perfecting or enforcing that right, claim or liability as if it had at all times been a right, claim or liability or merged company and any legal proceedings or applications to any authority existing or pending immediately before effective date by or against the CSF may be continued by or against by the merged company.

**21. EMPLOYEES**

1. On and from the completion, PICIC will take in employment all such employees of CSF who have accepted employment with CSF in lieu of their employment with CSF on the same terms and conditions applicable to them in CSF immediately before completion date including those relating to entitlements arising upon termination of service to payment of provident fund, gratuity, redundancy and pension, as applicable, and with benefit of pas service in CSF as the case may be.
2. The account balances of all such employees referred above, relating to Provident Fund and Gratuity Fund and benefits accrued to the Employees of the CSF, if any, shall be identified and determined and be deemed to have been transferred to the trustees or the managers of the similar funds in PICIC as trustees thereof for the benefit of Employees' Provident Fund, Gratuity Fund and Worker Profit Participation Fund and other accrued benefits, as the case may be, and all those funds shall be deemed to have been in

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existence and be in force and effect for the benefit of those employees from the effective date and all such employees referred to above, shall and be deemed to have become members of these funds with effect from the effective date subject however to the conditions that the continuity and the length of their respective membership or interest in such funds as the case may be, shall remain unaffected as it was before the Scheme was sanctioned.

**22. DIRECTORS AFTER AMALGAMATION**

1. The present directors of PICICL will be replaced with the directors of CSF and who will then co-opt other directors to meet the listing requirements.
2. No compensation shall be payable to any director for loss of office due to the merger.

**23. COST AND EXPENSES**

All costs, charges and expenses relating to the Scheme and of carrying out and implementing the terms and provisions of this Scheme and incidental to the completion of amalgamation of transfer to and vesting of the CSF in pursuance of this Scheme shall be borne and paid by PICIC.

**24. PETITION**

Subsequent on approval of the Scheme by the Board of Directors of the Merging Companies, a petition will be submitted to the Court for obtaining sanction of this Scheme by shareholders of the Merging Companies under the supervision of the Court and by the Court in terms of the provisions of Act, 2017.

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**25. MISCELLANEOUS**

1. The Scheme may be approved with or without modifications as per the discretion and/or as per the instructions of the Court.
2. Non-approval shall render the scheme null and void, no rights and liabilities shall accrue to or be incurred in terms of this Scheme of the Scheme is not approved by the requisite majority of members of the Merging Companies or if the Scheme is not sanctioned by the Court in respect of relevant provisions.
3. The transfer and vesting of the CSF into PICIC in terms of this Scheme shall not;
  - (a) Constitute any assignment
  - (b) Devolution
  - (c) Conveyance
  - (d) Alienation or other disposition under any law for the time being in force.
  - (e) Give rise to any forfeiture
  - (f) Invalidate or discharge any contract or security.
4. As of the effective date, the terms of this Scheme shall be binding on the CSF and all their members, and also on PICIC and all its members and also all the employees, debtors,

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creditors of the said companies and any person having any right or liability connect with or in relation to them.

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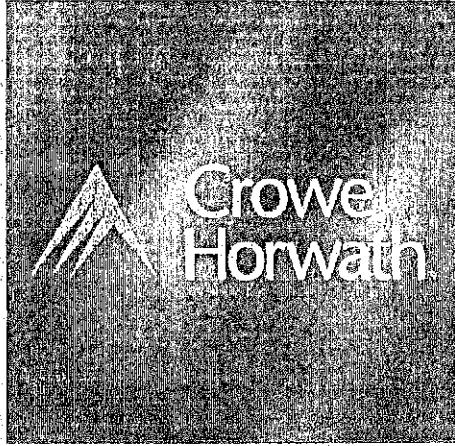
LIST OF DIRECTORS OF PETITIONER NO.2

Mr. Naim Anwar

Mr. Bilal Anwar

Mr. Tanveer Ahmed

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PICIC INSURANCE  
LIMITED AND  
CRESCENT STAR  
FOODS (PRIVATE)  
LIMITED

Share valuation report

November 21, 2017



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*Glossary of Terms and Abbreviations*

Term	Definition
PICIC	PICIC Insurance Limited
CSF	Crescent Stars Foods (Private) Limited
KSE / PSX	Karachi Stock Exchange / Pakistan Stock Exchange
SBP	State Bank of Pakistan
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortization
PBT	Profit before tax
FY	Fiscal year



### **Executive Summary**

In accordance with our engagement letter dated 29 June 2017, we are pleased to transmit our report on the subject matter. Horwath Hussain Chaudhury recognizes the importance of this assignment; therefore we have devoted the very best credentials in areas of expertise that will be critical for the successful execution and completion of this assignment. We have separately presented our detailed analysis on the assumptions and workings used in that report. Our work is conducted on the basis of the information provided by management of the company and we have covered the following aspects:

- Analysis and description of the company's structure and activities
- Analysis of the book value of assets and liabilities.

Based on such assumptions and analysis using Net Asset method at book value, the book value of the PICIC and CSF have been worked out at approximately Rs. 0.506 million and Rs. 202.515 million respectively as at June 30, 2017. (For detailed workings see page 8, 9 and 10).

Swap ratio has been calculated **466.93**, i.e. **466.93 shares of PICIC are to be issued for 1 share of CSF.**

The purpose of our work is to provide you compiled and synthesized information on the financial position of PICIC and CSF which focus on sensitive matters identified in the context of the transaction. However, our work does not in any way involve the giving of advice or recommendations to any prospective purchaser / seller party as to whether or not to proceed with the transaction. Our work is solely based on the limited scope provided by the management of the company. We accept no responsibility on whether the scope of our work specified is sufficient for your purposes. The procedures that we have performed are less than the scope of an audit and therefore cannot be relied upon to identify all matters of significance relating to your investment project. Accordingly, we have not assessed the quality of internal control. We have not expressed an audit opinion or issue any assurance in relation to the assignment.

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**Limitation of liability**

Horwath Hussain Chaudhury is not responsible for information provided in this report, particularly insofar as accuracy and exhaustiveness are concerned.

This document is strictly confidential. It is intended to be used solely by the management of PICIC and CSF and for the purposes outlined in the scope of our engagement. Moreover, it cannot be made available to anyone else without the prior authorization of Horwath Hussain Chaudhury and cannot be used in another context. Horwath Hussain Chaudhury will decline responsibility in case this report, altogether or in part, issued by a third party or for another purpose.

Our work has been performed exclusively for the information purposes of the management in the context of our engagement. The report does not represent an audit or a limited review of the financial statements of any company belonging to the assessment perimeter, as international audit standards define them. Consequently, we have not issued audit or limited review opinion concerning the information contained in this document. Had we performed further diligence or had we access to other sources of information, new elements might have been identified and included in our analysis. However, we have separately issued a half yearly review report on financial statements of PICIC for the period ended June 30, 2017 and audit report on Crescent Star Foods for the year ended June 30, 2017.

The management of PICIC and CSF remains solely responsible for the accuracy and the exhaustiveness of the information made available to us, the purpose of this report being only to draw attention to the factual conclusions of our work.

**Specific Limitations**

Performance by the Provider, Horwath Hussain Chaudhury & Co., of the services set out in the Scope of Work is subject to the following terms and conditions:

- 1) In respect of any advice provided to the Client by the Provider as set out in the Scope of Work, the Provider offers the Client no promise or guarantee of specific results other than that such advice will be given in good faith and that all reasonable efforts will be made by the Provider to ensure compliance with the applicable Pakistan laws.
- 2) At all times, the availability or continued provision of any and all services to the Client by the Provider as set out in the Scope of Work is subject to the Provider's determination of whether its supply of such services is in accordance with all Pakistan government regulations and good accounting practices. In the event that the Provider determines that it cannot honour a specific Client request for services which fall within the Scope of Work, it is entitled under this clause to refuse such request and such refusal shall not constitute an alteration, breach or termination of the Engagement.
- 3) The Client assumes full liability of the Provider to all third parties for the duties performed by the Provider in the Scope of Work fully indemnifies the Provider in the event it is subject to such third party claims and obligations.

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4) The Provider assumes, and has no duty to investigate the accuracy, completeness and validity of all information provided by the Client in relation to the performance of the services contained in the Scope of Work, and will not be responsible for any errors occurring due to the inaccuracy or incompleteness of such information.

5) The Provider understands that, in connection with the provision of services outlined under this engagement, officers and/or employees of the Provider may have access to Confidential Information relating to the Client's business affairs. The Provider agrees:

a) To preserve such confidentiality and not to disclose such Confidential Information in any manner whatsoever other than with the express authorization of the Client, either orally or in writing;

b) Not to use such Confidential Information in any manner other than in connection with the provision of services outlined under this engagement; and

c) To take all reasonable steps to ensure that access to Confidential Information is appropriately restricted and that all reasonable precautions are taken to ensure that Confidential Information is not in whole or in part disclosed without authorization or misappropriated.

6) The Client agrees that the Provider has responsibility only for the security of Client data located within the Provider's premises or under the exclusive control of the Provider's employees and other representatives while in locations other than the premises of the Client. The Provider assumes no responsibility for the security of any and all client data, or information technology systems related to such data, which are located within the premises of the Client regardless of whether such data or systems have, are or will be used by the Provider for performance of the Scope of Work above.

7) The Client agrees to treat as secret and confidential and not at any time for any reason to disclose or permit to be disclosed to any person or otherwise make use of or permit to be made use of any Confidential Information or unpublished information relating to the Provider's technology, software, or other know-how, business plans or any such information relating to a customer or a client of the Provider received by the Client during the period of this engagement.



## **Background**

### **Project: Evaluation of report on share valuation**

In accordance with our engagement via engagement letter dated 29 June 2017, we have undertaken an assignment for valuation of shares of PICIC and CSF.

### **Purpose of our report and restrictions on its use**

We have prepared this report on the specific instructions of PICIC solely for the purpose of assisting PICIC in connection with their proposed buying of shares of CSF. This report should not be relied upon for any other purpose. It should not be quoted, referred to or shown to any other parties (except your professional advisers acting in that capacity in connection with the proposed transaction, provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents unless so required by court order or a regulatory authority, without our prior consent in writing. Horwath Hussain Chaudhury & Co. assumes no responsibility whatsoever in respect of, or arising out of, or in connection with, the contents of this report to parties other than the addressees. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

### **Scope of our work**

Our review has covered the matters set out in our entry meeting at our office dated 29 June 2017. We have reported broadly on matters which we have noted and which appeared to us significant, but our brief review may not have revealed matters which could have been identified by a detailed investigation.

Our report is based upon information and explanations provided to us by the management of the company. We have not, except to such extent as you requested and we agreed to undertake, sought to verify the accuracy of the data or the information and explanations provided to us. The work we have undertaken does not constitute an audit in accordance with auditing standards.

### **Basis of our work**

The information contained in this report has been based upon information and explanations given to us by the management of the Company.



## Main Approaches of Valuation

Approach will be selected taking in account the type of acquisition.

- ❖ **The net assets basis:** Estimating the value of a company looks to the assets and liabilities of the business. At a minimum, a solvent company could shut down operations, sell off the assets, and pay the creditors. Any cash that would remain establishes a floor value for the company. This method is known as the net asset value or cost method. In general the discounted cash flows of a well-performing company exceed this floor value. Some companies, however, are worth more "dead than alive", like weakly performing companies that own many tangible assets. This method can also be used to value heterogeneous portfolios of investments, as well as non-profits, for which discounted cash flow analysis is not relevant. The valuation premise normally used is that of an orderly liquidation of the assets, although some valuation scenarios (e.g., purchase price allocation) imply an "in-use" valuation such as depreciated replacement cost new. While calculating the net assets of the company we will be taking into account force sales value and fair values or even the book values.
- ❖ **Discounted Cash Flow Valuation:** Discounted cash flow (DCF) is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future free cash flow projections and discounts them (most of ten using the weighted average cost of capital) to arrive at a present value, which is then used to evaluate the potential for investment. If the value arrived at through DCF analysis is higher than the current cost of the investment, the opportunity may be a good one.
- ❖ **The PE Ratio (or earnings yield) basis:** This income based method is popular for the valuation of majority holdings in going concern. It requires the prediction of a maintainable EPS for the company being valued and the use of the PE ratio of a listed company, whose activities are very similar to those of the business being valued. i.e.  $\text{Share value} = \text{EPS of company being valued} \times \text{PE of similar listed company}$ . If a similar listed company (Pure-play Company) is not readily available, it may be appropriate to use the average PE for the market sector in which the company operates. It may be necessary to adjust the PE used or the final calculated price; if the company being valued is an unlisted company, or where the company in question has different risk or different growth potential from the similar company or constituents of the industry average. Since an earnings yield is simply a reciprocal of the PE ratio, a valuation on an earnings yield basis would be as follows:  $\text{Share value} = \text{EPS of company being valued} \div \text{earnings yield of similar listed company}$ .
- ❖ **Book Value:** This is simply the value of all the company's assets, less its debt. Whether it's tangible things like cash, current assets, working capital and shareholder's equity, or intangible qualities like management or brand name, equity is everything that a company has if it were to suddenly stop selling products and stop making money tomorrow, and pay off all its creditor.

We see book value as relevant method of share valuation in our scenario. For buying a business which is working at its initial stages, you can probably just ignore it unless there are significant assets involved. Book value is a good way to test valuations of companies that have significant assets, such as inventory, receivables, equipment, or property. Book value might also be a good approach if a company has particularly low profits or losses.

*Calculation of value using book value method*

## CRESCENT STAR FOODS (PRIVATE) LIMITED

AS AT JUNE 30, 2017

PARTICULARS	Rs. in thousands
	BOOK VALUE Amount
<b>ASSETS</b>	
<b>NON CURRENT ASSETS</b>	
Property, plant and equipment	124,051
Intangibles	23,895
long term deposits	6,986
<b>Total Non Current Assets</b>	<b>154,932</b>
<b>CURRENT ASSETS</b>	
Stock in trade	21,030
Advances, deposits, prepayments and other receivables	65,974
Advance tax	1,185
Cash and bank balances	8,330
<b>Total Current Assets</b>	<b>96,519</b>
<b>Total Assets</b>	<b>251,451</b>
<b>NON-CURRENT LIABILITIES</b>	
Deferred tax liability	6,838
<b>Total Non-Current liabilities</b>	<b>6,838</b>
<b>CURRENT LIABILITIES</b>	
Trade and other payable	3,283
Other Payables	37,732
Provision for Tax	1,083
<b>Total Current liabilities</b>	<b>42,098</b>
<b>Total liabilities</b>	<b>48,936</b>
<b>Net assets value</b>	<b>202,515</b>



**PICIC INSURANCE LIMITED**  
**AS AT JUNE 30, 2017**

PARTICULARS	Rs. in thousands
	BOOK VALUE
	Amount
<b>ASSETS</b>	
<b>NON CURRENT ASSETS</b>	
Furniture and fixture	-
Office equipment	123
Computer equipment	1,101
Motor vehicles	1,408
Investments	37,414
Deferred Taxation	2,619
<b>Total Non Current Assets</b>	<b>42,655</b>
<b>CURRENT ASSETS</b>	
Premiums due but unpaid	1,179
Amounts due from other insurers / reinsurers	176,088
Accrued Interest	-
Reinsurance recoveries against outstanding claims	13,566
Taxation-payments less provision	26,883
Deferred commission expense	71
Deferred acquisition costs	-
Prepayments	13
Sundry and other receivables	5,535
Cash and other equivalents	133
Current and other accounts	760
<b>Total Current Assets</b>	<b>224,228</b>
<b>Total Assets</b>	<b>266,893</b>
<b>CURRENT LIABILITIES</b>	
Provision for outstanding claims (including IBNR)	118,408
Provision for unearned premium	222
Amounts due to other insurers / reinsurers	104,562
Other creditors and accruals	33,696
Accrued expenses	9,304
Unclaimed dividend	195
<b>Total Current liabilities</b>	<b>266,387</b>
<b>Total liabilities</b>	<b>266,387</b>
<b>Net assets value</b>	<b>506</b>



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### SWAP RATIO

	PICIC	CSF
	----- <i>(Rupees)</i> -----	
Total assets	266,893,000.00	251,451,000.00
Total liabilities	(266,387,500.00)	(48,936,000.00)
	<u>506,000.00</u>	<u>202,515,000.00</u>
	----- <i>(Number)</i> -----	
No. of shares	<u>35,000,000</u>	<u>29,999,932</u>
	----- <i>(Rupees)</i> -----	
Breakup value	<u>0.01</u>	<u>6.75</u>
Swap ratio	466.93	
Number of shares to be issued	14,007,954,545	

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### *Information Sources*

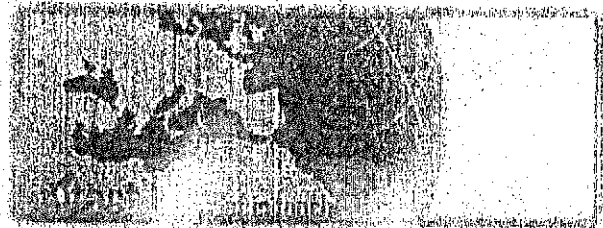
During the course of the valuation exercise, we relied on the following information provided to us by the management of PICIC and CSF. As mentioned in limited liability section, our conclusion is dependent on such information being complete and accurate in all material respects.

- Audited financial statements of PICIC Insurance Limited and Crescent Star Foods (Private) Limited
- Confirmations from legal advisor regarding litigations
- Management inquiry

### *Contact Information*

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The contents of this report are confidential and not for distribution to anyone other than addressees of the report. Disclosure to third parties cannot be made without the prior written consent of Horwath Hussain Chaudhury & Co. Horwath Hussain Chaudhury & Co. is the Pakistan firm of Crowe Horwath, an international advisory and accountancy group. Horwath Hussain Chaudhury & Co. is registered by the Institute of Chartered Accountants in Pakistan to carry out company audit work.